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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this Circular or as to the action to be taken, you should consult a licensed security dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in China Shandong Hi-Speed Financial Group Limited, you should at once hand this Circular, to the purchaser or the transferee or to the licensed security dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)**

### **MAJOR TRANSACTION FINANCE LEASE ARRANGEMENTS**

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A letter from the Board is set out on pages 5 to 16 of this Circular. A notice convening the SGM to be held at Plaza 3, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 10 August 2018 at 11:00 a.m. (or as soon thereafter as the annual general meeting of the Company to be held at 10:00 a.m. on the same day and at the same place is concluded or adjourned) is set out on pages SGM-1 to SGM-2 of this Circular. A form of proxy for use at the SGM is also enclosed herewith. Whether or not you are able to attend and vote at the SGM in person or any adjournment thereof (as the case may be), please complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

Hong Kong, 17 July 2018

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## CONTENTS

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	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	5
<b>Appendix I – Financial Information of the Group</b> .....	I-1
<b>Appendix II – General Information</b> .....	II-1
<b>Notice of the SGM</b> .....	SGM-1

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## DEFINITIONS

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*In this Circular, the following terms and expressions shall have the following meanings unless the context requires otherwise:*

“Anhui Tongfeng”	Anhui Tongfeng Electronics Group Co., Ltd (安徽銅峰電子集團有限公司), a company established in the PRC with limited liability
“Announcement”	the announcement of the Company dated 16 May 2018 in relation to, among other things, the Finance Lease Arrangements
“Board”	the board of Directors
“China Tieniu”	China Tieniu Group Co., Ltd. (鐵牛集團有限公司), a company established in the PRC with limited liability
“Circular”	this circular
“close associate”	has the meaning ascribed to it under the Listing Rules
“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 by Chapter 14A of the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company
“Finance Lease Agreement-4”	the finance lease agreement entered into between Xianglong FL and China Tieniu dated 21 March 2018 in relation to the financial leasing arrangement over the Leased Assets-4

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## DEFINITIONS

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“Finance Lease Agreement-5”	the finance lease agreement entered into between Xianglong FL and Hangzhou ESSEN dated 29 March 2018 in relation to the financial leasing arrangement over the Leased Assets-5
“Finance Lease Arrangement-4”	the Finance Lease Agreement-4, together with the corporate guarantee by Hangzhou ESSEN, the corporate guarantee by Anhui Tongfeng, the corporate guarantee by Huangshan Jinma, the personal guarantee by Ms. Xu and the personal guarantee by Mr. Ying, each of which in favour of Xianglong FL dated 21 March 2018 in relation to the Finance Lease Agreement-4
“Finance Lease Arrangement-5”	the Finance Lease Agreement-5 (as amended by the Supplemental Agreement), together with the corporate guarantee by China Tieniu, the corporate guarantee by Anhui Tongfeng, the corporate guarantee by Huangshan Jinma, the personal guarantee by Ms. Xu and the personal guarantee by Mr. Ying, each in favour of Xianglong FL dated 29 March 2018 in relation to the Finance Lease Agreement-5
“Finance Lease Arrangements”	The Finance Lease Arrangement-4 and the Finance Lease Arrangement-5
“Hangzhou ESSEN”	Hangzhou ESSEN Auto Component Co., Ltd. (杭州易辰孚特汽車零部件有限公司), a company established in the PRC with limited liability
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Huangshan Jinma”	Huangshan Jinma Group Company Limited* (黃山金馬集團有限公司), a company established in the PRC with limited liability
“Independent Third Party(ies)”	party(ies) who is/are independent of the Company and its connected person(s)

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## DEFINITIONS

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“Latest Practicable Date”	12 July 2018, being the latest practicable date for the purpose of ascertaining certain information contained in this Circular prior to its publication
“Leased Assets-4”	certain machinery and equipment for the production business of China Tieniu
“Leased Assets-5”	certain machinery and equipment for the production business of Hangzhou ESSEN
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Ying”	應建仁 (Ying Jianren*), the personal guarantor under each of the Finance Lease Arrangement-4 and the Finance Lease Arrangement-5
“Ms. Xu”	徐美兒 (Xu Meier*), the personal guarantor under each of the Finance Lease Arrangement-4 and the Finance Lease Arrangement-5
“PRC”	the People’s Republic of China which, for the purpose of this Circular, 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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	a special general meeting of the Company to be convened for the purpose of considering, and if thought fit, ratifying the Finance Lease Agreement-4, the Finance Lease Agreement-5, the Supplemental Agreement-5 and the transactions contemplated thereunder
“Shandong International”	Shandong International (Hong Kong) Limited (山東國際(香港)有限公司), a company incorporated in Hong Kong with limited liability

