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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)

SUPPLEMENTAL ANNOUNCEMENT

Reference is made to the announcement of China Shandong Hi-Speed Financial Group Limited (the “**Company**”) dated 7 February 2020 (the “**Announcement**”) in relation to, among other things, the ANE Finance Lease Arrangement. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Board wishes to provide further information to the Shareholders in relation to the background and reasons of the entering into of the ANE Finance Lease Arrangement.

As disclosed in the Announcement, the entering into of the ANE Finance Lease Arrangement was part of the Shangao Adjustment and Compensation Plan, formulated under the J&R Restructuring Plan. The Company is involved in the J&R Restructuring Plan due to the J&R Finance Lease Agreement.

OE FINANCE LEASE AGREEMENT AND J&R FINANCE LEASE AGREEMENT

The entering into of the J&R Finance Lease Agreement related to a debt restructuring plan of Optimumnano Energy Co., Ltd (深圳市沃特瑪電池有限公司) (“**Optimumnano Energy**”), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of Shaanxi J&R.

On 26 January 2018, Shangao International Leasing entered into a finance lease agreement (the “**OE Finance Lease Agreement**”) with Optimumnano Energy, pursuant to which, Shangao International Leasing agreed to purchase certain leased assets (which subsequently became the J&R Leased Assets under the J&R Finance Lease Agreement) from Optimumnano Energy, at an aggregate consideration of RMB300,000,000, which had been leased back to Optimumnano Energy for a term of three years at a total lease payment of RMB325,273,958.33. The obligations of Optimumnano Energy under the OE Finance Lease Agreement were secured by (i) a corporate guarantee from Shaanxi J&R; (ii) a personal guarantee from Mr. Li Yao (“**Mr. Li**”), the then legal representative and chairman of Optimumnano Energy and the then largest shareholder of Shaanxi J&R; and (iii) a personal guarantee from Ms. Cheng Lingzhi (“**Ms. Cheng**”), the spouse of Mr. Li. For further details of the OE Finance Lease Agreement, please refer to the announcement of the Company dated 16 May 2018.

Before entering into the OE Finance Lease Agreement, in January 2018, Shangao International Leasing had conducted thorough due diligence, following its standard procedures of due diligence on similar finance lease projects. Based on the results of the relevant due diligence, Shangao International Leasing was of a view that the credit risks of entering into a finance lease agreement with Optimumnano Energy were relatively controllable, and therefore, the OE Finance Lease Agreement was entered into between Shangao International Leasing and Optimumnano Energy.

Nevertheless, in March 2018, Optimumnano Energy faced a debt crisis and its production and operation were materially adversely affected. In order to safeguard its rights and interests under the OE Finance Lease Agreement, Shangao International Leasing took immediate legal actions and filed a pre-action property preservation application to the Guangdong Provincial Higher People’s Court in April 2018.

On 27 April 2018, Shangao International Leasing filed a case against Optimumnano Energy, Shaanxi J&R, Mr. Li and Ms. Cheng in relation to the claims under the OE Finance Lease Agreement (the “**Shangao v OE Case**”). While waiting for the *Shangao v OE Case* to be heard, in December 2018, the Company learned from the announcement published by Shaanxi J&R that a bankruptcy restructuring (破產重整) application was brought against Shaanxi J&R by its creditor which in turn indicated a possibility of Shaanxi J&R entering into a bankruptcy restructuring in the then near future.

In January 2019, the *Shangao v OE Case* was heard by the Guangdong Provincial Higher People's Court.

In mid-March 2019, Shaanxi J&R proposed a debt restructuring plan (the “**OE Debt Restructuring Plan**”) between Shangao International Leasing and Optimumnano Energy for settling the *Shangao v OE Case*. In particular, Shangao International Leasing shall reach a settlement with Optimumnano Energy (the “**OE Settlement Agreement**”), pursuant to which, among others, (i) Shangao International Leasing shall retrieve the leased assets under the OE Finance Lease Agreement; and (ii) Shaanxi J&R and Shangao International Leasing shall enter into a new finance lease agreement (i.e. the J&R Finance Lease Agreement), under which the original leased assets under the OE Finance Lease Agreement shall become the leased assets of the J&R Finance Lease Agreement (i.e. the J&R Leased Assets), and the obligations of Shaanxi J&R under the J&R Finance Lease Agreement shall be guaranteed by a corporate guarantee from Optimumnano Energy. Under such proposal, Shaanxi J&R may make use of the leased assets to facilitate its resumption of production plan and at the same time settle the *Shangao v OE Case*.

