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中國山東高速金融集團有限公司
CHINA SHANDONG HI-SPEED FINANCIAL GROUP LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 412)

ISSUE OF US\$40,000,000 CONVERTIBLE BONDS UNDER GENERAL MANDATE

THE SUBSCRIPTION AGREEMENT

On 23 January 2018 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has agreed to subscribe, and the Company has agreed to issue, the Bonds in an aggregate principal amount of US\$40,000,000.

As at the date of this announcement, the Company has an aggregate of 24,188,648,437 Shares in issue. Assuming (i) there is no other change in the existing shareholding of the Company; and (ii) the full conversion of the Bonds, based on the initial Conversion Price, a maximum of 817,142,856 Conversion Shares will be issued, representing (i) approximately 3.38% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 3.27% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

The Conversion Shares will be allotted and issued pursuant to the General Mandate. Accordingly, the issue of the Bonds and the allotment and issue of the Conversion Shares (upon conversion of the Bonds) are not subject to Shareholders' approval.

GENERAL

The Company will make an application to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange. No application will be made by the Company to the Listing Committee for listing of the Bonds. Completion of the Subscription is subject to the fulfilment of all conditions set out in the paragraph headed "Conditions Precedent" below. As the issue of the Bonds are subject to the fulfilment of certain Conditions Precedent and may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

On 23 January 2018 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Subscriber has agreed to subscribe, and the Company has agreed to issue, the Bonds in an aggregate principal amount of US\$40,000,000. Completion of the Subscription is subject to the fulfilment of all conditions set out in the paragraph headed “Conditions Precedent” below. Details of the terms of the Subscription Agreement and the Bonds are summarised below:

THE SUBSCRIPTION AGREEMENT

Date: 23 January 2018 (after trading hours)

Issuer: The Company

Subscriber: The Subscriber

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Subscriber and its respective ultimate beneficial owner(s) are third parties independent of and are not connected persons (as defined under the Listing Rules) of the Company.

Subscription of the Bonds

Subject to the fulfilment of the Conditions Precedent set out below, the Subscriber shall subscribe for, and the Company shall issue, the Bonds in an aggregate principal amount of US\$40,000,000.

Conditions Precedent

Completion of the Subscription shall be conditional upon, *inter alia*:

- (a) the Warranties being true, correct and complete in all material respects when made and remaining true, correct and complete and not misleading in all material respects as at the Closing Date;
- (b) (where required) the Company having obtained all necessary approvals, consents and waivers from the Stock Exchange and the completion of all necessary filings with any government or regulatory authority required for the entering into of the Transaction Documents and/or the performance of its obligations hereunder by the Company; and
- (c) a legal opinion from the Company’s Bermuda counsel opining on the due incorporation, existence and capacity of the Company, the Company’s capacity in respect of the entry into the Agreement and the other Transaction Documents and the performance of its obligations thereunder, addressed and acceptable to the Subscriber have been issued.

Subject to the fulfilment of the above Conditions Precedent, the Subscription of the Bonds shall be completed on the Closing Date.

PRINCIPAL TERMS OF THE BONDS

The principal terms of the Bonds are summarised below:

Principal amount : US\$40,000,000.

Interest : 6% per annum.

Maturity Date : The date falling eighteen months from the date of issue of the Bonds. The Company will redeem the Bonds that have not been redeemed, converted or purchased and cancelled on the Maturity Day.

Conversion Price : The Conversion Price is HK\$0.35 per Conversion Share for the Tranche A Bonds, and HK\$0.42 per Conversion Share for the Tranche B Bonds, subject to the adjustments as set out in accordance with the terms and conditions of the Instrument. The Conversion Price for Tranche A Bonds and Tranche B Bonds represents (i) a premium of approximately 1.45% and 21.74% respectively to the closing price of HK\$0.345 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement, (ii) a premium of approximately 4.79% and 25.75% to the average closing price of HK\$0.334 per Share as quoted on the Stock Exchange for the 5 consecutive trading days immediately preceding the date of the Subscription Agreement and (iii) a premium of approximately 3.70% and 24.44% to the average closing price of HK\$0.3375 per Share as quoted on the Stock Exchange for the 10 consecutive trading days immediately preceding the date of the Subscription Agreement.

