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GF SECURITIES CO., LTD.

廣發証券股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1776)

ANNOUNCEMENT ON CONNECTED TRANSACTION BETWEEN GF FUND MANAGEMENT CO., LTD. AND KANGMEI HEALTHCARE INDUSTRY INVESTMENT CO., LTD

I. DETAILS OF THE TRANSACTION

1. Overview

On January 22, 2020, the Board of the Company considered and approved the connected transaction contemplated between GF Fund (a subsidiary of the Company) and Kangmei Healthcare (the “**Transaction**”). Under the Transaction, GF Fund proposes to acquire (1) a land parcel situated at AH040248, Zone A, Pazhou, Haizhu District, Guangzhou and a land parcel situated at No. ⑩-2 Joint Buildings at intercrossed municipal roads, Pazhou Internet Innovation Industry Cluster, Haizhu District, Guangzhou; and (2) the buildings on ground and underground and the construction in progress on the abovementioned two parcels of land, held by Kangmei Healthcare (the “**Transaction Target**”) at a consideration of no more than RMB1.13 billion.

2. Major terms of the Transaction

Date: The relevant agreement of the Transaction will be formally signed upon the fulfilment of necessary internal approval procedures by GF Fund and Kangmei Healthcare, which is estimated to be on or before January 23, 2020.

Parties: Transferor: Kangmei Healthcare

Transferee: GF Fund

Transaction Target: a land parcel situated at AH040248, Zone A, Pazhou, Haizhu District, Guangzhou, a land parcel situated at No. ⑩-2 Joint Buildings at intercrossed municipal roads, Pazhou Internet Innovation Industry Cluster, Haizhu District, Guangzhou and the buildings on ground and underground and the construction in progress on the abovementioned two parcels of land, held by Kangmei Healthcare.

Consideration of the Transaction:	The Transaction is subject to the valuation stated in the valuation report to be issued by a professional party engaged by GF Fund. The final transaction price will be negotiated and determined by GF Fund and Kangmei Healthcare with reference to the valuation as stated in the report. With reference to the market price of the region at which the Transaction Target is situated, the price payable by GF Fund for the acquisition of the Transaction Target held by Kangmei Healthcare will be no more than RMB1.13 billion.
Transaction fund:	GF Fund's proprietary funds
Conditions of effectiveness of the agreement:	<ol style="list-style-type: none"> (1) The board of directors and shareholders' meeting of GF Fund have passed the relevant resolutions approving the Transaction, or GF Fund has considered and approved the Transaction in accordance with laws and regulations and its articles of association; (2) The board of directors and shareholders of Kangmei Healthcare have passed the relevant resolutions approving the Transaction; (3) The board of directors of Kangmei Pharmaceutical (as the shareholder of Kangmei Healthcare) and other competent organs have passed the relevant resolution approving the Transaction; (4) The Board of the Company (as a shareholder of GF Fund) has passed the relevant resolution approving the Transaction; (5) Kangmei Healthcare has obtained the written confirmation from the pledgee, Industrial and Commercial Bank of China Limited (Guangzhou Boulevard Sub-branch, Guangzhou (廣州廣州大道支行)), confirming the Transaction, or Kangmei Healthcare has completed the revocation of mortgage registration of the relevant parcels of land; and (6) Kangmei Healthcare has procured its de facto controller, Mr. Ma Xingtian and his spouse, Ms. Xu Dongjin, to enter into a written guarantee agreement with GF Fund, under which Mr. Ma Xingtian and Ms. Xu Dongjin will provide an irrevocable and unlimited joint and several liability guarantee to GF Fund in respect of all commitments, warranties, obligations and liabilities of Kangmei Pharmaceutical under the relevant agreement.

Completion: Subject to the satisfaction of the conditions above, Kangmei Healthcare will be responsible for completing the transfer registration procedures for transferring the titles to the parcels of land to GF Fund, while GF Fund will assist in providing relevant information required for the transfer registration process, among others, (1) in respect of the land parcel situated at AH040248, Kangmei Healthcare should procure GF Fund to obtain the relevant real estate title certificate; (2) in respect of the land parcel situated at No. ⑩-2, Kangmei Healthcare shall cause GF Fund to enter into a lawful and effective transfer contract regarding the state-owned land use right for construction purpose or a supplemental agreement with transferor of the land to obtain the land use rights within 60 days after the signing of the relevant agreement.

