

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



(Stock Code: 412)

**SUPPLEMENTAL ANNOUNCEMENT
IN RELATION TO
CONNECTED TRANSACTION
DISPOSAL OF BENEFICIAL INTEREST IN A TRUST**

Reference is made to the announcement of China Shandong Hi-Speed Financial Group Limited (the “**Company**” and, together with its subsidiaries, the “**Group**”) dated 26 March 2019 (the “**Announcement**”) in relation to the Assignment Agreement. Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Board hereby clarifies and supplement the terms and details of the Assignment as follows:

Terms of the Assignment Agreement

On page 3 of the Announcement, the Assignment Income Distributions shall be calculated and paid by the Trust to the Assignee as follows:

Assignment Income Distributions	On each Assignment Income Distribution Date, the Assignee will receive cash distributions (the “ Assignment Income Distributions ”) out of the assets of the Trust, calculated at an annualised return of 7.6% per annum on the balance of the Trust Principal as at each day elapsed from the immediately preceding Assignment Income Distribution Date. Such return shall be calculated on the basis of the actual number of days elapsed and a year of 365 days.
---------------------------------	--

Information of the Cooperative Entity

The Cooperative Entity is a company indirectly controlled as to approximately 79.47% (instead of 100%) by the Assignor.

Buy-back provisions of the Assignment Agreement

As disclosed on page 3 of the Announcement, the Assignment Agreement provided for the Assignee's right (the "**Re-assignment Right**") to re-assign the Assigned Interest back to the Assignor or Shangao Puhui (the "**Re-assignment**"), and require the Assignor or Shangao Puhui (as applicable) to purchase the same from the Assignee, after the end of the Assignment Period on 27 December 2019.

The Assignment Agreement did not specify a period within which the Assignee must exercise the Re-assignment Right after the expiry of the Assignment Period. Therefore, the express terms of the Assignment Agreement would allow the Assignee to exercise the Re-assignment Right at any time after the expiry of the Assignment Period and before the termination of the Trust.

However, for the reasons elaborated in the section "Reasons for and benefits for entering into of the Assignment Agreement" below, the Trust Principal will be nil by the end of January 2020 at the latest, and the Assignee is in effect bound to assign the Assigned Interest back to the Assignor or Shangao Puhui as soon as practicable after the expiry of the Assignment Period on 27 December 2019.

Terms of the Trust Agreement

As disclosed on page 5 of the Announcement, FOTIC shall, in accordance with the Assignor's instructions, utilise the Trust Principal in making loans (each a "**Real Estate Loan**") to individuals in the PRC referred by the Cooperative Entity and approved by the Assignor. Each Real Estate Loan shall be secured by real estate(s) owned by the borrower (or, if different, the owner(s) of such real estate(s)) in the PRC.

The Assignment Agreement provided that the Assignor's rights under the Trust Agreement shall vest in the Assignee upon completion of the Assignment. The Assignor would therefore cease to be in a position to directly give such instructions to FOTIC.

On the other hand, under the terms of the Trust Agreement, the Assignor may only instruct the Trustee to grant loans to borrowers referred by the Cooperative Entity. This means after the Assignment, the Assignor will, through the Cooperative Entity, retain control to which borrower(s) the Trust may grant any Real Estate Loan(s).

Net profit attributable to the Assigned Interest

The unaudited net profit attributable to the Assigned Interest, both before and after tax, for the period from 26 October 2018 (being the date of establishment of the Trust) and 31 December 2018 was RMB279,671.23 (approximately HK\$318,050.37).

Reasons for and benefits for entering into of the Assignment Agreement

As disclosed on page 5 of the Announcement, the purpose of the Assignment was to allow the Assignor to recoup its investment in the Trust so it could utilise the proceeds of the Assignment to invest in other trusts similar to the Trust.

Through the Assignment, the Assignor was able to obtain an amount equal to the Trust Principal (being the consideration for the Assignment) upon completion of the Assignment, without having to wait until the individual borrowers repay the loans made by the Trust. The Assignee would benefit from receiving the Assignment Income Distributions from the Trust. If the Trust fails to pay to the Assignee the full amount of the Assignment Income Distributions due, the Assignor shall pay such shortfall (the “**Shortfall**”). But if there is no such failure, the Assignor will not have to pay to the Assignee any Shortfall as the Assignment Income Distributions will be borne by the Trust in full. The above could be viewed as the financing costs incurred by the Assignor in consideration of the benefit of early recoup of its investment in the Trust for re-investment purpose.

