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華融國際金融控股有限公司

HUARONG INTERNATIONAL FINANCIAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 993)

**DISCLOSEABLE TRANSACTION
SUBSCRIPTION OF CONVERTIBLE BONDS**

THE SUBSCRIPTION

The Board announces that on 4 December 2017 (after trading hours), Champion Sense Global Limited (an indirect wholly-owned subsidiary of the Company) as the Subscriber, China First Capital Group Limited as the Issuer, Tang Mingyang as the Guarantor and Hongkong Chuang Yue Co., Limited as the Chargor entered into the Subscription Agreement, pursuant to which the Issuer conditionally agreed to issue, and the Subscriber conditionally agreed to subscribe for the Convertible Bonds in the aggregate principal amount of HK\$800,000,000.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules in respect of the Subscription exceed(s) 5% but all of them are less than 25%, the Subscription constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Completion is subject to fulfilment and/or waiver (as the case may be) of the Conditions Precedent set out in the Subscription Agreement. Accordingly, the subscription of the Convertible Bonds may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the shares of the Company.

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THE SUBSCRIPTION AGREEMENT

The principal terms of the Subscription Agreement are briefly described below:

- Date : 4 December 2017
- Parties : (a) China First Capital Group Limited (as issuer)
(b) Champion Sense Global Limited (as subscriber)
(c) Tang Mingyang (as guarantor)
(d) Hongkong Chuang Yue Co., Limited (as chargor)
- Conditions Precedent : Completion is subject to fulfilment of, among other things, the following conditions:
- (a) the representations and warranties of each Obligor being true, accurate and correct in all material respects and not misleading, and each Obligor having performed all of its/his obligations under the Subscription Agreement to be performed on or before the Closing Date;
 - (b) the Stock Exchange having granted approval for the listing of and permission to deal in the Conversion Shares on the Main Board of the Stock Exchange (and if such approval is subject to conditions, such conditions being reasonably acceptable to the Subscriber);
 - (c) the Subscriber having been satisfied with the results of due diligence reviews of the Obligors;
 - (d) each of the security documents (as defined in the Subscription Agreement) and the Guarantee (together with ancillary documentation) having been duly executed by the parties thereto (other than the Subscriber) and delivered to the Subscriber;
 - (e) each of the account agreements (as defined in the Subscription Agreement) between the Arranger and any Obligor (together with ancillary documentation) having been duly executed by the parties thereto (other than the Arranger) and delivered to the Arranger;
 - (f) there being no change to the prospects, operations and financial condition of any Obligor or any member of the Issuer Group, and there not having been any development on or before the Closing Date which would have a material adverse effect; and
 - (g) there shall have been delivered to the Subscriber copies of all consents and approvals required on the part of each Obligor in relation to the Subscription.

Condition (b) above may not be waived by the parties.

- Long stop date : If the Conditions Precedent are not satisfied or waived on or before 31 December 2017 or such later date as the Issuer and the Subscriber may agree, the Subscription Agreement shall terminate and be of no further effect except that (i) certain provisions of the Subscription Agreement shall continue in force following termination and (ii) termination of the Subscription Agreement shall be without prejudice to the rights of any party against the other parties for any breach of the Subscription Agreement or liability accrued prior to such termination.
- Termination : The Subscriber may terminate the Subscription at any time before the Completion in any of the following circumstances:
- (a) there shall have come to the notice of the Subscriber any breach of the representations, warranties and undertakings by any Obligor in any material respect or any failure to perform any of the Obligors' undertakings or agreements in the Subscription Agreement; and
 - (b) there shall have been, since the date of the Subscription Agreement, any change or prospective change adverse to the condition, prospects, results of operations or general affairs of the Issuer or the Issuer Group.
- Completion : Subject to fulfilment or the waiver of the Conditions Precedent, the Issuer agrees to issue the Bonds to the Subscriber and/or any of its affiliates nominated by it in writing on the Closing Date.
- Arrangement fee : The Issuer shall enter into a fee letter with the Arranger (or its affiliate) in relation to the Issuer's payment of an arrangement fee (being HK\$36,000,000).
- Further assurance : Subject to Completion, the Issuer undertakes and covenants with the Subscriber to provide such security, and at the costs and expenses of the Issuer, as the Subscriber may require under the terms and conditions of the Convertible Bonds to secure the payment and performance obligations of the Issuer under the Convertible Bonds.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The principal terms and conditions of the Convertible Bonds are briefly described below:

- Issuer : China First Capital Group Limited
- Initial Bondholder : Champion Sense Global Limited
- Principal amount : HK\$800,000,000