3. Status of the Transaction Target

Relevant details of the Transaction Target are set out as follows:

1. Land

(1) AH040248, Zone A, Pazhou, Haizhu District, Guangzhou

Area: 4,518 square meters

Asset type: Intangible asset

Asset title: Kangmei Healthcare has obtained the Real Estate Title Certificate (Land) – Yue (2016) Guang Zhou Shi Bu Dong Chan Quan No. 00227651

Location: Haizhu District, Guangzhou

(2) No. ⑩-2 Joint Buildings at intercrossed municipal roads, Pazhou Internet Innovation Industry Cluster, Haizhu District, Guangzhou

Area: 317.7 square meters

Asset type: Intangible asset

Asset title: Guangzhou Land Resources and Planning Commission and Kangmei Healthcare have entered into the Transfer Contract Regarding the State-owned Land Use Right for Construction Purpose (Contract no. 440105-2017-000013)

Location: Haizhu District, Guangzhou

2. Buildings on Ground and Underground and the Construction in Progress

Asset type: Construction in progress

Asset title: Kangmei Healthcare

Location: Haizhu District, Guangzhou

Pursuant to the Transfer Contract Regarding the State-owned Land Use Right for Construction Purpose (AH040248, Pazhou, Haizhu District) (Contract no.: 440105-2015-000017) entered into between Guangzhou Municipal Administration of National Resources and Property Bureau (廣州市國土資源和房屋管理局) and Kangmei Healthcare on November 24, 2015, the transfer price of AH040248, Zone A, Pazhou, Haizhu District was RMB715.82 million (excluding deed tax). Pledge and guarantee have been set on the land parcel AH040248 located at Zone A, Pazhou, Haizhu District, Guangzhou, of which the pledgee and the debtor are Industrial and Commercial Bank of China Limited (Guangzhou Boulevard Sub-branch, Guangzhou (廣州廣州大道支行)) and Kangmei Healthcare, respectively.

Pursuant to the Transfer Contract Regarding the State-owned Land Use Right for Construction Purpose (No. ⑩-2 Joint Buildings at intercrossed municipal roads, Pazhou Internet Innovation Industry Cluster, Haizhu District) (Contract no.: 440105-2017-000013) entered into between Guangzhou Land Resources and Planning Commission (廣州市國土資源和規劃委員會) and Kangmei Healthcare on October 23, 2017, the transfer price of No. ⑩-2 Joint Buildings at intercrossed municipal roads, Pazhou Internet Innovation Industry Cluster, Haizhu District was RMB8.20 million (excluding deed tax).

4. Pricing basis

The Transaction is subject to the issuance of relevant valuation report by the professional party engaged by GF Fund. The final transaction price will be determined by GF Fund and Kangmei Healthcare with reference to the valuation as stated in this report. With reference to the market price of the region at which the Transaction Target is situated, the price for the acquisition of the Transaction Target held by Kangmei Healthcare will be no more than RMB1.13 billion.

5. Reasons and benefits of the transaction

- (1) The office space of GF Fund continues to grow as the number of employees increases, and the existing office space is not sufficient to meet the long-term and concentrated office space demand in the future. In view of the operation needs of GF Fund, additional office space is needed.
- (2) Self-built office building can enable GF Fund to enhance its social image and influence by obtaining the naming rights of its own properties, and improve the sense of belonging of its employees by providing centralized office space.
- (3) The Transaction Target to be acquired by GF Fund is located in the core business district of Guangzhou, which has a better space for preservation and appreciation of value.

6. Information of the parties to the transaction

(1) GF Fund

GF Fund is a subsidiary of the Company and a fund management company approved by the CSRC, the basic information of which is set forth as follows:

Registered address:	Room 105-49848 (Centralized Office Area), No. 6 Baohua Road, Hengqin New District, Zhuhai, Guangdong Province
Legal representative:	Sun Shuming (孫樹明)
Registered capital:	RMB126,880,000
Date of establishment:	August 5, 2003
Business nature:	Other limited liability company
Business scope:	Fund raising, sale of funds, asset management, and other businesses permitted by the CSRC. (Projects subject to approval according to law may only be operated after being approved by relevant authorities)

As of the date of this announcement, the Company holds 60.593% equity interest in GF Fund, Fiberhome Telecommunication Technologies Co., Ltd. (烽火通信科技股份有限公司) holds 15.763% equity interest in GF Fund, Shenzhen Qianhai Heung Kong Financial Holding Group Co., Ltd. (深圳市前海香江金融控股集團有限公司) holds 15.763% equity interest in GF Fund, and Guangzhou Science and Technology Financial Innovation Investment Holdings Co., Ltd. (廣州科技金融創新投資控股有限公司) holds 7.881% equity interest in GF Fund.

(2) Kangmei Healthcare

Kangmei Healthcare is a wholly-owned subsidiary of Kangmei Pharmaceutical, the basic information of which is set forth as follows:

Company name:	Kangmei Healthcare Industry Investment Co., Ltd (康美健康產業投資有限公司)
Residence (Registration place):	The first floor of No. 23 Wannian East Street, Longtan Village, Haizhu District, Guangzhou (for office use only)
Business nature:	Limited liability company (wholly owned by a corporation)
Main office location:	The first floor of No. 23 Wannian East Street, Longtan Village, Haizhu District, Guangzhou (for office use only)

Legal representative:	Xu Dongjin (許冬瑾)
Registered capital:	RMB500,000,000
Uniform social credit code:	91440105MA59AF6U3N
Principal business:	Investment with corporate's proprietary funds; corporate management services (except those involving licensing operating projects); asset management (excluding licensing approval projects); trade consulting services; corporate management consulting services; corporate image planning services; education consulting services; cultural and art consulting services; public relations services; planning and creative services; investment consulting services; nutrition and health consulting services; commodity information consulting services; advertising industry; software services; research and development of health science projects; food science and technology research services; internet technology research and development; computer technology development, technical services; real estate development and management; property management; computer parts wholesale; software wholesale
Substantial shareholder:	Kangmei Pharmaceutical holding 100% equity interest of Kangmei Healthcare
De facto controller:	Ma Xingtian (馬興田)

