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**(1) NON-FULFILLMENT OF PROFIT GUARANTEE; AND
(2) SUPPLEMENTAL DEED IN RELATION TO
ACQUISITION AND SUBSCRIPTION OF
AN AGGREGATE OF 60% SHARES IN KUN PENG**

References are made to the announcement of China Shandong Hi-Speed Financial Group Limited (the “**Company**”) dated 29 December 2017 in relation to the acquisition and subscription of an aggregate of 60% shares in Kun Peng and the completion announcement dated 26 March 2018 (collectively, the “**Previous Announcements**”). Unless otherwise defined, capitalised terms herein shall have the same meanings as those defined in the Previous Announcements.

NON-FULFILLMENT OF PROFIT GUARANTEE

As disclosed in the Previous Announcements, pursuant to the Share Purchase Agreement, Honesta Investment and Mr. Hua jointly and severally agree that the Minimum Net Profit (i.e. the minimum distributable operating net profit of Shenzhen Cashlai Financial Information Services Co. Ltd. (深圳錢來網金融信息服務有限公司) and Shenzhen Qianhai Honesta Asset Management Company Ltd. (深圳前海厚生資產管理有限公司) (the “**Relevant Companies**”)) for the following years shall not be less than the amount set out in the table below:

Relevant year	Minimum Net Profit
1 January 2018 to 31 December 2018 (“ FY2018 ”)	RMB32,270,000
1 January 2019 to 31 December 2019 (“ FY2019 ”)	RMB58,170,000
1 January 2020 to 31 December 2020 (“ FY2020 ”)	RMB95,700,000
Total	<u>RMB186,140,000</u>

According to the unaudited financial statements of the Relevant Companies, the Net Profit for FY2018 amounted to approximately RMB2,610,000 and the Relevant Companies recorded net loss of approximately RMB5,723,000 for FY2019, which fall below the respective Minimum Net Profit for FY2018 and FY2019. Accordingly, the shortfall between the Net Profit for FY2018 and the Minimum Net Profit for FY2018 is approximately RMB29,660,000 and the relevant shortfall for FY2019 would be the entire amount of the Minimum Net Profit for FY2019 (i.e. RMB58,170,000) given that a net loss was recorded for FY2019.

Pursuant to the Share Purchase Agreement, in the event that Kun Peng fails to achieve the above total Minimum Net Profit for the three financial years ending 31 December 2020, the Company will buy back a certain number of the Consideration Shares at nil consideration upon determination of the total Net Profit for such years. Such number of Consideration Shares to be bought back shall be calculated in accordance with the following formula:

$$\text{Number of Consideration Shares to be bought back} = \frac{\text{Hong Kong dollar equivalent of (RMB186,140,000 – actual total Net Profit for the three years ending 31 December 2020)}}{\text{Allotment price of each Consideration Share (i.e. HK\$0.3295)}}$$

, provided that the maximum number of Consideration Shares to be bought back shall be the number of Consideration Shares which are still subject to the lock-up arrangement as set out in the Share Purchase Agreement (the “**Lock-Up Arrangement**”).

SUPPLEMENTAL DEED IN RELATION TO ACQUISITION AND SUBSCRIPTION OF AN AGGREGATE OF 60% SHARES IN KUN PENG

In view of the operational status and financial performance of the Relevant Companies in the first half of FY2020, Honesta Investment and Mr. Hua informed the Group that the Relevant Companies will also record a net loss for FY2020. As such, in respect of the non-fulfilment of profit guarantee for the three financial years ending 31 December 2020 set out in the Share Purchase Agreement, Coastal Silk, Honesta Investment, Mr. Hua, Kun Peng and the Company entered into a supplemental deed to the Share Purchase Agreement (the “**Supplemental Deed**”) on 3 August 2020, pursuant to which:

- (a) the parties agree and acknowledge that no Consideration Share has been released from the Lock-Up Arrangement and the actual total Net Profit for the three years ending 31 December 2020 should be zero for the purpose of calculating the Consideration Shares to be bought back;
- (b) the parties agree that the Company will buy back, and Honesta Investment will transfer, 363,065,565 Consideration Shares (i.e. all the Consideration Shares which are still subject to the Lock-Up Arrangement) at nil consideration pursuant to the Share Purchase Agreement (the “**Share Buy-back**”); and
- (c) the parties agree to accelerate the Share Buy-back to any earlier date after the execution of the Supplemental Deed, instead of the issue date of the financial statements of the Relevant Companies for the financial year ending 31 December 2020.