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## DEFINITIONS

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“Shandong Rural”	Shandong Province Rural Economic Development Investment Company* (山東省農村經濟開發投資公司), a whole people-owned enterprise (全民所有制企業) incorporated in the PRC
“Shares”	ordinary shares of par value HK\$0.00025 each in the share capital of the Company
“Shareholders”	shareholders of the Company
“SPA”	the sale and purchase agreement dated 25 April 2017 entered into between Viewlock Limited (視樂有限公司), Shandong International and Shandong Rural in respect of the acquisition of the 40% equity interest in Shandong Hi-Speed (BVI) International Holdings Limited (山東高速(BVI)國際控股有限公司) for the consideration of HK\$1,500,000,000 pursuant to the terms and conditions of the agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement-5”	the supplemental agreement dated 7 May 2018 entered into between Xianglong FL and Hangzhou ESSEN amending and supplementing the terms of the Finance Lease Agreement-5
“Xianglong FL”	Shangao International Finance Leasing (Shenzhen) Co., Ltd.* (山高國際融資租賃(深圳)有限公司) (formerly known as Xianglong Finance Leasing (Shenzhen) Company Limited* (翔龍融資租賃(深圳)有限公司)), a company established in the PRC with limited liability
“%”	per cent.

\* For identification purpose only

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## LETTER FROM THE BOARD

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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)**

*Non-Executive Director and Chairman:*

Mr. Li Hang

*Non-Executive Director and Vice Chairman:*

Dr. Lam Lee G.

*Executive Directors:*

Mr. Ji Kecheng (*Chief Executive Officer*)

Mr. Wang Zhenjiang (*Vice President*)

Mr. Yau Wai Lung

Mr. Li Zhen Yu

*Non-Executive Directors:*

Mr. Qiu Jianyang

Mr. Lo Man Tuen

*Independent Non-Executive Directors:*

Mr. To Shing Chuen

Mr. Cheung Wing Ping

Mr. Wang Huixuan

Mr. Guan Huanfei

*Registered office:*

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

*Head office and principal place of  
business in Hong Kong:*

Rooms 1405–1410, 14/F.

China Resources Building

26 Harbour Road

Wanchai

Hong Kong

17 July 2018

*To the Shareholders*

Dear Sir or Madam,

### **MAJOR TRANSACTION FINANCE LEASE ARRANGEMENTS**

#### **A. INTRODUCTION**

Reference is made to the Announcement in relation to, among other things, (i) the Finance Lease Arrangement-4 dated 21 March 2018, pursuant to which, among other things, Xianglong FL agreed to purchase the Leased Assets-4 from China Tieniu, at an aggregate consideration of RMB500,000,000, which have been leased back to China Tieniu for a term of five years at a total lease payment of RMB575,710,546.86; and (ii) the Finance Lease Arrangement-5 (as amended on 7 May 2018), pursuant to which Xianglong FL agreed to purchase the Leased Assets-5 from Hangzhou ESSEN, at an aggregate consideration of RMB600,000,000, which have been leased back to Hangzhou ESSEN for a term of three years at a total lease payment of RMB623,034,821.60.

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## LETTER FROM THE BOARD

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The purpose of this Circular is to provide to you, among others:

- (a) details of the Finance Lease Arrangement-4 and the Finance Lease Arrangement-5;
- (b) certain financial information of the Group; and
- (c) such other information as required under the Listing Rules.

### **B. THE FINANCE LEASE ARRANGEMENT-4**

#### **Date**

21 March 2018

#### **Parties**

Lessor:	Xianglong FL (an indirect wholly-owned subsidiary of the Company)
Lessee:	China Tieniu
Guarantors:	Hangzhou ESSEN Anhui Tongfeng Huangshan Jinma Ms. Xu Mr. Ying

#### **Subject matter**

Xianglong FL agreed to purchase the Leased Assets-4 from China Tieniu and following which, to lease back the Leased Assets-4 to China Tieniu after the purchase, subject to the terms and conditions of the Finance Lease Agreement-4.



