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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)

**(1) UPDATE ON DISCLOSEABLE TRANSACTION INVOLVING
FINANCE LEASE ARRANGEMENT
(2) PROFIT WARNING**

**(1) UPDATE ON DISCLOSEABLE TRANSACTION INVOLVING
FINANCE LEASE ARRANGEMENT**

J&R Restructuring Plan

Reference is made to the announcement of the Company dated 11 June 2019 in relation to, among other things, the J&R Finance Lease Agreement, pursuant to which, among other things, Shangao International Leasing, an indirect wholly-owned subsidiary of the Company, agreed to lease the J&R Leased Assets to Shaanxi J&R from the date on which Shangao International Leasing issued written notice of lease commencement to Shaanxi J&R (but in any event no later than 20 December 2019) to 31 March 2025 at a total lease payment of RMB366,531,479.40 (equivalent to approximately HK\$406,849,942.13).

As informed by Shaanxi J&R, Shaanxi J&R entered into liquidation restructuring procedures in accordance with the ruling by the Xi'an Intermediate People's Court on 30 September 2019. On 27 December 2019, the J&R Restructuring Plan was approved by the Xi'an Intermediate People's Court. In order to ensure smooth implementation of the J&R Restructuring Plan, Shaanxi J&R formulated the Shangao Adjustment and Compensation Plan in relation to Shangao International Leasing's claims under the J&R Finance Lease Agreement together with certain relevant valuation fees and litigation fees, in the aggregate amount of RMB368,048,336.06 (equivalent to approximately HK\$408,533,653.03).

According to the Shangao Adjustment and Compensation Plan, parts of the claim amounts shall be compensated by entering into the ANE Finance Lease Arrangement, cash payment and debt receivables of Shaanxi J&R (if such debt receivables are not received by 31 March 2020, such amount of claim will be settled by means of offsetting the claim with certain shares in Shaanxi J&R).

ANE Finance Lease Arrangement

As part of the Shangao Adjustment and Compensation Plan, Shangao International Leasing and Anding New Energy, an indirect wholly-owned subsidiary of Shaanxi J&R, shall enter into the ANE Finance Lease Agreement, pursuant to which, among other things, Shangao International Leasing shall agree to lease the ANE Leased Assets to Anding New Energy from the date on which Shangao International Leasing issues written notice of lease commencement to Anding New Energy (which is expected to be no later than 29 February 2020) to 15 December 2022 at a total lease payment of RMB148,231,979.13 (equivalent to approximately HK\$164,537,496.83).

It is expected that none of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the ANE Finance Lease Arrangement will exceed 5%, therefore the transactions contemplated thereunder will not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules. In the event that any applicable percentage ratios exceed 5% at the time of entering into the ANE Finance Lease Arrangement, the Company will comply with the applicable Listing Rules and make appropriate disclosure.

(2) PROFIT WARNING

The Board wishes to inform the Shareholders and potential investors of the Company that, based on the preliminary assessment of the unaudited consolidated management accounts of the Group for the year ended 31 December 2019, the Group is expected to record a substantial increase in loss for the year ended 31 December 2019, as compared with the audited loss for the nine months ended 31 December 2018. It is mainly attributable to a significant loss in fair value on one of the financial assets and a substantial impairment provision for relevant assets during the year, which is subject to review, confirmation and audit.

The information in relation to the profit warning contained in this announcement is based on information currently available to the Group. It remains subject to finalisation and necessary adjustments, and has not been confirmed, audited nor reviewed by the Company's auditor. Details of the financial performance of the Group will be disclosed in the Group's annual results announcement which will be released as soon as practicable and in any event on or before 31 March 2020.

(1) UPDATE ON DISCLOSEABLE TRANSACTION INVOLVING FINANCE LEASE ARRANGEMENT

J&R Restructuring Plan

Reference is made to the announcement of the Company dated 11 June 2019 in relation to, among other things, the J&R Finance Lease Agreement, pursuant to which, among other things, Shangao International Leasing, an indirect wholly-owned subsidiary of the Company, agreed to lease the J&R Leased Assets to Shaanxi J&R from the date on which Shangao International Leasing issued written notice of lease commencement to Shaanxi J&R (but in any event no later than 20 December 2019) to 31 March 2025 at a total lease payment of RMB366,531,479.40 (equivalent to approximately HK\$406,849,942.13).

