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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)

VOLUNTARY ANNOUNCEMENT – SUBSEQUENT DEVELOPMENT OF FINANCE LEASE ARRANGEMENT

This is a voluntary announcement made by China Shangdong Hi-Speed Financial Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) to provide its shareholders and potential investors with information regarding the subsequent development of the finance lease arrangement as disclosed below.

THE FINANCE LEASE ARRANGEMENT

Pursuant to a finance lease arrangement (the “**Finance Lease Arrangement**”) entered into in July 2013 (as supplemented in December 2013) by (i) Shangao International Finance Leasing (Shenzhen) Co., Ltd.* (山高國際融資租賃(深圳)有限公司) (“**Shangao International Leasing**”) (formerly known as Shenzhen Xianglong Finance Leasing Company Limited* (深圳翔龍融資租賃有限公司)), an indirect wholly-owned subsidiary of the Company, as lessor (ii) China Yunnan Highway Construction Group Company Limited.* (中國雲南路建集團股份公司) (the “**Lessee**”) as lessee; (iii) Chenzhou Jiangshan Real Estate Development Company Limited* (郴州江山房地產開發有限公司) (the “**Corporate Guarantor**”) as corporate guarantor; (iv) Mr. Deng Xiao Shun* (鄧小順) as personal guarantor; and (v) Mr. Deng Wen Si* (鄧文思) (together with Mr. Deng Xiao Shun, the “**Personal Guarantors**”) as personal guarantor, Shangao International Leasing purchased from the Lessee certain machinery and equipment (the “**Leased Assets**”) at an aggregate consideration of RMB500,000,000 (equivalent to approximately HK\$590,000,000), which were leased back to the Lessee for a term of five years for the aggregated lease payments of RMB674,793,750 (equivalent to approximately HK\$796,256,625). Such aggregated lease amount is divided into 21 quarterly lease payments payable by the Lessee to Shangao International Leasing from 20 December 2013 to 17 December 2018 (the “**Quarterly Lease Payments**”, and each a “**Quarterly Lease Payment**”).

Pursuant to the terms of the Finance Lease Arrangement, the Corporate Guarantor and the Personal Guarantors shall bear joint and several liability for the payment obligations of the Lessee under the Finance Lease Arrangement, and that a security deposit of RMB50,000,000 (equivalent to approximately HK\$59,000,000) (the “**Security Deposit**”) was deposited by the Lessee to Shangao International Leasing to secure the same payment obligations. Liquidated damages at the daily interest rate of 0.5% is also chargeable by Shangao International Leasing on any amount overdue under the Finance Lease Arrangement pursuant to the terms of the Finance Lease Arrangement (the “**Liquidated Damages**”).

THE DEFAULT IN QUARTERLY LEASE PAYMENTS

The Lessee had been fulfilling its repayment obligations of the Quarterly Lease Payments on time from the commencement date of the Finance Lease Arrangement until December 2016, when the Lessee failed to pay to Shangao International Leasing the required 13th Quarterly Lease Payment when it was due. Shangao International Leasing, through exercising its rights granted under the terms of the Finance Lease Arrangement, deducted an amount equivalent to such outstanding lease payment from the Security Deposit as the fulfilment of Lessee’s obligation as to the 13th Quarterly Lease Payment. While the Lessee paid the subsequent 14th Quarterly Lease Payment on time and prepaid the 15th, 16th and 17th Quarterly Lease Payments before their respective due dates, since March 2018, the Lessee has failed to fulfil its remaining repayment obligations to pay to Shangao International Leasing all remaining Quarterly Lease Payments when and after they were respectively due pursuant to the Finance Lease Arrangement. The remaining portion of the Security Deposit has been deducted by Shangao International Leasing as partial payment of the outstanding Liquidated Damages. As at the date of this Announcement, without taking into account the outstanding Liquidated Damages, the aggregate outstanding amount of Quarterly Lease Payments amounted to RMB306,120,000 (equivalent to approximately HK\$361,221,600).

The Group has sought legal advice for the devising, the formulation and the implementation of risk mitigation measures with a view to recover the outstanding Quarterly Lease Payments. The measures which have been taken by the Group to this end include without limitation the followings:

- (1) The Group has issued demand letters in respect of the outstanding Quarterly Lease Payments to each of the Lessee, the Corporate Guarantor and the Personal Guarantors;
- (2) The Group has been conducting site visits and communicating with the ultimate beneficial owners, auditors and debtor of the Lessee to keep abreast of the status and progress of the Lessee’s business, financial liquidity, financial audits and bankruptcy reorganisation; and
- (3) The Group has commenced relevant legal proceedings against the Lessee, the Corporate Guarantor and the Personal Guarantors for, among others, the recovery of the outstanding Quarterly Lease Payments and the applicable Liquidated Damages on the date of this announcement. Further, the Group has been consulting with PRC lawyers to understand the procedures and the strategic benefits of, among others, the application of assets preservation and the recovery and disposal of the Leased Assets.

The Directors are of the view that there are uncertainties as to the full recovery of the outstanding Quarterly Lease Payments. The Group will closely monitor the progress of such recovery, and will inform the shareholders and potential investors by making further announcement(s) as and when appropriate in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

Hong Kong, 30 December 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.

The English translation of an entity or company's name in Chinese which is marked with "" is for identification purpose only. If there is any inconsistency between the Chinese names of entities or companies established in the PRC and their English translations, the Chinese names shall prevail.*

For illustration purpose only, amounts in RMB in this announcement have been converted into HK\$ at the rate of RMB1=HK\$1.18.