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## LETTER FROM THE BOARD

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### **Consideration**

Xianglong FL agreed to purchase Leased Assets-4 from China Tieniu for a total consideration of RMB500,000,000.

The consideration for the Leased Assets-4 was funded by the internal resources of the Group.

### **Lease period**

5 years commencing from 22 March 2018

### **Lease payment and other fees**

Pursuant to the Finance Lease Agreement-4, the total lease payments payable by China Tieniu to Xianglong FL shall be RMB575,710,546.86. The lease payments shall be payable by China Tieniu to Xianglong FL in ten half-yearly installments. The lease payments consist of:

- (a) the principal lease amount of RMB500,000,000 which is equal to the total consideration paid for the Leased Assets-4; and
- (b) a total interest of RMB75,710,546.86 at an annual interest rate of 4.75%, 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.

### **Ownership of the Leased Assets-4**

The legal title of the Leased Assets-4 shall vest in Xianglong FL throughout the lease period.

### **Buyback**

Upon settlement of all lease payments (including but not limited to lease payments, default payments and deferred interests, if any), China Tieniu shall have the right to purchase the Lease Assets-4 at an agreed nominal price of RMB100.

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## LETTER FROM THE BOARD

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### Securities and guarantees

The obligations of China Tieniu under the Finance Lease Agreement-4 shall be secured by (a) a corporate guarantee from Hangzhou ESSEN; (b) a corporate guarantee from Anhui Tongfeng; (c) a corporate guarantee from Huangshan Jinma; (d) a personal guarantee from Ms. Xu; and (e) a personal guarantee from Mr. Ying, each for the period from 21 March 2018 until the third anniversary of the date when all the obligations under the Finance Lease Agreement-4 have been performed.

The terms of the Finance Lease Arrangement-4, including the consideration in respect of the sale and purchase of the Leased Assets-4, principal lease amount and interest rate were determined after arm's length negotiations between Xianglong FL and China Tieniu by reference to the then preliminary valuation of the Leased Assets-4 carried out on a cost approach at approximately RMB728,766,000 by a qualified independent PRC valuer in March 2018 and the prevailing market interest rate for similar leasing arrangements.

### C. THE FINANCE LEASE ARRANGEMENT-5

#### Date

29 March 2018

#### Parties

Lessor:	Xianglong FL (an indirect wholly-owned subsidiary of the Company)
Lessee:	Hangzhou ESSEN
Guarantors:	China Tieniu Anhui Tongfeng Huangshan Jinma Ms. Xu Mr. Ying

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## LETTER FROM THE BOARD

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### **Subject matter**

Xianglong FL agreed to purchase the Leased Assets-5 from Hangzhou ESSEN and following which, to lease back the Leased Assets-5 to Hangzhou ESSEN after the purchase, subject to the terms and conditions of the Finance Lease Agreement-5.

### **Consideration**

Xianglong FL agreed to purchase Leased Assets-5 from Hangzhou ESSEN for a total consideration of RMB600,000,000.

The consideration for the Leased Assets-5 was funded by the internal resources of the Group.

### **Lease period**

3 years commencing from 29 March 2018

### **Lease payment and other fees**

Pursuant to the Finance Lease Agreement-5, the total lease payments payable by Hangzhou ESSEN to Xianglong FL shall be RMB650,850,238.50. The lease payments shall be payable by Hangzhou ESSEN to Xianglong FL in six half-yearly installments. The lease payments consist of:

- (c) the principal lease amount of RMB600,000,000 which is equal to the total consideration paid for the Leased Assets-5; and
- (d) a total interest of RMB50,850,238.50 at an annual interest rate of 4.75%, 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.

### **Ownership of the Leased Assets-5**

The legal title of the Leased Assets-5 shall vest in Xianglong FL throughout the lease period.

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## LETTER FROM THE BOARD

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### **Buyback**

Upon settlement of all lease payments (including but not limited to lease payments, default payments and deferred interests, if any), Hangzhou ESSEN shall have the right to purchase the Lease Assets-5 at an agreed nominal price of RMB100.