Under the terms of the Trust Agreement, FOTIC shall utilise the Trust Principal in making Real Estate Loans. Before the completion of the Assignment, the entire Trust Principal had been fully utilised by the Trust through the provision of the Real Estate Loans to different borrowers in the PRC. As the duration of each Real Estate Loan was no longer than one year, by the expiry of the Assignment Period, all the Real Estate Loans would have been repaid by the borrowers. As a result, the balance of the Trust Principal as at the expiry of the Assignment Period shall be nil as such Real Estate Loans are all repaid, and the Trust should also have distributed the Trust Principal and all the Assignment Income Distributions to the Assignee, meaning the Assignor would not be required to pay to the Assignee any sum in relation to the Re-assignment, or any Shortfall.

If default occurs to any Real Estate Loans, the terms of the cooperative entity service agreement between Shangao Puhui and the Trustee requires Shangao Puhui to acquire from the Trust any such defaulted Real Estate Loan if it remains in default after a specified period of time. After assigning such defaulted Real Estate Loan to Shangao Puhui, the Trust would distribute the principal and any outstanding Assignment Income Distributions to the Assignee out of the consideration received from Shangao Puhui. Shangao Puhui would proceed with recovery or disposal of such defaulted Real Estate Loan.

As Shangao Puhui would not recommend any borrower to the Trust during or after the Trust Assignment Period, the Assignee would not be in a position to further operate the Trust after any principal of the Real Estate Loans are repaid. Based on Shangao Puhui’s obligations to acquire defaulted loans from the Trust as disclosed above and the date on which the principal of the last Real Estate Loan shall be repaid, the balance of the Trust Principal will become nil by the end of January 2020 at the latest, even if default occurs to any Real Estate Loan.

The interest rate payable by the borrowers to the Trust under each Real Estate Loans was such that assuming no defaults on the interest payments, after paying (i) the Assignment Income Distributions to the Assignee; and (ii) the fees, costs and expenses of the Trust (including without limitation the fees charged by the Trustee), the Trust would remain in a position to pay to Shangao Puhui service fees at an annualised rate of no less than 5.8% per annum on the outstanding principal thereof.

The expected interest payments to be made by the borrowers would therefore sufficiently cover the Assignment Income Distributions payable to the Assignee. Shangao Puhui, whose financial results are consolidated in the financial results of the Assignor, would also expect to enjoy substantial additional service fees from the Assignor's strategy to recoup its investment in the Trust and re-invest the same in other similar trust arrangements.

In the event that certain borrowers fail to fully repay their Real Estate Loans within the agreed term and upon the expiry of the Assignment Period, the outstanding principals of such Real Estate Loans shall be the balance of the Trust Principal, and the Assignor might need to pay to the Assignee the Shortfall, should the Assignee exercise the Re-assignment Right before the principals of such Real Estate Loans are repaid or recovered.

On the other hand, since:

- (i) the Trust has diversified the default risk by having made a number of Real Estate Loans, each to different borrowers, with the highest principal amount among all Real Estate Loans not exceeding 20% of the Trust Principal;
- (ii) each Real Estate Loan is secured by real estate situated in the PRC; and
- (iii) the Trust has restricted the loan to value ratio of each Real Estate Loan to below 70%,

the Assignor considered that the risk that a material part of the Trust Principal may become affected by default was low, and any sum recovered from enforcement of the charge over the real estate or disposing of such defaulted Real Estate Loan to third parties would be sufficient to cover the principal and any outstanding interest of any such Real Estate Loan. Therefore, the risk that the Assignor would be called upon to make any unrecoverable payment to the Assignee, whether on account of any Shortfall or consideration for the Re-assignment, was remote.

The Company considers that the Assignment is an arrangement which enables the Group to enhance its service fee income through rolling over the Trust Principal. The business model of it is to apply a single amount of principal to achieve multiple service fee income. This means the Group would not be required to utilise its cash and cash equivalents, other than the Trust Principal, to achieve such multiple service fee income.

On the above grounds, the Board (including the independent non-executive Directors, but excluding Mr. Ji Kecheng, Mr. Wang Zhenjiang and Mr. Li Hang) considers the transactions contemplated under the Assignment Agreement are entered into on normal commercial terms, and the terms set out in the Assignment Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

By order of the Board

Chian Shandong Hi-Speed Financial Group Limited

Li Zhen Yu

Executive Director

Hong Kong, 30 April 2019

Unless otherwise specified in this announcement, amounts denominated in RMB have been converted to HK\$ at a rate of HK\$1.00 to RMB0.8793.

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.