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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)

DISCLOSEABLE TRANSACTION – SUBSCRIPTION OF PARTICIPATING SHARES IN A FUND

SUBSCRIPTION OF PARTICIPATING SHARES IN A FUND

The Board is pleased to announce that on 17 December 2019 (after trading hours), the Subscriber, a direct wholly-owned subsidiary of the Company, placed an order to subscribe for certain number of Participating Shares at the Subscription Amount.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in relation to the Subscription and the transactions contemplated thereunder exceed 5% but are less than 25%, the Subscription constitutes a discloseable transaction of the Company and is subject to the notification and the announcement requirements but is not subject to the shareholders' approval requirement under Chapter 14 of the Listing Rules.

BACKGROUND

The Board is pleased to announce that on 17 December 2019 (after trading hours), the Subscriber placed an order to subscribe for certain number of Participating Shares at the Subscription Amount.

SUBSCRIPTION OF PARTICIPATING SHARES IN A FUND

The details of the Subscription are as follows:

Date of placing the order: 17 December 2019 (after trading hours)

Date of Subscription: 18 December 2019

Subscriber: China Shandong Hi-Speed Capital Limited, a direct wholly-owned subsidiary of the Company

Subscription Amount: US\$55,000,000

Investment period: Six-month period (or a longer period as agreed between the Subscriber and the directors of the Fund) commencing from the date of issue of the Participating Shares subject to the terms of the Private Placement Memorandum

The principal terms of the Fund under the Private Placement Memorandum in relation to the Subscription are as follows:

Name of the Fund: Haitong Freedom Multi-Tranche Bond Fund (海通安心優選分級債券基金)

To the best of the Director's knowledge, information and belief, and having made all reasonable enquiries, the Fund and its ultimate beneficial owners are Independent Third Parties.

Investment objective of the Fund: The investment objective of the Fund is to achieve capital appreciation and interest income in the medium to long term and:

- (a) to provide holders of Participating Shares in the Class P Group a target return equal to the relevant Class P Return with limited principal protection; and

- (b) to provide holders of Participating Shares in the Class R Group with a return linked to the value of the assets of the Fund, after payment to holders of Participating Shares in the Class P Group of the amount subscribed for such Participating Shares and the relevant Class P Return and after payment of expenses, including any Performance Fee.

Investment strategies: The Fund invests all or substantially all of its assets, to the extent not retained in cash to meet operating expenses, in the shares of the Master Fund.

The Master Fund primarily invests in fixed income securities such as government, corporate or convertible bonds, private placement debt, notes linked to fixed income instruments or preferred shares, other bond funds, money market funds or cash. The Master Fund may invest in debt securities that are rated below investment grade or which are unrated by any relevant agency.

The Master Fund may invest in financial derivative instruments for hedging purposes only. The types of financial derivative instruments used for hedging currency and interest rate risks include swaps, futures, deliverable and non-deliverable forwards. The Master Fund may also hold cash or cash equivalents pending reinvestment.

Lock-Up Period: The Participating Shares of the Subscriber shall not be redeemed within the Investment Period.

Restrictions on transfer: Participating Shares will only be issued to, and may only be transferred to, persons who are Eligible Investors and may not be transferred without the prior written consent of the directors of the Fund.

Management of the Fund: The directors of the Fund are responsible for the overall management and control of the Fund and the Master Fund in accordance with the Articles. However, the directors of the Fund have delegated responsibility for day-to-day administrative functions to the Administrator and responsibility for making day-to-day investment decisions to the Investment Manager.

Redemption: The Subscriber may redeem its Participating Shares immediately after the expiry of the Investment Period subject to that the Net Asset Value of the Class P Group will not exceed 400% of the Net Asset Value of the Class R Group following such redemption, unless the directors of the Fund determine otherwise.

The Subscriber wishing to redeem its Participating Shares must send a completed Redemption Notice to the Administrator at the address specified in the Redemption Notice. The completed Redemption Notice must be received by no later than 5:00 p.m. (Hong Kong time) on a Business Day falling at least 10 Business Days (or such shorter period as the Directors may permit, either generally or in any particular case) before the relevant Redemption Day.

Redemption Price: The Redemption Price of a Participating Share will be equal to the Net Asset Value per Share of the relevant Class as at the Valuation Day immediately preceding the relevant Redemption Day.

Redemption fee: A redemption fee will be charged on the Subscriber when redeeming its Participating Shares if such redemption is permitted within the Investment Period. The directors of the Fund may waive all or part of the redemption fee.