As informed by Shaanxi J&R, Shaanxi J&R entered into liquidation restructuring procedures in accordance with the ruling by the Xi'an Intermediate People's Court on 30 September 2019. On 27 December 2019, the J&R Restructuring Plan was approved by the Xi'an Intermediate People's Court. In order to ensure smooth implementation of the J&R Restructuring Plan, Shaanxi J&R formulated the Shangao Adjustment and Compensation Plan in relation to Shangao International Leasing's claims under the J&R Finance Lease Agreement together with certain relevant valuation fees and litigation fees, in the aggregate amount of RMB368,048,336.06 (equivalent to approximately HK\$408,533,653.03). Details of the Shangao Adjustment and Compensation Plan are as follows:

	Amount of claims (RMB)	Means of compensation	Amount of compensation (RMB)
(i)	128,830,842.00	Entering into of the ANE Finance Lease Arrangement, details of which are disclosed below.	128,830,842.00
(ii)	50,000,000.00	Compensation at a rate of 12% in accordance with the J&R Restructuring Plan.	6,000,000.00

	Amount of claims (RMB)	Means of compensation	Amount of compensation (RMB)
(iii)	189,217,494.06	Settlement by the debt receivables of Shaanxi J&R in the amount of RMB22,706,099.29. If Shaanxi J&R's debt receivables are not received by 31 March 2020, such amount of claim will be settled at a rate of 12% and by means of offsetting the claims with shares in Shaanxi J&R by the new investor of Shaanxi J&R under the J&R Restructuring Plan at the price of RMB1 per share (being the par value of each share in Shaanxi J&R), i.e. 22,706,100 shares in Shaanxi J&R.	22,706,099.29 or 22,706,100 shares in Shaanxi J&R ^(Note)

The closing price per share in Shaanxi J&R is RMB1.68 on the date of this announcement.

Note: Subject to completion of registration of increase in the number of shares in Shaanxi J&R.

ANE Finance Lease Arrangement

The J&R Finance Lease Agreement was terminated by the administrator of Shaanxi J&R in accordance with the law during the liquidation restructuring procedures of Shaanxi J&R, where Shangao International Leasing retrieved the J&R Leased Assets. As part of the Shangao Adjustment and Compensation Plan, Shangao International Leasing shall lease part of the J&R Leased Assets located in Inner Mongolia (i.e. the ANE Leased Assets) to Anding New Energy (an indirect wholly-owned subsidiary of Shaanxi J&R) through entering into the ANE Finance Lease Arrangement.

It was the parties' intention to execute the documents under the ANE Finance Lease Arrangement on 7 February 2020. Nonetheless, due to outbreak of the novel coronavirus, the PRC government has adopted strict traffic and personnel control measures causing officers of Anding New Energy not being able to have access to its common seal for executing such documents. As a result, the execution of the documents under the ANE Finance Lease Arrangement is postponed and such execution is expected to take place no later than 29 February 2020.

The principal terms of the ANE Finance Lease Arrangement are summarised as follows:

Parties	<p>Lessor: Shangao International Leasing (an indirect wholly-owned subsidiary of the Company)</p> <p>Lessee: Anding New Energy (an indirect wholly-owned subsidiary of Shaanxi J&R)</p> <p>Guarantor: Shaanxi J&R</p>
Subject matter	Shangao International Leasing shall agree to lease the ANE Leased Assets to Anding New Energy
Lease period	From the date on which Shangao International Leasing issues written notice of lease commencement to Anding New Energy (which is expected to be no later than 29 February 2020) to 15 December 2022
Lease payment and other fees	<p>Pursuant to the ANE Finance Lease Agreement, the total lease payments payable by Anding New Energy to Shangao International Leasing shall be RMB148,231,979.13 (equivalent to approximately HK\$164,537,496.83). The lease payments shall be payable by Anding New Energy to Shangao International Leasing in quarterly instalments. The lease payments shall consist of:</p> <p>(a) the principal lease amount of RMB128,830,842.00 (equivalent to approximately HK\$143,002,234.62), representing the amount under the latest valuation of the ANE Leased Assets; and</p> <p>(b) a total interest of RMB19,401,137.13 (equivalent to approximately HK\$21,535,262.21), which is determined by reference to the then benchmark interest rate for loans with the same term as promulgated by the People's Bank of China.</p>