Save for the aforesaid, terms and conditions of the Share Purchase Agreement remain unchanged. The Company obtained confirmation from the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong that the Share Buy-back falls within the definition of exempt share buy-back under the Code on Share Buy-backs. The Share Buy-back is conducted on 3 August 2020 and the Consideration Shares bought back under the Share Buy-back will be cancelled by the Company accordingly (the “**Share Cancellation**”). It is anticipated that completion of the Share Cancellation will take place by 7 August 2020.

DIRECTORS’ VIEW

In light of the above, the Directors are of the view that (i) the terms of the Supplemental Deed and the Share Buy-back are fair and reasonable and are in the interests of the Company and its Shareholders as a whole; and (ii) Honesta Investment and Mr. Hua will have fulfilled their obligations in relation the non-fulfilment of profit guarantee set out in the Share Purchase Agreement (as supplemented and amended by the Supplemental Deed) upon completion of the Share Buy-back. Furthermore, considering that the Share Buy-back serves as an effective price adjustment agreed under the Share Purchase Agreement and after reviewing the business and operation plans together with the improvement measures taken by the management of Kun Peng, the Board is satisfied that it is appropriate for the Group to keep its 60% equity interest in Kun Peng. The Board will constantly review the performance of Kun Peng and take appropriate actions accordingly.

EFFECT OF THE SHARE BUY-BACK AND THE SHARE CANCELLATION ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company had 24,452,450,002 Shares in issue. Set out below are the shareholding structures of the Company (a) as at the date of this announcement; and (b) upon completion of the Share Cancellation assuming there is no other change in the shareholding of the Company:

	As at the date of this announcement		Upon completion of the Share Cancellation (assuming there is no other change in the shareholding of the Company)	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Shandong Hi-Speed Group Co., Ltd. ¹	10,459,648,350	42.78	10,459,648,350	43.42
JS High Speed Limited ²	6,846,686,000	28.00	6,846,686,000	28.42
Lau Mo ³	2,148,559,650	8.79	2,148,559,650	8.92
Honesta Investment	363,065,565	1.48	–	–
Other shareholders ⁴	4,634,490,437	18.95	4,634,490,437	19.24
	<u>24,452,450,002</u>	<u>100</u>	<u>24,089,384,437</u>	<u>100</u>

Notes:

- Shandong Hi-Speed Group Co., Ltd. was deemed to be interested in 10,459,648,350 Shares pursuant to the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) (the “SFO”), by virtue of its interests in (i) 5,000,000,000 Shares held by Shandong International (Hong Kong) Limited; and (ii) 5,459,648,350 Shares held by Shandong Hi-Speed (Hong Kong) International Capital Limited, each of which was an indirect wholly-owned subsidiary of Shandong Hi-Speed Group Co., Ltd.
- The entire issued share capital of JS High Speed Limited is owned by Harvest Alternative Investment Opportunities SPC for and on behalf of Harvest High Speed Fund SP. Tai Fung Bank Limited as chargee has security interest in those 6,846,686,000 Shares under a share charge with JS High Speed Limited as chargor.

3. Mr. Lau Mo was deemed to be interested in 2,148,559,650 Shares pursuant to the SFO, by virtue of his interest in his wholly-owned company, namely, Billion Accomplish Limited.
4. Based on publicly available information and to the best knowledge of the Directors, no shareholder other than Shandong Hi-Speed Group Co., Ltd. holds 30% or more of the voting rights of the Company.

By Order of the Board
China Shandong Hi-Speed Financial Group Limited
Wang Xiaodong
Chairman

Hong Kong, 3 August 2020

As at the date of this announcement, the Company has five executive directors, namely Mr. Wang Xiaodong, Mr. Liu Han, Mr. Liu Honghui, Mr. Liu Zhijie and Mr. Liu Yao; three non-executive directors, namely Mr. Liang Zhanhai, Mr. Chen Di and Mr. Gao Guicheng; and four independent non-executive directors, namely Mr. Guan Huanfei, Mr. Chan Wai Hei, Mr. Tan Yuexin and Mr. Jonathan Jun Yan.