The Conversion Price was determined after arm's length negotiations between the Company and the Subscriber after considering the current market sentiment, the recent market prices and performance of the Shares, the historical financial performance and the business prospects of the Company.

Mandatory conversion : If the average closing price of the Shares for any five consecutive trading days is equal to or greater than HK\$0.38, the Tranche A Bonds shall immediately become convertible into Shares.

- Adjustments to the Conversion Price : The Conversion Price shall be, from time to time, subject to adjustment upon occurrence of, *inter alia*, any of the following events:
- i. consolidation, subdivision or reclassification of Shares;
 - ii. capitalisation of profits or reserves;
 - iii. capital distributions;
 - iv. offer of new Shares for subscription by way of a rights issue, an open offer or a grant of options or warrants or other rights to subscribe for new Shares, at a price which is less than 80% of the market price on the trading day last preceding the date of the announcement of the terms of such offer or grant per Share to Shareholders;
 - v. issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the relevant consideration per new Share receivable is less than 80% of the market price on the trading day last preceding the date of the announcement of the terms of issue of such securities;
 - vi. issue wholly for cash being made by the Company of securities other than Shares or options, warrants or other rights to subscribe for or purchase Shares;
 - vii. issue of Shares or options, warrants or other rights to subscribe or purchase Shares being made wholly for cash at a price less than 80% of the market price per Share on the trading day last preceding the date of announcement of the terms of such issue;
 - viii. any modification of the rights of conversion, exchange or subscription attaching to such securities at a price less than 80% of the market price per Share on the trading day last preceding the date of announcement of the terms of such modification;

- ix. the Company or any Subsidiary or any other person at the direction of the Company/Subsidiary sells or distributes any securities in connection with an offer by or on behalf of the Company/Subsidiary in which shareholders holding at least 60% of the Shares outstanding at the time such offer is made are entitled to participate in arrangements whereby such securities may be acquired by them;

Any adjustment to the Conversion Price shall not involve an increase in the Conversion Price except in the case of consolidation of Shares or to correct an error.

- Conversion Shares : Based on the initial Conversion Price, a maximum number of 817,142,856 Conversion Shares may fall to be allotted and issued upon exercise by the Bondholders of the Conversion Rights attaching to the Bonds in full.
- Conversion period : Any time after the date of issue of the Bonds and up to and including the Maturity Date.
- Transferability : The Bonds are transferrable.
- Status of the Bonds : The Bonds constitute direct, unsubordinated, unconditional and unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Company under the Bonds shall, save for such exception as may be provided by mandatory provisions of applicable laws, at all times rank at least equally with all the Company's other present and future unsecured and unsubordinated obligations.
- Early Redemption : The Company may at its option, at any time after the date of issue of the Bonds redeem the Bonds prior to the Maturity Day.
- Bondholders' Right to Redemption : Each Bondholder may require the Company to redeem all, but not some of his Bonds if, *inter alia*:
- (i) the Shares cease to be listed on the Stock Exchange;
 - (ii) Mr. Ji Kecheng ceases to be the Chief Executive Officer of the Company;

(iii) when the Company's allowance (general or specific) for impairment loss and any other reserve, provision and other similar accounting item in respect of its "finance lease receivables" and "loans receivables" (both in non-current assets and current assets) appearing in the Company's annual audited consolidated financial statements or semi-annual unaudited consolidated financial statements, whichever is the latest, are in aggregate in excess of the greater of (x) HK\$150,000,000 or (y) fifteen (15) per cent. of the aggregate amount of the said "finance lease receivables" and "loans receivables" (both in non-current assets and current assets).

Voting : The Bondholder(s) shall not be entitled to attend or vote at any meetings of the Company by reason of it only being the Bondholder(s).

Application for listing : No application will be made by the Company for the listing of the Bonds on the Stock Exchange or any other stock exchange. An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

GENERAL MANDATE

Upon exercise in full of the conversion rights attaching to the Bonds at the initial Conversion Price, a maximum of 817,142,856 Conversion Shares shall be allotted and issued under the General Mandate granted to the Directors pursuant to an ordinary resolution passed by the Shareholders at the annual general meeting of the Company held on 29 September 2017. Under the General Mandate, the Company is authorised to allot, issue and otherwise deal with new Shares (including the issue of any securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares) up to a maximum of 20% of the aggregate amount of the issued share capital of the Company as at the date of the aforesaid general meeting, which amounts to 3,837,729,687 new Shares. As at the date of this announcement, save and except the Consideration Shares, none of the General Mandate have been utilized.