Ownership of the ANE Leased Assets	The legal title of the ANE Leased Assets shall vest in Shangao International Leasing throughout the lease period.
Buyback	Upon settlement of all lease payments (including but not limited to lease payments, default payments (if any) and deferred interests (if any)), Anding New Energy shall have the right to purchase the ANE Leased Assets at an agreed nominal price of RMB100 (equivalent to approximately HK\$111).
Securities and guarantees	The obligations of Anding New Energy under the ANE Finance Lease Agreement shall be guaranteed by a corporate guarantee from Shaanxi J&R.

The terms of the ANE Finance Lease Arrangement, including the principal lease amount and the interest rate, were determined after arm's length negotiations between Shangao International Leasing and Anding New Energy and the administrator of Shaanxi J&R with reference to the prevailing market rates for similar finance leasing arrangements.

No Director has a material interest in the ANE Finance Lease Arrangement and the transactions contemplated thereunder. No Director was required to abstain from voting on the Board resolutions approving the ANE Finance Lease Arrangement.

Listing Rules Implications

It is expected that none of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the ANE Finance Lease Arrangement exceed 5%, therefore the transactions contemplated thereunder will not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules. In the event that any applicable percentage ratios exceed 5% at the time of entering into the ANE Finance Lease Arrangement, the Company will comply with the applicable Listing Rules and make appropriate disclosure.

Information of the parties

The Group

The Company is an investment holding company incorporated in Bermuda with limited liability and its subsidiaries are principally engaged in the provision of financial services, including (i) financial leasing; (ii) investment in securities; (iii) money lending; and (iv) financial technology.

Shangao International Leasing is a company established in the PRC and an indirect wholly-owned subsidiary of the Company. It is principally engaged in finance leasing business in the PRC.

Anding New Energy

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Anding New Energy is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of Shaanxi J&R. Its scope of business includes development, production, sale and after-sale services of lithium-ion batteries, lithium polymer batteries, fuel cells, power batteries, ultra-large-capacity energy storage batteries, super capacitors, battery management systems and rechargeable battery packs, wind photovoltaic energy storage systems, related equipment and instruments; import and export of goods and technologies (except for imports and exports of goods and technologies that are prohibited by the PRC or involve administrative approval) (can only be operated after obtaining a licence); technical services, testing services and consulting services for lithium batteries and related products.

Shaanxi J&R

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Shaanxi J&R is a company established in the PRC with limited liability and the issued shares of which are listed on the Shenzhen Stock Exchange (stock code: 300116.SZ). Its principal business includes production and sale of lithium-ion power batteries, lease and sale and operation of new energy vehicles, and installation and maintenance of fire engineering.

The consolidated audited net profit (or loss) before and after tax and extraordinary items of Shaanxi J&R and its subsidiaries for the two years ended 31 December 2017 and 2018 respectively are as follows:

	Year ended 31 December	
	2017	2018
	<i>(RMB)</i>	<i>(RMB)</i>
Net loss before tax and extraordinary items	3,658,589,805.10	3,495,932,438.17
Net loss after tax and extraordinary items	3,734,381,221.19	3,945,191,606.68

The consolidated unaudited net liability of Shaanxi J&R and its subsidiaries as at 30 June 2019 was RMB1,615,485,400.79.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, Anding New Energy, Shaanxi J&R and their ultimate beneficial owner(s) are Independent Third Parties.

Reasons for and benefits of entering into the ANE Finance Lease Arrangement

The entering into of the ANE Finance Lease Arrangement is part of the Shangao Adjustment and Compensation Plan, which will provide interest income to the Group and recover part of Shangao International Leasing's claims against Shaanxi J&R, which will in turn reduce the expected loss to the Group resulted from the J&R Restructuring Plan.