### **Securities and guarantees**

The obligations of Hangzhou ESSEN under the Finance Lease Agreement-5 shall be secured by (a) a corporate guarantee from China Tieniu; (b) a corporate guarantee from Anhui Tongfeng; (c) a corporate guarantee from Huangshan Jinma; (d) a personal guarantee from Ms. Xu; and (e) a personal guarantee from Mr. Ying, each for the period from 29 March 2018 until the third anniversary of the date when all the obligations under the Finance Lease Agreement-5 have been performed.

On 7 May 2018, Xianglong FL (an indirect wholly-owned subsidiary of the Company) and Hangzhou ESSEN entered into the Supplemental Agreement-5, whereby the total lease payments payable under the Finance Lease Arrangement-5 was amended to RMB623,034,821.60, of which RMB351,847,222.22 of the lease payments (consisting of the principal lease amount of RMB350,000,000 and an interest of RMB1,847,222.22) shall be paid in advance by Hangzhou ESSEN on 8 May 2018. The remaining lease payments shall be payable in six half-yearly installments, consisting of (a) the principal lease amount of RMB250,000,000; and (b) an interest of RMB21,187,599.38.

The terms of the Finance Lease Arrangement-5, including the consideration in respect of the sale and purchase of the Leased Assets-5, principal lease amount (as amended) and interest rate were determined after arm's length negotiations between Xianglong FL and Hangzhou ESSEN by reference to the valuation report in relation to the valuation of the Leased Assets-5 carried out on a cost approach at approximately RMB623,272,000 issued by a qualified independent PRC valuer in March 2018 and the prevailing market interest rate.

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## LETTER FROM THE BOARD

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### D. INFORMATION OF THE PARTIES

#### **The Group**

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of financial services, including financial leasing, provision of finance, asset management, operation of an asset trading platform, financial investments, financial technology and related financial services.

Xianglong FL 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.

#### **The lessees**

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the details of the lessees under the Finance Lease Arrangements are set out below.

China Tieniu is a company established in the PRC with limited liability and has a business license to conduct the industry and project investment, investment management, research and development, production, processing and sales of automobiles, parts of automobile, tractor accessories, molds, sheet metal parts, motor products, hardware tools, household appliances and instrumentation, research and development, production, sales, installation and maintenance of automated delivery equipment, storage facilities, welding and coating equipment and automated packaging equipment, research and development, processing and/or sales of construction materials and metal materials, import and export of goods and technology, and real estate development and operation.

Hangzhou ESSEN is a company established in the PRC with limited liability and has a business license to conduct the production, sales and/or distribution of automobiles, automobile accessories, metal materials, automobile spare parts, molds, electronics, construction materials and decorative materials, import and export of goods and technology, development of automobile production projects, sales, installation and maintenance of automated delivery equipment, storage facilities, welding and coating equipment and automated packaging equipment, automobile spare parts, molds, metal materials, and other legal business activities. It is a wholly owned subsidiary of China Tieniu as at the Latest Practicable Date.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, China Tieniu and Hangzhou ESSEN and their respective ultimate beneficial owner(s) are Independent Third Parties.

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## LETTER FROM THE BOARD

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### **The guarantors**

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the details of the guarantors under the Finance Lease Arrangements are set out below.

Anhui Tongfeng is a company established in the PRC with limited liability and has a business license to conduct the production and sales of raw and auxiliary materials for various types of electronic devices, industry investment, machinery processing, procurement and sales of electronic equipment, processing and sales of industrial facilities, parts and metals, and import of machinery, spare parts, raw materials and technology.

Huangshan Jinma is a company established in the PRC with limited liability and has a business license to conduct the sales of automobiles, motorcycles and spare parts, coal, metal, chemical products, construction materials, household appliances, cultural goods and clothing, travelling services, recycling and sales of waste materials, and hotel management service.

Please refer to the sub-section headed "The Lessees" above for information of China Tieniu and Hangzhou ESSEN.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, Anhui Tongfeng, Huangshan Jinma, Ms. Xu, Mr. Ying and their respective ultimate beneficial owner(s) (where applicable) are Independent Third Parties.

### **E. REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCE LEASE ARRANGEMENTS**

Xianglong FL is an indirect wholly-owned subsidiary of the Company and is principally engaged in the finance leasing business in the PRC. The entering into of the Finance Lease Arrangements is part of the ordinary and usual course of business of Xianglong FL which will provide interest income to the Group and enhance the Group's profitability.