REASONS FOR THE ISSUE OF THE BONDS AND USE OF PROCEEDS

The Group is principally engaged in the provision of financial services, including (i) financial leasing; (ii) investment in listed and unlisted securities; (iii) money lending business; and (iv) operation of an asset trading platform.

The estimated net proceeds from the issue of the Bonds (after deducting all related expenses), are estimated to be approximately HK\$310 million, which are intended to be used for the redemption of the convertible bonds issued by the Company on 24 December 2015 (the “**Previous Bonds**”), details of which have been disclosed in the announcement of the Company dated 15 December 2015 and 24 December 2015. The Board is of the view that the redemption of the Previous Bonds has enabled the Company to enter into the Subscription Agreement on more favourable terms to the Group as compared with the Previous Bonds in terms of maturity period and effective interest rate. The Previous Bonds will be redeemed upon issuance of the Bond. The net price of each Conversion Share will be approximately HK\$0.38.

Based on the foregoing, the Directors consider that the terms of the Subscription Agreement, which were arrived at after arm’s length negotiations between the Company and the Subscriber, are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE SUBSCRIBER

The Subscriber is an open-ended exempted segregated portfolio company incorporated with limited liability in the Cayman Islands. To the best of the knowledge, information and belief of the Directors, and having made all reasonable enquiries, the Subscriber and its ultimate beneficial owner(s) are third parties independent of and are not Connected Persons (as defined under the Listing Rules) of the Company.

EFFECTS OF THE SUBSCRIPTION ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustrative purposes, the tables below set out the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the allotment and issue of the Consideration Shares (assuming that there is no other change in the existing shareholding of the Company); and (iii) immediately after full conversion of the Bonds at the initial Conversion Price (i.e. HK\$0.35 for Tranche A Bonds and HK\$0.42 for Tranche B Bonds) pursuant to the Subscription Agreement (assuming that there is no other change in the existing shareholding of the Company save and except the allotment and issue of the Consideration Shares):

Shareholders	As at the date of this announcement		Immediately after the allotment and issue of the Consideration Shares (assuming that there is no other change in the existing shareholding of the Company)		Immediately after full conversion of the Bonds at the initial Conversion Price (assuming that there is no other change in the existing shareholding of the Company save and except the allotment and issue of the Consideration Shares)	
	No. of shares	Approximate %	No. of shares	Approximate %	No. of shares	Approximate %
Shandong Hi-Speed Group Co., Ltd. (Note 1)	10,459,648,350	43.24	10,459,648,350	42.60	10,459,648,350	41.23
Li Shao Yu (Note 2)	3,547,689,650	14.67	3,547,689,650	14.45	3,547,689,650	13.98
Central Huijin Investment Ltd. (Note 3)	1,781,122,153	7.36	1,781,122,153	7.25	1,781,122,153	7.02
Haitong Securities Co., Ltd. (Note 4)	2,221,064,516	9.18	2,221,064,516	9.05	2,221,064,516	8.76
Honest Investment Ltd. Director (Note 5)	30,000,000	0.12	30,000,000	0.12	30,000,000	0.12
Subscriber	—	—	—	—	817,142,856	3.22
Public	6,149,123,768	25.42	6,149,123,768	25.05	6,149,123,768	24.24
Total	24,188,648,437	100.00	24,551,714,002	100.00	25,368,856,858	100.00

Notes:

- Shandong Hi-Speed Group Co., Ltd. is deemed to be interested in the 5,459,648,350 Shares held by Shandong Hi-Speed (Hong Kong) International Capital Limited pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”) by virtue of Shandong Hi-Speed (Hong Kong) International Capital Limited, a company incorporated in Hong Kong with limited liability, being a subsidiary of Shandong Hi-Speed (BVI) Capital Management Limited, a company incorporated in the British Virgin Islands with limited liability, which in turn is a subsidiary of Shandong Hi-Speed Group Co., Ltd., a company incorporated in the PRC with limited liability. In addition, Shandong Hi-Speed Group Co., Ltd. is deemed to be interested in the 5,000,000,000 Shares held by Shandong International (Hong Kong) Limited pursuant to SFO by virtue of Shandong International (Hong Kong) Limited being a subsidiary of 山東省農村經濟開發投資公司, which in turn is a subsidiary of Shandong Hi-Speed Group Co., Ltd.
- Ms. Li Shao Yu is deemed to be interested in the 3,503,559,650 Shares held by Hao Tian Management (Hong Kong) Limited pursuant to the SFO by virtue of Hao Tian Management (Hong Kong) Limited, being a subsidiary of Win Team Investments Limited, which in turn is a subsidiary of Hao Tian Development Group Limited, which in turn is a subsidiary of Asia Link Capital Investment Holdings Limited, in which Ms. Li Shao Yu holds 100% beneficial interest. In addition, Ms. Li Shao Yu is deemed to be interested in the 44,130,000 Shares held by TRXY Development (HK) Limited

pursuant to the SFO by virtue of TRXY Development (HK) Limited being owned as to 90% and 9%, respectively, by Hao Tian Integrated Group Development Limited and Hao Tian Group Holdings Limited, both of which are wholly-owned by Ms. Li Shao Yu.

3. Central Huijin Investment Ltd. is deemed to be interested in the 1,781,122,153 Shares held by Sea Venture Investments Ltd pursuant to the SFO by virtue of Sea Venture Investments Ltd, being a subsidiary of CCB Investments Ltd, which in turn is a subsidiary of CCB International (Holdings) Ltd, which in turn is a subsidiary of CCB Financial Holdings Ltd, which in turn is a subsidiary of CCB International Group Holdings Ltd, which in turn is a subsidiary of China Construction Bank Corporation, in which Central Huijin Investment Ltd. holds 57.11% beneficial interest.
4. Haitong Securities Co. Ltd. is deemed to be interested in the 2,221,064,516 Shares held by Hai Tong Asset Management (HK) Limited and the 433,333,333 Shares held by Haitong International Asset Management Limited pursuant to the SFO by virtue of Hai Tong Asset Management (HK) Limited and Haitong International Asset Management Limited being subsidiaries of Haitong International (BVI) Ltd, which in turn is a subsidiary of Haitong International Securities Ltd, which in turn is a subsidiary of Haitong International Holdings Limited, in which Haitong Securities Co. Ltd. holds 100% beneficial interest. The 433,333,333 Shares deemed to be held by Haitong International Asset Management Limited are interests under the Previous Bonds. Since the Previous Bonds will be redeemed using the net proceeds from the issue of the Bonds, they will not be converted into Shares. Haitong International Asset Management Limited is the investment advisor of the Subscriber.
5. Mr. Lo Man Tuen, a non-executive Director, is holding 30,000,000 Shares.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any fundraising activities in the past twelve months before the date of this announcement.

PUBLIC FLOAT

The Company will monitor closely and will ensure that it maintains the minimum public float percentage as prescribed under the Listing Rules from time to time. The Company's public float will not fall below the minimum prescribed percentage under the Listing Rules upon conversion of the Bonds.

GENERAL

The Company will make an application to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares on the Stock Exchange. No application will be made by the Company to the Listing Committee for the listing of the Bonds. Completion of the Subscription is subject to the satisfaction of the Conditions Precedent in the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

“Board” or “Board of Directors”	the board of Directors;
“Bondholder”	the person who is for the time being the holder of the Bonds;
“Bonds”	the convertible bonds in an aggregate principal amount of US\$40,000,000 to be issued by the Company on the terms set out in the Instrument;
“Business Day”	a day on which banks in Hong Kong are open for general banking business, other than (i) a Saturday or a Sunday; or (ii) a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.;
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended from time to time;
“Company”	China Shandong Hi-Speed Financial Group Limited (中國山東高速金融集團有限公司), a company incorporated under the laws of Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 00412);
“Conditions”	means the terms and conditions of the Bonds;
“Closing Date”	6 February 2018 (or such other date as the Company and the Subscriber may mutually agree upon);
“Closing”	closing of the Subscription Agreement;
“Conditions Precedent”	the conditions precedent to the Closing of the Subscription Agreement as set out above;
“Connected Person(s)”	has the meanings ascribed to it under the Listing Rules;
“Consideration Shares”	363,065,565 Shares which are required to be allotted and issued to Honesta Investment pursuant to the share transfer and subscription agreement dated 29 December 2017 entered into between Coastal Silk Limited, Honesta Investment, Kun Peng International Limited and Mr. Hua Meng, details of which have been disclosed in the announcement of the Company dated 29 December 2017;