In April 2019, Shangao International Leasing conducted due diligence on the feasibility of the OE Debt Restructuring Plan and on Shaanxi J&R. Shangao International Leasing also engaged a PRC legal adviser (the “**PRC Legal Adviser**”) to issue a legal opinion (the “**PRC Legal Opinion**”) on the feasibility of the OE Debt Restructuring Plan and the legal risks of entering into the J&R Finance Lease Arrangement under the possibility of Shaanxi J&R entering into bankruptcy restructuring procedures in the then near future.

Based on the above due diligence work and the PRC Legal Opinion, the Company considered that, although both Optimumnano Energy and Shaanxi J&R were insolvent at the relevant time, Optimumnano Energy might be wound up while Shaanxi J&R still had a chance of resuming normal operation through bankruptcy restructuring. Considering that Shaanxi J&R is a listed company with a relatively lower debt to asset ratio compared to Optimumnano Energy, it was more feasible for Shaanxi J&R to adopt a bankruptcy restructuring plan to attract strategic investors and resume production with the injected funds, so as to maintain its listing status. Therefore, to choose the lesser evil, and in order to maximise the amount of compensation to Shangao International Leasing for its claims under the OE Finance Lease Agreement, Shangao International Leasing entered into the OE Settlement Agreement with Optimumnano Energy, Shaanxi J&R, Mr. Li and Ms. Cheng to settle the *Shangao v OE Case*. The J&R Finance Lease Agreement was entered into on 11 June 2019.

Shaanxi J&R entered into bankruptcy restructuring procedures in accordance with the ruling by the Xi'an Intermediate People's Court on 30 September 2019.

DEALING WITH THE J&R LEASED ASSETS

For the purpose of the then contemplated bankruptcy restructuring of Shaanxi J&R, the administrator of Shaanxi J&R (the “**Administrator**”) engaged an independent valuer to appraise certain assets in Shaanxi J&R, including the J&R Leased Assets. As at 31 August 2019 (the valuation benchmark date), the book value of the J&R Leased Assets was RMB270,937,079.65, while the rapid realisable value of the J&R Leased Assets was RMB128,830,842.00 (representing approximately 47.55% of their book value).

The cost method was used to evaluate the market value of the J&R Leased Assets, and then a comprehensive analysis of the J&R Leased Assets was performed to determine the realisation rate, so as to calculate the realisation value, where:

Realisation value = market value x realisation rate

The realisation rate is based on the asset type, characteristics, scale, and asset status on the valuation benchmark day, as well as taking into consideration the local economic environment where the assets are located, the cost of the realisation of the claims (including fees arising from litigation, execution, auction, etc.) and other unpredictable factors, combined with factors such as the time limit for disposal, limited market and the psychological expectations of potential buyers.

Given the then contemplated bankruptcy situation faced by Shaanxi J&R, the realisation rate resulted in a substantial discount to the value of the J&R Leased Assets.

As the ANE Leased Assets consist of the J&R Leased Assets less certain damaged equipment (the scrap value of which is minimal), the value (also being the principal lease amount) of the ANE Leased Assets was determined to be the rapid realisable value of the J&R Leased Assets, which was RMB128,830,842.00 as at 31 August 2019.

Pursuant to the J&R Finance Lease Agreement, during the term of the J&R Finance Lease Agreement, the ownership of the J&R Leased Assets solely belongs to Shangao International Leasing, while Shaanxi J&R has the right to possess, use and generate revenue from the J&R Leased Assets. The J&R Leased Assets were independent of and segregated from other assets of Shaanxi J&R available for realisation and settlement of debts owed to its other creditors during its bankruptcy restructuring procedures.