The Directors believe that the terms of the ANE Finance Lease Arrangement and the transactions contemplated thereunder were arrived at after arm's length negotiations between the parties thereto, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Financial Effects of the Shangao Adjustment and Compensation Plan

The Group made an impairment of approximately RMB61,312,000 (equivalent to approximately HK\$68,056,320) in respect of the J&R Finance Lease Arrangement for the six months ended 30 June 2019. According to the Shangao Adjustment and Compensation Plan, it is expected a substantial amount of the claim amount in connection with the J&R Finance Lease Arrangement would not be recovered by the Group. In this regard, the Group would further make an impairment in respect of such unrecovered claim amount for the year ended 31 December 2019, and the amount of impairment is currently under the assessment by the Group's auditor. Details of such impairment will be disclosed in the Group's annual results announcement.

(2) PROFIT WARNING

This part of this announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Board wishes to inform the Shareholders and potential investors of the Company that, based on the preliminary assessment of the unaudited consolidated management accounts of the Group for the year ended 31 December 2019, the Group is expected to record a substantial increase in loss for the year ended 31 December 2019, as compared with the audited loss for the nine months ended 31 December 2018. It is mainly attributable to:

- (a) a significant loss in fair value on one of the financial assets measured at fair value through profit and loss as referred to in the annual report for the nine months ended 31 December 2018, whereas the fair value of such financial asset showed no improvement as of 31 December 2019. As a result, the loss in fair value on financial assets measured at fair value through profit and loss for the current period has increased significantly over the nine months ended 31 December 2018; and
- (b) a substantial impairment generated from J&R Finance Lease Agreement and impairment provision for other assets during the year, which is subject to review, confirmation and audit.

The information contained in this part of this announcement is based on information currently available to the Group. It remains subject to finalisation and necessary adjustments, and has not been confirmed, audited nor reviewed by the Company's auditor. Details of the financial performance of the Group will be disclosed in the Group's annual results announcement which will be released as soon as practicable and in any event on or before 31 March 2020.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following respective meanings.

“Anding New Energy”	Inner Mongolia Anding New Energy Co., Ltd.* (內蒙古安鼎新能源有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of Shaanxi J&R
“ANE Finance Lease Agreement”	the finance lease agreement to be entered into between Shangao International Leasing and Anding New Energy in relation to the financial leasing arrangement over the ANE Leased Assets
“ANE Finance Lease Arrangement”	the arrangement contemplated under the ANE Finance Lease Agreement, and the corporate guarantee to be provided by Shaanxi J&R, in favour of Shangao International Leasing in relation to the ANE Finance Lease Agreement
“ANE Leased Assets”	certain machinery and equipment for the production business of Anding New Energy, being part of the J&R Leased Assets which are located in Inner Mongolia
“Board”	the board of Directors
“Company”	China Shandong Hi-Speed Financial Group Limited (中國山東高速金融集團有限公司), a company incorporated under the laws of Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 00412)

“connected person(s)”	has the meaning ascribed thereto under Chapter 14A of the Listing Rules
“Directors”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	party(ies) who is/are independent of the Company and its connected person(s)
“J&R Finance Lease Agreement”	the finance lease agreement entered into between Shangao International Leasing and Shaanxi J&R dated 11 June 2019 in relation to the financial leasing arrangement over the J&R Leased Assets
“J&R Leased Assets”	certain machinery and equipment for the production business of Shaanxi J&R
“J&R Restructuring Plan”	the restructuring plan of Shaanxi J&R approved by the Xi’an Intermediate People’s Court on 27 December 2019
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“Shaanxi J&R”	Shaanxi J&R Optimum Energy Co., Ltd.* (陝西堅瑞沃能股份有限公司), a company established in the PRC with limited liability and the issued shares of which are listed on the Shenzhen Stock Exchange (stock code: 300116.SZ)
“Shangao Adjustment and Compensation Plan”	the adjustment and compensation plan in relation to Shangao International Leasing’s claims under the J&R Finance Lease Agreement together with certain relevant valuation fees and litigation fees
“Shangao International Leasing”	Shangao International Finance Leasing (Shenzhen) Co., Ltd.* (山高國際融資租賃 (深圳) 有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Shareholders”	holders of the Share(s)
“Share(s)”	ordinary share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Hong Kong, 7 February 2020

For illustration purpose only, amounts in RMB in this announcement have been converted into HK\$ at the rate of RMB1=HK\$1.11.

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.

* *For identification purpose only*