- Subscription price : HK\$800,000,000
- Form : The Convertible Bonds are issued in registered form.
- Interest : The Convertible Bonds bear interest from the date of issue at (i) 7% per annum (for the period from and including the date of issue up to and excluding the first anniversary of the date of issue) and (ii) 8% per annum, subject to adjustment upon occurrence of an Additional Interest Trigger Event (for the period from the first anniversary of the date of issue up to and including the Maturity Date) (collectively, the “**Coupon Rate**”) which shall accrue on a daily basis and is payable in arrears on 20 June and 20 December of each year falling after the Issue Date.
- Default interest : 15% per annum on any outstanding amount due under the Convertible Bonds will accrue from the due date for payment to the date of payment.
- Maturity date : The date falling 24 months from the date of issue of the Convertible Bonds (the “**Maturity Date**”).
- Conversion procedure : Any conversion notice is subject to acceptance by the Issuer. If the Issuer refuses to accept a duly completed and properly delivered conversion notice, the Issuer shall give a rejection notice to such Bondholder within three Business Days of the Issuer’s receipt of such conversion notice (the “**Additional Interest Trigger Event**”). Subject to occurrence of the Additional Interest Trigger Event, an amount equal to simple interest on the principal amount outstanding calculated at 2% per annum (“**Additional Interest**”) in respect of the period from the first anniversary after the Issue Date up to and including the Maturity Date or the date of redemption, as the case may be shall be payable by the Issuer to the Bondholder(s).
- Conversion period : Subject to acceptance by the Issuer, Bondholder(s) may exercise the right to convert, at any time from the first anniversary of the date of the issue of the Convertible Bonds to the close of business on the date falling ten Business Days prior to the Maturity Date (both days inclusive), in whole or in part of the principal amount in multiples of HK\$10,000,000.

- Conversion Price : HK\$3.27 per Conversion Share, subject to adjustments for, among other things, capitalisation issue, sub-division, consolidation and reclassification of Shares, issue of Shares in lieu of the whole or any part of a specifically declared cash dividend, capital distributions, issue of convertible or exchangeable securities in discount, issue of new Shares in discount and other dilutive events. The Conversion Price may not be reduced so that, on conversion of the Convertible Bonds, Shares would fall to be issued below its nominal or par value.
- Number of Conversion Shares : Based on the initial Conversion Price of HK\$3.27 per Conversion Share and assuming that there will not be any change in the issued share capital of the Issuer before the exercise of the Conversion Rights in full (other than the issue of the Conversion Shares), upon the exercise of the Conversion Rights in full, 244,648,318 Conversion Shares will be issued, representing approximately 5.12% of the issued share capital of the Issuer as at the date of this announcement and approximately 4.87% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.
- Limitation of Conversion Rights : In the event that the average closing price per Share for any five consecutive Trading Days during the period of three months immediately after the date of the Subscription Agreement exceeds HK\$4.50, the Issuer shall have the right to limit the exercise of the Conversion Rights to the effect that the aggregate principal amount of the Convertible Bonds that may be converted into Shares shall be subject to a cap of HK\$400,000,000.
- Redemption at the option of the Bondholder(s) : Following the occurrence of a Relevant Event (as defined below), the Bondholder(s) may by giving a relevant redemption notice, require the Issuer to redeem all of its Convertible Bonds on the fifth Business Day after the expiry of the period for depositing such notice at their principal amount of such Convertible Bonds together with accrued and unpaid interest (and default interest, if any) and the Additional Interest (if applicable) up to and including such redemption date. A “Relevant Event” occurs when:
- (a) the listing of the Shares on the Relevant Exchange is cancelled or withdrawn;
 - (b) the Issuer is delisted by the Relevant Exchange;

- (c) approval from the Relevant Exchange with respect to listing of and dealing in the Shares arising from the conversion of the Convertible Bonds is revoked or cancelled;
- (d) the Shares are suspended from trading on the Relevant Exchange for ten consecutive Trading Days; or
- (e) the Issuer is delayed in reporting its financial results and/or submitting its financial results to the Relevant Exchange.

If at any time it becomes unlawful in any applicable jurisdiction of a Bondholder or its affiliate for a Bondholder to perform any of its obligations in any transaction document or to hold or maintain the holding of the Convertible Bonds, the Bondholder may by giving a relevant redemption notice require the Issuer to redeem the Convertible Bonds held by the Bondholder on the fourteenth day after the date of such notice at the principal amount of the Convertible Bonds held by such Bondholder together with accrued and unpaid interest (and default interest, if any) and the Additional Interest (if applicable) up to and including such redemption date.