“Conversion Price”	means the price per Share at which Shares will be issued upon exercise of the Conversion Rights, such price initially being (i) HK\$0.35 per Share for the Tranche A Bonds and (ii) HK\$0.42 per Share for the Tranche B Bonds, but subject to adjustment in accordance with the terms of the Instrument;
“Conversion Shares”	the Shares to be allotted and issued by the Company upon exercise by the Bondholders of the Conversion Rights attached to the Bonds;
“Directors”	the directors of the Company;
“General Mandate”	the general mandate to issue Shares granted by the shareholders of the Company to the Directors at the annual general meeting held on 29 September 2017;
“Group”	the Company and its Subsidiaries;
“HK Dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Honesta Investment”	Honesta Investment Limited (厚生投資有限公司), a company incorporated in the British Virgin Islands;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Instrument”	the instrument to be executed by way of deed poll by the Company constituting the Bonds substantially in the form set out in the Subscription Agreement;
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange with responsibility for considering applications for listing and the granting of listing on the Main Board of the Stock Exchange;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as may be amended or supplemented from time to time;
“Maturity Day”	the date falling eighteen months from the date of issue of Bonds;
“Person”	any individual, company, corporation, body corporate, firm, partnership, joint-stock company, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity);

“PRC”	the People’s Republic of China, which for the purposes of the Subscription Agreement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“Shares”	ordinary shares of HK\$0.00025 each in the share capital of the Company, and where applicable, the term shall also include shares of any class or classes resulting from any subdivision, consolidation or re-classification of those shares and a “Share” shall refer to each and any one of such shares;
“Shareholders”	holders of Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscriber”	Haitong Global Investment SPC III, an open-ended exempted segregated portfolio company incorporated with limited liability under the laws of the Cayman Islands as the subscriber of the Bonds, acting on behalf of and for the account of Haitong Dynamic Multi-Tranche Investment Fund II S.P.;
“Subscription”	the subscription of the Bonds by the Subscriber pursuant to the Subscription Agreement;
“Subscription Agreement”	the subscription agreement dated 23 January 2018 entered into between the Company and the Subscriber in relation to the Subscription;
“Subsidiaries”	of any Person is to (a) any company or business entity which that Person owns or controls (either directly or through one or more other Subsidiaries) more than 50% of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers, or trustees or equivalent body of such company or other business entity; or (b) any company or other business entity which at any time has its accounts consolidated with those of that Person or which, under the law, regulations or generally accepted accounting principles from time to time of Bermuda or Hong Kong, should have its accounts consolidated with those of that Person;
“Takeovers Code”	The Code on Takeovers and Mergers, as may be amended or supplemented from time to time;
“Tranche A Bonds”	the principal amount of US\$20,000,000 of the Bonds with Conversion Price at HK\$0.35 per Share;

“Tranche B Bonds”	the principal amount of US\$20,000,000 of the Bonds with Conversion Price at HK\$0.42 per Share;
“Transaction Documents”	means, collectively, the Subscription Agreement, the Instrument, the certificate(s) of the Bonds, and such other documents executed by the Parties in connection with any of the foregoing;
“US Dollars” or “US\$”	US dollars, the lawful currency of the United States of America;
“Warranties”	the representations, warranties and undertakings made by the Company in the Subscription Agreement; and
“%”	per cent.

By Order of the Board
China Shandong Hi-Speed Financial Group Limited
Li Hang
Chairman

Hong Kong, 23 January 2018

As at the date of this announcement, the Company has four executive directors, namely Mr. Ji Kecheng, Mr. Wang Zhenjiang, Mr. Yau Wai Lung and Mr. Li Zhen Yu, four non-executive directors, namely Mr. Li Hang, Dr. Lam Lee G., Mr. Qiu Jianyang and Mr. Lo Man Tuen, and four independent non-executive directors, namely Mr. To Shing Chuen, Mr. Cheung Wing Ping, Mr. Wang Huixuan and Mr. Guan Huanfei.