Management Fee: The Master Fund will pay the Investment Manager a Management Fee of one-twelfth (1/12) of 0.75% per month of the Net Asset Value of the Master Fund (before deduction of that month's Management Fee and before making deduction of any accrued performance fee) as at the last Valuation Day in each month.

No Management Fee will be payable by the Fund.

Performance fee:

The Investment Manager will be entitled to a performance fee at the end of each Performance Period, for each Class of Group R Shares, on the Participating Shares of such Class outstanding as at the last Valuation Day of that Performance Period if the annualised percentage increase as at such last Valuation Day exceeds the pre-set annual Hurdle Rate of 8%. The aforementioned performance fee in respect of each Group R Share will be equal to $20\% \times (\text{Percentage Increase} - \text{Hurdle Rate}) \times \text{High Water Mark} \times \text{number of Participating Shares}$ of the relevant Class outstanding as at the relevant Valuation Day of the relevant Performance Period.

No performance fee will be payable in respect of the Group P Shares.

**Custodian fee and
Administrator fee:**

The Master Fund pays to the Custodian an annual fee of up to 0.015% per annum of the Net Asset Value of the Master Fund, which is calculated on a monthly basis as a percentage of the month end net asset value. The fee accrues monthly and is payable monthly in arrears. The Custodian is also entitled to be reimbursed for all out of pocket expenses properly incurred by it in the performance of its duties.

The Administrator will receive a fee from the Master Fund for providing administration services of up to 0.1% per annum of the Net Asset Value (before deduction of administration fee, management fee and performance fee) of the Master Fund, calculated as at each Valuation Day and payable monthly in arrears, subject to a minimum monthly fee of US\$3,000. The Administrator will also receive a fee from the Fund for providing administration services of up to US\$4,500 per month.

The Administrator will also be entitled to various transaction and processing fees and to be reimbursed for all out of pocket expenses properly incurred by it in the performance of its duties.

**Dividends and
distribution:**

It is expected that the Fund will pay an annual dividend in respect of the class of the Subscriber's Participating Shares at such time and of such amount as the Investment Manager recommends. However, the directors of the Fund are not obliged to declare a dividend at any time and may choose not to do so.

**INFORMATION OF THE FUND, THE MASTER FUND AND THE
INVESTMENT MANAGER**

The Fund is an exempted company incorporated in the Cayman Islands with limited liability. The Fund is organised as a feeder fund and all of the assets of the Fund, to the extent not retained in cash to meet operating expenses, are invested in the shares of the Master Fund.

The Master Fund is an exempted company incorporated in Cayman Islands with limited liability. Further feeder funds may be created to invest in the Master Fund.

The Investment Manager is a company incorporated in Hong Kong with limited liability. It is licensed with CE number ARE511 for Type 4 (advising on securities), Type 5 (advising on futures contract) and Type 9 (asset management) regulated activities by the SFC under the SFO, all of which are not subject to any additional licensing conditions.

INFORMATION OF THE COMPANY AND 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 listed and unlisted securities; (iii) money lending business; and (iv) operation of an asset trading platform.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The main purpose of the Subscription is to develop a more diversified investment portfolio and broaden the revenue streams for the Group. In addition, the Subscription would enable the Group to capture investment opportunities and also broaden the revenue streams for the Group. The Subscription is also in alignment with the Group's expansion plan on carrying out financial investments to maximise the long term investment return of the Group.

The Investment Manager (i.e. Haitong International Asset Management (HK) Limited) is one of the companies that form the asset management platform of Haitong International, which is one of the leading Chinese asset managers in Hong Kong, offering a diversified range of investment solutions for institutional and individual investors.

With reference to the investment objective of the Fund and the extensive experience and capabilities of the directors and the management of the Fund and the Investment Manager, the Board believes that the Subscription will enable the Group to achieve the purpose of exploiting profitable investment opportunities and diversifying the Group's investment portfolio.

On the above grounds, the Board considers that the terms of the Subscription, the Private Placement Memorandum and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in relation to the Subscription and the transactions contemplated thereunder exceed 5% but are less than 25%, the Subscription constitutes a discloseable transaction of the Company and is subject to the notification and the announcement requirements but is not subject to the shareholders' approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Administrator”	Millennium Fund Services (Asia) Limited;
“Articles”	the articles of association of the Fund and/or the Master Fund, as the context requires, as amended from time to time;
“Board”	the board of Directors;