Covenant and redemption in relation to LTV Ratio

: The Issuer shall ensure that the LTV Ratio as of the date of issue of the Convertible Bonds is less than 40%. For so long as any of the Convertible Bonds remain outstanding, the Issuer shall ensure that the LTV Ratio will not be more than 40%. If at any time the LTV Ratio is 50% or higher, and the Issuer fails to restore the LTV Ratio to less than 40% within five Business Days of delivery of a notice by the Majority Bondholder(s) requesting the Issuer to transfer or to procure the transfer of specific amount of Hong Kong listed securities and other collaterals or cash into a top-up account maintained and charged by the Issuer in favour of the Bondholders (the “**Top Up Notice**”), the Majority Bondholder(s) shall have the right to require the Issuer to redeem any or all of the Convertible Bonds held by such Bondholder(s) on the fifth Business Day after the expiry of a five-day period at such portion of outstanding principal amount together with relevant accrued but unpaid interest (and default interest, if any) and the Additional Interest (if applicable) up to and including such redemption date. In the event that the LTV Ratio is restored to less than 40% within five Business Days of delivery of the Top Up Notice, the relevant redemption notice shall lapse automatically, and no redemption pursuant to the relevant redemption notice shall take place.

- Redemption at maturity : Unless previously redeemed, converted or cancelled in accordance with the terms and conditions of the Convertible Bonds, the Issuer will redeem the outstanding Convertible Bonds on the Maturity Date by paying the Bondholder(s) all outstanding principal amount to be redeemed together with all accrued but unpaid interest and the Additional Interest (if applicable).
- Ranking of the Conversion Shares : Shares issued upon conversion shall rank *pari passu* in all respects with the fully paid Shares in issue except that such Conversion Shares will not rank for any rights, distributions or payments if the record or other due date for the establishment of entitlement falls prior to the date when the holder of the Conversion Shares is registered in the Issuer's register of members.
- Voting : The Convertible Bonds shall not confer on the holders of the Convertible Bonds the right to attend or vote at any shareholder's meetings of the Issuer.
- Event of default : Upon the occurrence of an event of default as defined in the terms and conditions of the Convertible Bonds, the Majority Bondholder(s) may demand immediate repayment of the Convertible Bonds at their outstanding principal amount together with accrued but unpaid interest thereon and default interest if any.
- Transferability : The Convertible Bonds may not be transferred without the prior written consent of the Issuer, provided that the Convertible Bonds may be transferred without consent of the Issuer in whole or in part to any affiliate of an existing Bondholder.

GUARANTEE AND SECURITY

The payment and performance of all obligations and liabilities owing by the Obligors in respect of the Convertible Bonds and all other moneys payable by the Issuer under or pursuant to the Subscription Agreement and its ancillary documents will be unconditionally and irrevocably guaranteed by the Guarantor pursuant to the Guarantee. Such obligations and liabilities will also be secured by a charge over the securities account of the Chargor pursuant to the Account Charge to be executed by the Chargor on or before the Closing Date.

INFORMATION OF THE ISSUER AND THE CHARGOR

The Issuer is an investment holding company. Before 2014, the Issuer Group was mainly engaged in the automotive parts business. Since the end of 2014, the Issuer Group started moving into the financial services business, providing services such as dealing in securities, underwriting and placing of securities, financing consultancy, merger and acquisition agency, financial advisory, asset management, private equity fund management, credit financing and migration financial services. From 2016, the Issuer Group shifted its principal focus onto education operations and utilised its own diversified financial services units, intending to build a platform of operation, investment and financing in the education sector.

The Chargor is a company incorporated in Hong Kong with limited liability and is ultimately owned as to 100% by the Guarantor. The principal activities of the Chargor are investment holding.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Issuer, the Chargor and the Guarantor are independent of and not connected with the Company or any connected persons of the Company.

INFORMATION OF THE SUBSCRIBER AND THE GROUP

The Subscriber is an investment holding company incorporated in the British Virgin Islands and is an indirect wholly-owned subsidiary of the Company. The Group is principally engaged in brokerage and dealing of securities, futures and options contracts, margin financing, loan financing, financial advisory, investment, provision of management and consultancy services.

REASONS AND BENEFITS FOR THE SUBSCRIPTION OF CONVERTIBLE BONDS

The terms of the Subscription Agreement and the Convertible Bonds were arrived upon arm's length negotiations between the Company and the Issuer and have been carefully considered by the Company having taken into account the prevailing market interest rates and practices.