Regarding Shangao International Leasing's claims under the J&R Finance Lease Agreement, Shangao International Leasing has considered an alternative way instead of entering into the ANE Finance Lease Arrangement, which is terminating the J&R Finance Lease Agreement and retrieving the J&R Leased Assets for disposal. Nonetheless, the alternative way may result in difficulty in reaching an agreed value of the J&R Leased Assets with the Administrator, a prolonged litigation with Shaanxi J&R related to the J&R Leased Assets, uncertainty of disposing of the J&R Leased Assets and uncertainty in getting the shortfall compensation after disposal of the J&R Leased Assets; while the entering into of the ANE Finance Lease Agreement will generate a total lease interest of RMB19,401,137.13 to the Group, which is additional interest income to the Group. Weighing the pros and cons of the two ways, the Company decided to enter into the ANE Finance Lease Arrangement as part of the Shangao Adjustment and Compensation Plan.

SHANGAO ADJUSTMENT AND COMPENSATION PLAN

According to the relevant provisions of the Enterprise Bankruptcy Law of the PRC (the “**Enterprise Bankruptcy Law**”), creditors shall not be individually repaid. Also, the debtor and all its creditors shall follow the restructuring plan approved by the People's Court in the PRC. As such, under close supervision and guidance of the Xi'an Intermediate People's Court, the J&R Restructuring Plan was formulated after thorough negotiation among Shaanxi J&R, the Administrator and the new investors of Shaanxi J&R during its bankruptcy restructuring procedures. The J&R Restructuring Plan was approved by the Xi'an Intermediate People's Court on 27 December 2019.

The Company was not in a position to be actively involved in the determination of the settlement rate and means under the J&R Restructuring Plan, but had to accept the restructuring procedures carried out by the Administrator under the close supervision and guidance of the Xi'an Intermediate People's Court. In accordance with the J&R Restructuring Plan and the relevant provisions under the Enterprise Bankruptcy Law, the Shangao Adjustment and Compensation Plan was further formulated. The Board is of the view that the formulation of the Shangao Adjustment and Compensation Plan was not an unfair prejudice to Shangao International Leasing.

For details of the Shangao Adjustment and Compensation Plan, please refer to the Announcement.

UPDATE ON THE ANE FINANCE LEASE AGREEMENT

Pursuant to the Shangao Adjustment and Compensation Plan, the ANE Finance Lease Arrangement, the terms of which were disclosed in the Announcement, was entered into on 26 February 2020.

The total lease payment (being RMB148,231,979.13) of the ANE Finance Lease Agreement consists of:

- (a) the principal lease amount of RMB128,830,842.00; and
- (b) a total interest of RMB19,401,137.13 (the **"ANE Finance Lease Interest"**).

The total lease payment (being RMB366,531,479.40) of the J&R Finance Lease Agreement consisted of:

- (a) the principal lease amount of RMB300,000,000.00; and
- (b) a total interest of RMB66,531,479.40 (the **"J&R Finance Lease Interest"**).

The respective interest rates for calculating the ANE Finance Lease Interest and the J&R Finance Lease Interest are determined with reference to the then benchmark interest rate for loans with the same term as promulgated by the People's Bank of China, such interest rates are "prevailing market rate for similar finance leasing arrangements" which are subject to adjustments.

The difference between the ANE Finance Lease Interest and the J&R Finance Lease Interest is attributed to:

- (i) the smaller principal lease amount of the ANE Finance Lease Agreement as compared to the principal lease amount of the J&R Finance Lease Agreement;
- (ii) the shorter lease period (approximately 3 years shorter) of the ANE Finance Lease Agreement as compared to the lease period of the J&R Finance Lease Agreement; and
- (iii) the higher interest rate for calculating the ANE Finance Lease Interest as compared to that for calculating the J&R Finance Lease Interest.

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

Hong Kong, 17 March 2020

As at the date of this announcement, the Company has five executive directors, namely Mr. Wang Xiaodong, Mr. Liu Han, Ms. Liao Jianrong, Mr. Liu Zhijie and Mr. Liu Yao; three non-executive directors, namely 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. Guan Huanfei and Mr. Tan Yuexin.