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## **HAITONG INTERNATIONAL SECURITIES GROUP LIMITED**

**海通國際證券集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 665)**

### **DISCLOSEABLE TRANSACTION INVESTMENT IN NEWBRIDGE CHINA AUTO CAYMANS L.P. AND TOTAL RETURN SWAP AGREEMENT WITH HUGE GROUP**

The Board is pleased to announce that on 28 November 2014, Haitong International New Energy, a wholly-owned subsidiary of the Company, entered into an Amended and Restated Exempted Limited Partnership Agreement with, inter alios, the General Partner, pursuant to which Haitong International New Energy agreed to make an investment of HKD2.1 billion in the Fund for a 38.87% interest as a limited partner.

In order to hedge its economic exposure with respect to the Investment, Haitong International New Energy entered into a TRS Transaction with a notional amount of HKD1.48 billion with Huge Group which is scheduled to expire in 2017.

As one of the applicable percentages under Rule 14.07 of the Listing Rules in relation to each of the Investment and the TRS Transaction is more than 5% while all applicable percentages are less than 25%, each of the Investment and the TRS Transaction constitutes a discloseable transaction of the Company under Rule 14.06 of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from the shareholders' approval requirement under the Listing Rules.

#### **INTRODUCTION**

The Board is pleased to announce that on 28 November 2014, Haitong International New Energy, a wholly-owned subsidiary of the Company, entered into an Amended and Restated Exempted Limited Partnership Agreement with, inter alios, the General Partner, pursuant to which Haitong International New Energy agreed to make an investment of HKD2.1 billion in the Fund for a 38.87% interest as a limited partner. The remaining 61.13% interest in the Fund is held by another limited partner, which is not a connected person (as defined under the Listing Rules) of the Group.

In order to hedge its economic exposure with respect to the Investment, Haitong International New Energy entered into a TRS Transaction with a notional amount of HKD1.48 billion with Huge Group which is scheduled to expire in 2017.

## INVESTMENT IN THE FUND

### Key Terms of the Amended and Restated Exempted Limited Partnership Agreement

Date : 28 November 2014

Key parties: : (a) General Partner; and  
(b) Haitong International New Energy.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the General Partner and its ultimate beneficial owner(s) are independent third parties not connected with the Group and its connected persons.

Business purpose : The business of the Fund is:  
(a) to invest directly in China Grand Automotive Group Limited, a Cayman Islands exempted company, which in turn owns an indirect minority interest in China Grand Automotive Services Co., Ltd. ("CGA"), a joint stock company incorporated under the laws of the PRC; and  
(b) to engage in any and all activities related or incidental to the above.

Term of the partnership : The term of the Fund shall continue until the occurrence event, which may include, but is not limited to:  
(a) a determination to terminate by the General Partner upon the occurrence of certain events;  
(b) the removal, retirement or insolvency of the sole and last General Partner and no replacement general partner is appointed; or  
(c) upon there being no limited partners.

Capital contribution : Haitong International New Energy shall invest HKD2.1 billion, of which HKD1.48 billion shall be financed out of the internal resources of the Group and HKD620 million shall be from the initial exchange amount paid to Haitong International New Energy by Huge Group in accordance with the TRS Agreement, for a 38.87% interest in the Fund.

The investment amount of HKD2.1 billion was determined with reference to Haitong International New Energy being interested in 38.87% of HKD5,402,072,449.72, being the aggregate amount of capital contributions contributed to the Fund by the limited partners of the Fund.

Management of the partnership and responsibility of the partners : The business of the Fund shall be carried on and managed by the General Partner, subject to the terms of the Amended and Restated Exempted Limited Partnership Agreement. The General Partner shall have exclusive responsibility for the management and conduct of the business and affairs of the Fund, and shall have the powers and authority given to it pursuant to the Amended and Restated Exempted Limited Partnership Agreement and the Exempted Limited Partnership Law of the Cayman Islands.

The limited partners may be consulted by the General Partner on matters in relation to the conduct of the Fund's business but shall not otherwise take part in the conduct of the business of the Fund and shall have no power to bind the Fund in breach of the Exempted Limited Partnership Law of the Cayman Islands.

Administrative fee : The General Partner will be entitled to an administrative fee from the Fund as compensation for services performed under the Amended and Restated Exempted Limited Partnership Agreement. The administrative fee payable to the General Partner under the Amended and Restated Exempted Limited Partnership Agreement for each year will, subject to adjustment, be calculated from the closing date until the date the Fund is wound-up, as 0.5% per annum of HKD5,402,072,449.72, being the aggregate amount of capital contributions contributed to the Fund by the limited partners of the Fund.

Profit distribution : The General Partner will make a distribution to limited partners if: (i) there is cash available; (ii) doing so would not render the Fund insolvent; (iii) there is sufficient cash to satisfy working capital and capital expenditure requirements of the Fund; and (iv) to do so would not or might not leave the Fund with insufficient funds to meet any future contemplated obligations, liabilities or contingencies, including obligations to the General Partner and/or any of their respective affiliates, as applicable. Distributions out of the profits of the Fund shall be distributed to the limited partners pro rata to their capital contribution.

## THE TRS TRANSACTION

In order to hedge its economic risk exposure with respect to the Investment, Haitong International New Energy entered into a TRS Transaction with Huge Group.

### Key Terms of the TRS Agreement

Effective date : 28 November 2014

Parties : (a) Haitong International New Energy, as equity amount payer; and  
(b) Huge Group, as equity amount receiver.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, Huge Group and its ultimate beneficial owner(s) are independent third parties not connected with the Group and its connected persons.

Scheduled expiry date : 3 years from the effective date of the TRS Agreement plus 5 business days, i.e. 4 December 2017.