The Directors believe that the terms of the Finance Lease Arrangements 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.

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## LETTER FROM THE BOARD

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### **F. FINANCIAL EFFECT OF THE FINANCE LEASE ARRANGEMENTS**

The Group has financed the Finance Lease Agreements amounting to RMB750,000,000 (equivalent to approximately HK\$936,949,000) by internal resources.

Upon completion, the Finance Lease Agreements are expected to attribute approximately RMB96,898,000 (equivalent to approximately HK\$121,051,000) to the Group's turnover, being the interest income of the Group under each of the Finance Lease Agreement.

Other than the recognition of the interest income under each of the Finance Lease Agreement in the Group's income statement, the Group will recognise the finance lease receivable in respect of the Finance Lease Arrangements in the books of accounts of the Group.

Save as described above, the Finance Lease Arrangements are not expected to have any material impact on the earnings and assets and liabilities of the Group.

### **G. LISTING RULES IMPLICATIONS**

As the contractual parties to each of the Finance Lease Arrangement-4 and the Finance Lease Arrangement-5 are the same, the Finance Lease Arrangement-4 and Finance Lease Arrangement-5 are required to be aggregated as a series of transactions pursuant to Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Finance Lease Arrangement-4 and the Finance Lease Arrangement-5, on an aggregated basis, are higher than 25% but lower than 100%, the transactions as contemplated thereunder, on an aggregated basis, constitute a major transaction of the Company and are therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As disclosed in the Announcement, the Company is aware that the Announcement constituted late announcement under the Listing Rules of the relevant notifiable transactions and in respect of Finance Lease Arrangement-4 and Finance Lease Arrangement-5, have not been made subject to shareholder approval when, after aggregation of two transactions, should have been made subject to shareholders' approval. The delay was caused by the substantial changes to the core business team members in the PRC responsible for the finance leasing business of the Group, and the transition of the members responsible for risk management and compliance for this business segment. Following the appointment of the new general counsel, the Finance Lease Arrangements were identified in the ordinary course of the Group's internal governance review with the general counsel. The Company regrets the delay and omission of shareholder approval.

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## LETTER FROM THE BOARD

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In order to reduce the risk of a recurrence of such breaches, the Group continues to strengthen its internal controls, and the Company has engaged an external internal control consultant to review its internal controls and provide compliance training to the Group's staff. The scope of such review and training includes:-

- (a) reviewing and providing recommendations in the following areas in relation to handling and disclosure of notifiable and connected transaction and inside information:-
  - (i) governance framework and delegation of authority;
  - (ii) identifying transactions and information;
  - (iii) assessing and handling transactions and information;
  - (iv) disclosing transactions and information and overarching practices; and
  - (v) compliance training and communication.
- (b) providing two training sessions to the Company's designated staff on director's duties, corporate governance matters, current compliance of Listing Rule 13.09, Chapter 14 and Chapter 14A and inside information disclosure matters, each of which is expected to last for 1 to 1.5 hours.

The above review and training is expected to take place as soon as practicable upon such review and is currently expected to take place by end of August 2018. In addition, the Group will conduct introductory training for new members of the relevant business teams on the compliance requirements under the Listing Rules.

### **H. SGM**

The SGM will be convened to consider and, if thought fit, pass the ordinary resolution to ratify, among other things, the Finance Lease Arrangement-4 and the Finance Lease Arrangement-5 and the transactions contemplated thereunder. As no Shareholder has material interest in the Finance Lease Arrangement-4 and the Finance Lease Arrangement-5, no Shareholder is required to abstain from voting at the SGM in respect of the Finance Lease Arrangement-4, the Finance Lease Arrangement-5 and the respective transactions contemplated thereunder.



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## LETTER FROM THE BOARD

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In the event that the resolutions to approve, confirm and ratify the Finance Lease Arrangements are not passed at the SGM, the Company will have to negotiate with the relevant counterparties to vary or terminate the relevant agreements. Under such circumstances, the Company will provide an update on the variation or termination by way of announcement within three months after the SGM.