“Business Day”	a day (other than a Saturday or a Sunday) on which banks in Hong Kong are authorised to open for normal banking business and/or such other day or days as the Directors may determine, either generally or in any particular case, provided that where, as a result of a Number 8 Typhoon Signal, Black Rainstorm Warning or similar event, the period during which banks in Hong Kong are open on any day are reduced, such day shall not be a Business Day;
“Class”	any class of Participating Shares designated by the directors of the Fund pursuant to the Articles;
“Class P Group”	the USD Class P6M Shares, the HKD Class P6M Shares, the USD Class P1A Shares, the HKD Class P1A Shares, the USD Class P1.5A Shares, the HKD Class P1.5A Shares, the USD Class P2A Shares, the HKD Class P2A Shares, the USD Class P2.5A Shares and the HKD Class P2.5A Share;
“Class P Return”	the return for the Participating Shares in the Class P Group as calculated with reference to the relevant rate of return and on the terms of the Private Placement Memorandum;
“Class R Group”	the USD Class R1A Shares, the HKD Class R1A Shares, the USD Class R3A Shares, the HKD Class R3A Shares, the USD Class R5A Shares and the HKD Class R5A Share;
“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 to it under the Listing Rules;
“Custodian”	Bank of Communications Trustee Limited;

“Dealing currency”	in respect of any Class, the currency determined by the directors of the Fund on the establishment of the Class as the currency in which the subscription price, redemption price and net asset value per share of such Class will be calculated;
“Directors”	the director(s) of the Company;
“Eligible Investors”	a person to whom the Fund can lawfully make an invitation to subscribe for Participating Shares without compliance with any registration or other legal requirements, who is able to acquire and hold Participating Shares without breaching the law or requirements of any relevant country, regulatory body or government authority and who satisfies such additional eligibility requirements as may be determined by the directors of the Fund from time to time;
“Fund”	Haitong Freedom Multi-Tranche Bond Fund (海通安心優選分級債券基金), an exempted company incorporated in the Cayman Islands with limited liability, and the management shares (being the voting shares) in the Fund are held by the Investment Manager;
“Group”	the Company and its subsidiaries;
“Group P Share”	a USD Class P6M Share, a HKD Class P6M Share, a USD Class P1A Share, a HKD Class P1A Share, a USD Class P1.5A Share, a HKD Class P1.5A Share, a USD Class P2A Share, a HKD Class P2A Share, a USD Class P2.5A Share and/or a HKD Class P2.5A Share, as the context requires;
“Group R Share”	a USD Class R1A Share, a HKD Class R1A Share, a USD Class R3A Share, a HKD Class R3A Share, a USD Class R5A Share and/or a HKD Class R5A Share, as the context requires;

“Haitong International”	Haitong International Securities Group Limited (海通國際證券集團有限公司) (stock code: 00665), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
“High Water Mark”	in respect of a Performance Period, the greater of: (a) the highest Net Asset Value per Share of the relevant Class as at the last Valuation Day of all the previous Performance Periods (net of all fees and expenses including any provision for any performance fee previously accrued) in respect of which the performance fees have been charged; and (b) the Subscription Price at which Participating Shares of the relevant Class were issued during the Initial Offer Period, subject to adjustment for any dividend distributions as appropriate;
“HKD”, “Hong Kong Dollar or “HK\$”	the lawful currency of Hong Kong;
“HKD Class P1A Share”	a Participating Share designated as a HKD Class P1A Share, the Dealing Currency of which is Hong Kong Dollar;
“HKD Class P1.5A Share”	a Participating Share designated as a HKD Class P1.5A Share, the Dealing Currency of which is Hong Kong Dollar;
“HKD Class P6M Share”	a Participating Share designated as a HKD Class P6M Share, the Dealing Currency of which is Hong Kong Dollar;
“HKD Class P2A Share”	a Participating Share designated as a HKD Class P2A Share, the Dealing Currency of which is Hong Kong Dollar;
“HKD Class P2.5A Share”	a Participating Share designated as a HKD Class P2.5A Share, the Dealing Currency of which is Hong Kong Dollar;
“HKD Class R1A Share”	a Participating Share designated as a HKD Class R1A Share, the Dealing Currency of which is Hong Kong Dollar;