Taking into account the satisfactory financial background of the Issuer, the revenue and cash flow that can be generated from the investment in the Convertible Bonds and that the Convertible Bonds will be secured by the Account Charge and guaranteed by the Guarantor, the Directors consider that the terms of the Subscription Agreement and the Convertible Bonds are fair and reasonable and on normal commercial terms, and the transactions contemplated under the Subscription Agreement are in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules in respect of the Subscription exceed(s) 5% but all of them are less than 25%, the Subscription constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Account Charge”	the account charge to be entered into by the Chargor in favour of the Chargee on or before the Closing Date pursuant to the Subscription Agreement
“Arranger”	Huarong International Securities Limited (華融國際證券有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Bondholder(s)”	the person(s) who is for the time being the holder(s) of the Convertible Bonds
“Business Day(s)”	a day (other than a Saturday, Sunday, public holiday or any weekday on which Typhoon Signal No. 8 or higher is hoisted or a black rainstorm warning signal is given in Hong Kong at any time between 9:00 a.m. and 5:00 p.m (Hong Kong time)) on which commercial banks in Hong Kong are open for business in Hong Kong
“Chargor”	Hongkong Chuang Yue Co., Limited (創越控股有限公司), a company incorporated in Hong Kong with limited liability
“Closing Date”	the date falling within two Business Days when the last of the applicable Conditions Precedent is fulfilled (or waived, if applicable), or such later date as the Issuer and the Subscriber may agree
“Company”	Huarong International Financial Holdings Limited (華融國際金融控股有限公司), a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Stock Exchange (stock code: 993)
“Completion”	the completion of the Subscription
“Conditions Precedent”	the conditions precedent for the Completion, details of which are set out in the section headed “The Subscription Agreement — Conditions Precedent” in this announcement
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Conversion Rights”	the rights attached to the Convertible Bonds to convert the principal amount thereof into Conversion Shares pursuant to the terms and conditions of the Convertible Bonds

“Conversion Price”	the price at which Conversion Shares will be issued upon exercise of the Conversion Rights under the Convertible Bonds, which will initially be HK\$3.27 per Conversion Share, subject to adjustment pursuant to the terms and conditions of the Convertible Bonds
“Conversion Share(s)”	any Share(s) to be issued by the Issuer upon the Bondholder(s) exercising its/their Conversion Right(s) under and in accordance with the terms and conditions of the Convertible Bonds
“Convertible Bonds” or “Bonds”	HK\$800,000,000 convertible bonds due 2019 with coupon initially at 7% per annum convertible into the Shares in denomination of HK\$10,000,000 each, with the benefit of and subject to the terms and conditions of the Subscription Agreement and the Instrument and due on the Maturity Date
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Guarantee”	a guarantee to be executed by the Guarantor in favour of the Subscriber on or before the Closing Date pursuant to the Subscription Agreement
“Guarantor”	Mr. Tang Mingyang, a substantial shareholder of the Issuer and an executive director of the Issuer
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Instrument”	the instrument executed as a deed by the Issuer constituting the Convertible Bonds
“Issuer”	China First Capital Group Limited (中國首控集團有限公司), being a company incorporated under the laws of Cayman Islands with limited liability, the issued shares of which are listed on the Stock Exchange (stock code: 1269)
“Issuer Group”	the Issuer and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as may be amended or supplemented from time to time

“LTV Ratio”	<p>the ratio expressed as a percentage calculated for a particular day given by the following formula:</p> $\text{LTV Ratio} = A / (B + C + D) \times 100\%$ <p>Where:</p> <p>“A” is an amount equal to the total outstanding principal amount of the Convertible Bonds on such day;</p> <p>“B” is the aggregate market value of the Shares which are subject to the security created by the Account Charge, based on the five-day average closing price of the Shares;</p> <p>“C” is the amount of cash balances standing to the credit of the account under the Account Charge and any top up account of the Issuer of such day; and</p> <p>“D” is the aggregate value of the additional collateral deposited into and standing to the credit of the account(s) referred in “C” and subject to the security created by the Account Charge and any account charge provided by the Issuer</p>
“Majority Bondholder(s)”	any one or more Bondholders holding more than 50% of the aggregate principal amount of Convertible Bonds then outstanding
“Obligors”	the Issuer, the Guarantor, any provider of security under each security document (as defined in the Subscription Agreement) and each party to a transaction document (as defined in the Subscription Agreement) (other than the Subscriber, each Bondholder, a receiver or any delegate appointed by such persons or the Arranger), and each an “Obligor”
“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
“Relevant Exchange”	in respect of the Shares, the Stock Exchange or if the Shares 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
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Issuer
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscriber” or “Chargee”	Champion Sense Global Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Subscription”	the subscription of the Convertible Bonds by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 4 December 2017 entered into among the Issuer, the Subscriber, the Guarantor and the Chargor in relation to the subscription of HK\$800,000,000 Convertible Bonds
“subsidiary”	has the same meaning as ascribed to it under the Listing Rules
“Trading Day(s)”	a day on which the Stock Exchange is open for trading
“%”	per cent.

By Order of the Board
Huarong International Financial Holdings Limited
Wang Qiang
Chairman

Hong Kong, 4 December 2017

As at the date of this announcement, the executive directors of the Company are Mr. Wang Qiang, Mr. Lai Jinyu and Ms. Wang Wei, the non-executive director is Ms. Fan Haibo, and the independent non-executive directors are Dr. Wong Tin Yau Kelvin, Mr. Ma Lishan and Mr. Guan Huanfei.