Assuming a termination agreement is reached between the Group and the relevant counterparties, it is expected that the cash of the Group will be increased, and the finance lease receivables of the Group will be reduced, by approximately RMB750 million. The Group would have lost a potential income in the estimated amount of RMB97 million if the Finance Lease Arrangements were to proceed until each of their full term.

A notice convening the SGM is set out on pages SGM-1 to SGM-2 of this Circular. Whether or not you are able to attend and vote at the SGM in person or any adjournment thereof (as the case may be), please complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

### **I. CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Tuesday, 7 August 2018 to Friday, 10 August 2018 (both dates inclusive) for determining the identity of the Shareholders who are entitled to attend and vote at the SGM. No transfer of shares of the Company will be registered during this period. In order to be eligible to attend and vote at the SGM, unregistered holders of the shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 6 August 2018.

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## LETTER FROM THE BOARD

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### **J. RECOMMENDATION**

Having considered the reasons set out herein, the Directors are of the view the terms of the Finance Lease Arrangements and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend all the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Finance Lease Arrangements and the transactions contemplated thereunder.

### **K. FURTHER INFORMATION**

Your attention is also drawn to the additional information set out in the appendices to this Circular.

Yours faithfully,

For and on behalf of the Board

**China Shandong Hi-Speed Financial Group Limited**

**Li Hang**

*Chairman*

**1. FINANCIAL INFORMATION OF THE GROUP**

Financial information of the Group for each of the three years ended 31 March 2016, 2017 and 2018 was disclosed in the following documents:

- (i) annual report of the Company for the year ended 31 March 2016 published on 14 July 2016 (pages 34 to 166),
- (ii) annual report of the Company for the year ended 31 March 2017 published on 28 July 2017 (pages 42 to 164), and
- (iii) annual report of the Company for the year ended 31 March 2018 published on 10 July 2018 (pages 57 to 200),

all of which can be found on the websites of the Stock Exchange (<http://www.hkexnews.com.hk>) and the Company (<http://www.csfg.com.hk>).

**2. INDEBTEDNESS STATEMENT****Borrowings**

At the close of business on 31 May 2018, being the latest practicable date for the purpose of this indebtedness statement prior to printing of this Circular, the Group had outstanding borrowings of approximately HK\$8,097,409,000 which comprised (i) bank borrowings of approximately HK\$1,050,856,000, a portion of which was guaranteed by a substantial shareholder of the Company; (ii) long term borrowings of approximately HK\$1,550,000,000 from an affiliate company of a substantial shareholder of the Company, (iii) unsecured bonds in the aggregate amount of approximately HK\$4,710,306,000, which bear interest at 4-5% interest per annum; and (iv) convertible bonds due 2018 or 2019 in the aggregate amount of approximately HK\$786,246,000, which bear interest at 6-8% interest per annum, among which one convertible bond of HK\$393,746,000 was secured by the share capital of an indirect wholly owned subsidiary of the Company and two convertible bonds of HK\$392,500,000 were unsecured.

**Contingent liabilities**

As at 31 May 2018, the Group had contingent liabilities of approximately HK\$552,515,000 arising from providing financial guarantee to independent third party borrowers that obtained financing from lenders through the Group's money lending referral service business.

Save as disclosed above, and apart from intra-group liabilities and normal trade payables, the Group did not have any outstanding bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease, hire purchases commitments, which were either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities at the close of business on 31 May 2018. To the best knowledge of the Directors, having made all reasonable enquiries, there has been no material change in indebtedness or contingent liabilities of the Group since 31 May 2018 and up to the Latest Practicable Date.

**3. SUFFICIENCY OF WORKING CAPITAL**

The Directors, after due and careful enquiry, are of the opinion that, taking into account the Finance Lease Arrangements and the financial resources available to the Group including internally generated funds and the available banking facilities, the Group will have sufficient working capital for its present operating requirements for at least the next twelve months from the date of this Circular in the absence of unforeseeable circumstances.

**4. MATERIAL ACQUISITIONS SINCE LATEST PUBLISHED AUDITED ACCOUNTS**

The Group does not have any material acquisition after the latest published audited accounts of the Company.