“HKD Class R3A Share”	a Participating Share designated as a HKD Class R3A Share, the Dealing Currency of which is Hong Kong Dollar;
“HKD Class R5A Share”	a Participating Share designated as a HKD Class R5A Share, the Dealing Currency of which is Hong Kong Dollar;
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China;
“Hurdle Rate”	the product of $8\% \times (T/365)$, where “T”, as at a Valuation Day, means the number of calendar day(s) (including that Valuation Day) of a Performance Period passed in that Performance Period;
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and its connected persons;
“Initial Offer Period”	in relation to any Class, the period during which Participating Shares of that Class are first offered for subscription;
“Investment Manager”	Haitong International Asset Management (HK) Limited (海通國際資產管理(香港)有限公司) (formerly known as Hai Tong Assets Management (HK) Limited (海通資產管理(香港)有限公司) for the period from 24 July 2007 (date of incorporation) to 22 February 2009 and Hai Tong Asset Management (HK) Limited (海通資產管理(香港)有限公司) for the period from 23 February 2009 to 14 January 2018), a company incorporated in Hong Kong with limited liability, a subsidiary of Haitong International;
“Investment Management Agreement”	an agreement between the Fund, the Master Fund and the Investment Manager in relation to the appointment of the Investment Manager to provide asset management services in respect of the Fund and the Master Fund;

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Management Fee”	the management fee payable by the Master Fund to the Investment Manager pursuant to the Investment Management Agreement;
“Master Fund”	Haitong Freedom Multi-Tranche Master Bond Fund, an exempted company incorporated in Cayman Islands with limited liability;
“Net Asset Value”	the net asset value of the Fund, the Master Fund, the relevant Class, the Class P Group or the Class R Group, as the case may be, calculated as at the Valuation Point on each Valuation Day;
“Net Asset Value per Share”	the net asset value of a Participating Share, calculated as at the Valuation Point on each Valuation Day;
“Participating Share”	a participating, redeemable, non-voting share of par value US\$0.001 in the capital of the Fund being offered for subscription under the terms of the Private Placement Memorandum;
“Performance Period”	a period commencing on 1 January each year and ending on the last Valuation Day of that year;
“Private Placement Memorandum”	the private placement memorandum issued by the Fund in September 2019 in relation to the offer of Participating Shares, as amended or supplemented from time to time;
“Redemption Day”	the first Business Day of each month and such other day or days as the directors of the Fund may determine, either generally or in any particular case;

“Redemption Notice”	a request for the redemption of Participating Shares which shall be in such form as the Directors may determine from time to time;
“Redemption Price”	the price per share at which Participating Shares of the relevant Class may be redeemed;
“SFC”	the Securities and Futures Commission in Hong Kong;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Shareholder(s)”	shareholder(s) of the Company;
“Stock Exchange”	the Stock Exchange of Hong Kong Limited;
“Subscriber”	China Shandong Hi-Speed Capital Limited, a direct wholly-owned subsidiary of the Company and a company incorporated in the British Virgin Islands with limited liability, which is principally engaged in investment holding;
“Subscription”	the subscription of certain number of USD Class R1A Shares equivalent to US\$55,000,000 by the Subscriber as contemplated under the Private Placement Memorandum;
“Subscription Amount”	the subscription amount of US\$55,000,000 for the Subscription;
“Subscription Day”	the first Business Day of each month and/or such other day or days as the directors of the Fund may determine, either generally or in any particular case;
“Subscription Price”	the price at which the Participating Shares will be issued;

“USD”, “US Dollar” or “US\$”	the lawful currency of the United States of America;
“USD Class P1A Share”	a Participating Share designated as a USD Class P1A Share, the Dealing Currency of which is the US Dollar;
“USD Class P1.5A Share”	a Participating Share designated as a USD Class P1.5A Share, the Dealing Currency of which is the US Dollar;
“USD Class P2A Share”	a Participating Share designated as a USD Class P2A Share, the Dealing Currency of which is US Dollar;
“USD Class P2.5A Share”	a Participating Share designated as a USD Class P2.5A Share, the Dealing Currency of which is US Dollar;
“USD Class P6M Share”	a Participating Share designated as a USD Class P6M Share, the Dealing Currency of which is the US Dollar;
“USD Class R1A Share”	a Participating Share designated as a USD Class R1A Share, the Dealing Currency of which is US Dollar;
“USD Class R3A Share”	a Participating Share designated as a USD Class R3A Share, the Dealing Currency of which is US Dollar;
“USD Class R5A Share”	a Participating Share designated as a USD Class R5A Share, the Dealing Currency of which is US Dollar;
“Valuation Day”	in respect of each Class, the Business Day immediately preceding each Redemption Day and each Subscription Day and/or such other day or days as the directors of the Fund may determine, either generally or in any particular case;

“Valuation Point” the close of business in the last market relevant to the Fund and the Master Fund to close on the relevant Valuation Day, or such other time as the directors of the Fund may determine;

“%” per cent.

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

Hong Kong, 17 December 2019

As at the date of this announcement, the Company has five executive directors, namely Mr. Wang Xiaodong, Mr. Liu Han, Mr. Liu Zhijie, Mr. Liu Yao and Ms. Liao Jianrong; 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.