Underlying equity : Interest of Haitong International New Energy in the Fund

Equity notional amount : HKD2.1 billion

Key terms : Initially, Huge Group will pay to Haitong International New Energy HKD620 million as an initial exchange amount to acquire an economic exposure to the equity notional amount of the underlying equity.

Huge Group will pay to Haitong International New Energy interest on a semi-annual basis at the interest rate of 9.9% per annum by reference to a notional amount of HKD1.48 billion.

The interest rate of 9.9% was determined after arm's length negotiations between Haitong International New Energy and Huge Group.

At maturity:

(i) if the final value of the underlying equity is in excess of the equity notional amount, Haitong International New Energy shall be obliged to pay such excess and return the initial exchange amount paid by Huge Group to Huge Group; and

- (ii) if the final value of the underlying equity falls below the equity notional amount, Huge Group shall be obliged to pay such shortfall to Haitong International New Energy up to the notional amount of HKD1.48 billion.

### **Reasons for and benefits of the Transaction to the Company**

The Company recently conducted a few rounds of fund raising activities which raised funds with a lower cost of funding. Therefore, the Company is seeking good investment opportunities with low risk and high returns to utilize the funds raised.

The Directors believe that the Investment is a sound investment opportunity as CGA, the underlying investment of the Fund, is a well-established automotive group in the PRC.

The Investment accompanied with the TRS Transaction (the “**Transaction**”) provided the Company with an investment which is low risk in nature, but with high returns. The Transaction is in line with the Company’s treasury and risk management policies.

The Directors are of the view that the terms of the Amended and Restated Exempted Limited Partnership Agreement and the TRS Agreement are fair and reasonable and the Transaction is in the interests of the Company and the shareholders of the Company as a whole.

### **GENERAL INFORMATION**

#### **Information on the Company**

The principal activities of the Group comprise securities, futures, options and bullion contracts brokerage, the provision of nominee and custodian services, the provision of corporate advisory, placing and underwriting services, the provision of investment management services, the provision of margin financing and structured financing, trading and market making activities and proprietary securities trading.

#### **Information on the Fund**

The Fund is managed by its General Partner, which is an affiliate of the global private investment firm TPG. The Fund was established to invest directly in China Grand Automotive Group Limited, a Cayman Islands exempted company, which in turn owns an indirect minority interest in CGA, a joint stock company incorporated under the laws of the PRC.

CGA is a leading passenger vehicle dealership and automobile service group and a leading passenger vehicle finance leasing provider in the PRC. Based on the information available to the Company, CGA’s vehicle dealership network covers 23 provinces, municipalities and autonomous regions in the PRC. As of 30 June 2014, CGA operated a network of 488 outlets, including 402 4S dealerships, for over 50 passenger vehicle brands.

## Implications of the Listing Rules

As one of the applicable percentages under Rule 14.07 of the Listing Rules in relation to each of the Investment and the TRS Transaction is more than 5% while all applicable percentages are less than 25%, each of the Investment and the TRS Transaction constitutes a discloseable transaction of the Company under Rule 14.06 of the Listing Rules and is subject to the reporting and announcement requirements but is exempt from the shareholders' approval requirement under the Listing Rules.

## Definitions

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Amended and Restated Exempted Limited Partnership Agreement”	the amended and restated exempted limited partnership agreement entered into between, inter alios, the General Partner and Haitong International New Energy dated 28 November 2014, pursuant to which Haitong International New Energy agreed to make an investment of HKD2.1 billion in the Fund for a 38.87% interest as a limited partner;
“Board”	the board of directors of the Company;
“BVI”	the British Virgin Islands;
“Company”	Haitong International Securities Group Limited (stock code: 665), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
“Directors”	the directors of the Company;
“Fund”	Newbridge China Auto Caymans L.P., a fund managed by its General Partner;
“General Partner”	the general partner of the Fund, namely China Auto Caymans GenPar I, Inc.;
“Group”	the Company and its subsidiaries;
“Haitong International New Energy”	Haitong International New Energy II Limited, a company incorporated in BVI with limited liability, and a wholly-owned subsidiary of the Company;
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;

“Huge Group”	Huge Group Holdings Limited, a company incorporated in Hong Kong with limited liability, whose ultimate beneficial owner(s) are independent third parties not connected with the Group and its connected persons;
“Investment”	the investment of HKD2.1 billion in the Fund by Haitong International New Energy for a 38.87% interest as a limited partner;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“PRC”	the People’s Republic of China, and for the purposes of this announcement, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“TRS Agreement”	(i) the 2002 ISDA Master Agreement and the schedule thereto and (ii) a confirmation entered into between Haitong International New Energy and Huge Group dated 28 November 2014, pursuant to which the parties agreed to enter into the TRS Transaction; and
“TRS Transaction”	the total return swap transaction relating to the interest of Haitong International New Energy in the Fund.

By order of the Board  
**Haitong International Securities Group Limited**  
**LAU Yik Chi**  
*Company Secretary*

Hong Kong, 28 November 2014

*As at the date of this announcement, the Board comprises Mr. JI Yuguang (Chairman)\*, Mr. LI Jianguo (Deputy Chairman), Mr. LIN Yong (Deputy Chairman and Managing Director), Mr. POON Mo Yiu, Mr. HUI Yee Wilson, Mr. CHENG Chi Ming Brian\*, Ms. WANG Meijuan\*, Mr. TSUI Hing Chuen William\*\*, Mr. LAU Wai Piu\*\*, Mr. LIN Ching Yee Daniel\*\* and Mr. WEI Kuo-chiang\*\*.*

\* *Non-executive Directors*

\*\* *Independent Non-executive Directors*