**5. NO MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors confirmed that there has been no material adverse change in the financial or trading position of the Group since 31 March 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**6. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

The Central Government of the PRC has clearly reiterated that the “One Belt, One Road” initiative would serve as an important strategic planning for the improvement of the infrastructures and the promotion of international cooperation to improve productivity among many countries, bringing a new driver for global economic growth. Under “One Belt, One Road” initiative, various investment opportunities will arise in areas such as construction of infrastructures (including financial and social infrastructure), real estate development, medical facilities and equipment which will require the participation of financial leasing companies to optimize the use of funds. By investing in global leasing operations, the Company will further tap into the potential investment opportunities offering in more than 60 countries along the “One Belt, One Road”.

Meanwhile, the Company will continue to implement its strategy to develop itself into an all-encompassing integrated financial service platform with full licenses and to diversify its business. The Company would like to develop financial investment as one of its principal business activities of the Group. Recently, the Group has made certain investments in financial instruments and the Directors expect that such financial investment would better utilize its existing internal financial resources, diversify the investment portfolio of the Group and thereby broadening its source of revenue and enhancing shareholders’ value. In line with its current business strategy, the Group would continue to seek opportunities to expand its financial investment segment, which is expected to account for approximately more than 50% of the total assets of the Group in the financial year 2018. The Company will also actively seek opportunity for diversification of its business and investment portfolio, with a view to diversifying the Group’s business risks, enhance liquidity of the investment portfolio while generating values for the Shareholders.

**1. RESPONSIBILITY STATEMENT**

This Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Circular misleading.

**2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES**

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV to the SFO) which (a) have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive of the Company were taken or deemed to have under such provisions of SFO); or (b) have been entered in the register maintained by the Company pursuant to Section 352 of the SFO; or (c) have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Name of Director	Number of Shares (Long position)	Number of underlying Shares (Long position)	Capacity	Approximate percentage of the issued share capital as at the Latest Practicable Date
Yau Wai Lung	–	169,400,000 <i>(Note 1)</i>	Beneficial owner	0.69%
Lo Man Tuen	30,000,000	–	Beneficial owner	0.12%

*Note:*

- (1) The 169,400,000 underlying Shares are issuable upon the exercise of share options granted by the Company to Yau Wai Lung under the share option scheme of the Company as at the Latest Practicable Date.

As at the Latest Practicable Date, none of the other Directors was a director or employee of a company which has an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO.

**3. DIRECTORS' INTERESTS IN ASSETS OR CONTRACTS OR ARRANGEMENTS**

As at the Latest Practicable Date, none of the Directors, directly or indirectly, had any interest in any assets which had since 31 March 2018 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

In addition, save for the fact that two of the Directors, Mr. Wang Zhenjiang and Mr. Li Hang had material interests in the SPA and the transactions contemplated thereunder as they were directors of the associate of Shandong International and senior management of Shandong Hi-Speed Group Co., Ltd., respectively, as at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement entered into by any member of the Group subsisting which was significant in relation to the business of the Group taken as a whole.

**4. MATERIAL CONTRACTS**

The following contracts, not being contracts entered into in the ordinary course of business of the Group, were entered into by members of the Group within the two years immediately preceding the date of this Circular and up to the Latest Practicable Date and are or may be material:

- (a) the sale and purchase agreement dated 2 September 2016 entered into between the Group and Beijing Taitong Hengye Investment Company Limited\*, a third party independent of the Company and was not a connected person of the Company, for the acquisition of the entire share capital of China Innovative Finance Zhonghong (ShenZhen) Business Factoring Company Limited at a total consideration of approximately HK\$34,845,000. Further details are set out on page 51 of the interim report of the Company for the 6 months ended 30 September 2016.
- (b) the sale and purchase agreement dated 31 March 2017 entered into between Greater Chance Group Limited, an indirect wholly-owned subsidiary of the Company, and Leading Fortune International Group Limited, a company wholly owned by Mr. Yau Wai Lung, an executive director of the Company, in relation to the sale and purchase of the entire issued share capital of Park Rise Investments Limited for an aggregate consideration of HK\$97,200,000. Further details are set out in the announcement of the Company dated 31 March 2017.
- (c) the SPA. Further details are set out in the circular of the Company dated 27 July 2017.

- (d) the sale and purchase agreement dated 31 October 2017 entered into between the Company and Mr. Li Shao Yu, a substantial shareholder and connected person of the Company, in relation to the sale and purchase of 24,365,400 ordinary shares of Asia Link Capital Investment Holdings Limited (亞聯創富控股有限公司) for an aggregate consideration of HK\$934,500,000 which has been terminated by mutual agreement of the parties. Further details are set out in the announcements of the Company dated 31 October 2017 and 15 June 2018.
  
- (e) the Finance Lease Arrangement-4 and the Finance Lease Arrangement-5. Further details are set out in this Circular.

## **5. LITIGATION**

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

## **6. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, a service contract with the Company or any member of the Group which does not expire or is not determinable by the Company or such member of the Group within one year without payment of compensation (other than statutory compensation).

## **7. DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors or their respective close associate(s) was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group which interest would be required to be disclosed under Rule 8.10 of the Listing Rules if the relevant Director were a controlling shareholder of the Company.



**8. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours from 9:30 a.m. to 5:30 p.m. (except Saturdays, Sundays and gazetted public holidays in Hong Kong), at Rooms 1405–1410, 14/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong for a period of 14 days from the date of this Circular:

- (i) the memorandum of association and bye-laws of the Company;
- (ii) the annual reports of the Company containing audited consolidated financial statements of the company for the two years ended 31 March 2017 and 2018;
- (iii) the letter from the Board, the text of which is set out on pages 5 to 16 of this Circular;
- (iv) the contracts referred to in the paragraph headed “Material contracts” in this Appendix II; and
- (v) this Circular.

**9. MISCELLANEOUS**

- (a) The company secretary of the Company is Ms. Chan Lai Ping. Ms. Chan holds a solicitor’s practising certificate with the Law Society of Hong Kong and is a consultant of Keith Lam, Lau & Chan, Solicitors, Hong Kong.
- (b) The principal share registrar and transfer office of the Company in Bermuda is MUFG Fund Services (Bermuda) Limited, located at The Belvedere Building, 69 Pitts Bay Road, Pembroke HM08, Bermuda.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited, located at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (d) The English text of this Circular prevails over the Chinese text.

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## NOTICE OF THE SGM

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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)**

**NOTICE IS HEREBY GIVEN** that a special general meeting of China Shandong Hi-Speed Financial Group Limited (the “**Company**”) will be held at Plaza 3, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Friday, 10 August 2018 at 11:00 a.m. (or as soon thereafter as the annual general meeting of the Company to be held at 10:00 a.m. on the same day and at the same place is concluded or adjourned) (the “**SGM**”) for the purpose of considering and, if thought fit, ratify the following resolution as an ordinary resolution of the Company. Capitalised terms defined in the circular dated 17 July 2018 issued by the Company (the “**Circular**”) shall have the same meanings when used herein unless otherwise specified:

### **ORDINARY RESOLUTION**

“**THAT:**

1. (a) the Finance Lease Arrangement-4 and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the Finance Lease Arrangement-5 and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (c) the board of directors of the Company (the “**Directors**”) be and is hereby generally and unconditionally authorised to do all such acts and things and execute all such documents and to take all such steps as it considers necessary or expedient or desirable in connection with or to give effect to or in connection with paragraphs (a) and/or (b) of this resolution no. 1, and all such acts and things the Directors have done, all such documents the Directors have executed, and all such steps the Directors have taken are hereby approved, confirmed and ratified.”

Yours faithfully,

For and on behalf of the Board

**China Shandong Hi-Speed Financial Group Limited**

**Li Hang**

*Chairman*

Hong Kong, 17 July 2018

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## NOTICE OF THE SGM

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*Notes:*

1. In order to be eligible to attend and vote at the SGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Monday, 6 August 2018. The register of members of the Company will be closed from Tuesday, 7 August 2018 to Friday, 10 August 2018, both days inclusive, for determination of entitlements to attend and vote at the SGM and during which period no transfer of Shares will be registered.
2. Any Shareholder entitled to attend and vote at the SGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy needs not be a Shareholder.
3. The form of proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer or attorney duly authorised.
4. Delivery of the form of proxy shall not preclude a Shareholder from attending and voting in person at the SGM.
5. The form of proxy, the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, shall be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be) at which the person named in the form of proxy proposes to vote and in default the form of proxy shall not be treated as valid.
6. In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy or by representative, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of Shareholders of the Company in respect of the joint holding.
7. As at the date of this notice, 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.