According to the information provided by Kangmei Pharmaceutical and Kangmei Healthcare, Kangmei Healthcare's key financial information prepared in accordance with the CASBE for 2018/at the end of 2018 and January to September 2019/at the end of September 2019 are as follows:

Unit: in RMB ten thousands

Item	January to September 2019/at the end of September 2019 (Unaudited)	2018/at the end of 2018 (Audited)
Net assets	43,875.76	45,511.83
Operating income	0	0
Net profit	(1,636.07)	(1,624.67)

As of the end of 2019, the value of the securities and equity interests of Kangmei Healthcare's shareholder, Kangmei Pharmaceutical and its parties acting in concert invested by using the Company's proprietary funds was RMB1.764 billion (cost of holding positions, excluding accrued interest).

As of the date of this announcement, the Company is serving as the trustee of the 2015 corporate bonds issued by Kangmei Pharmaceutical, the 2017 exchangeable bonds issued by Kangmei Industrial Investment Holdings Co., Ltd. (康美實業投資控股有限公司) and the 2018 corporate bonds issued by Kangmei Pharmaceutical.

Save as the above existing relationships, there are no other relationships that may cause the Company to give favourable treatment to the interest of Kangmei Pharmaceutical and its subsidiaries.

Based on the results of searches conducted on January 22, 2020 on the Credit China website (<http://www.creditchina.gov.cn/>), the National Enterprise Credit Information Publicity System (<http://www.gsxt.gov.cn/index.html>) and the China Enforcement Information Public Network (<http://zxgk.court.gov.cn/>), it is confirmed that Kangmei Healthcare, a connected person of the Company, was not identified as a dishonest persons subject to enforcement.

II. IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As of the date of this announcement, GF Fund is a significant subsidiary of the Company. Ms. Xu Dongjin was a director of GF Fund, who resigned as a director of GF Fund on October 25, 2019. In view of the fact that Ms. Xu Dongjin had been a director of GF Fund in the past twelve months, Ms. Xu Dongjin is a connected person of the Company pursuant to Rule 14A.07 of the Hong Kong Listing Rules. Kangmei Healthcare is a wholly-owned subsidiary of Kangmei Pharmaceutical. Mr. Ma Xingtian is the de facto controller of Kangmei Pharmaceutical, and Ms. Xu Dongjin is the spouse of Mr. Ma Xingtian. Therefore, Kangmei Healthcare is an associate of Ms. Xu Dongjin, and thus Kangmei Healthcare is a connected person of the Company at the subsidiary level. Therefore, the Transaction constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio (as defined in the Hong Kong Listing Rules) of the Transaction is more than 1% but less than 5%, the Transaction is subject to reporting and announcement requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

None of the Directors of the Company has a material interest in the Transaction. 10 of the 11 Directors (including 3 of the 4 independent non-executive Directors) voted in favor of the Board resolution regarding the Transaction. An independent non-executive Director was of the view that due to the complexity of the relevant transaction plan, the relevant meeting materials are not sufficient as the basis for him to make judgments and form an accurate opinion. The approval on the Board resolution of the Company regarding the Transaction was in compliance with the Company's articles of association and the Rules of Procedure of the Board of Directors, and was lawful and effective.

The Directors (including 3 of the 4 independent non-executive Directors) considered that the terms of the Transaction were determined through arms' length negotiations between the parties thereto, which are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

III. Definitions

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

“associate(s)”	has the meaning ascribed thereto in the Hong Kong Listing Rules
“Board”	the board of Directors
“CASBE”	China Accounting Standards for Business Enterprises
“Company”	GF Securities Co., Ltd. (廣發証券股份有限公司), a joint stock company incorporated in the PRC with limited liability and whose H Shares and A Shares are listed on the Main Board of Hong Kong Stock Exchange and the Main Board of Shenzhen Stock Exchange, respectively
“connected person(s)”	has the meaning ascribed thereto in the Hong Kong Listing Rules
“CSRC”	China Securities Regulatory Commission
“Directors”	the directors of the Company
“GF Fund”	GF Fund Management Co., Ltd. (廣發基金管理有限公司), a subsidiary of the Company
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Kangmei Healthcare”	Kangmei Healthcare Industry Investment Co., Ltd* (康美健康產業投資有限公司), a wholly-owned subsidiary of Kangmei Pharmaceutical, and thus a connected person of the Company at the subsidiary level

“Kangmei Pharmaceutical”	Kangmei Pharmaceutical Co., Ltd. (康美藥業股份有限公司), whose A Shares are listed on the Shanghai Stock Exchange (stock code: 600518). As of the date of this announcement, GF Fund is a significant subsidiary of the Company. Ms. Xu Dongjin was a director of GF Fund, who resigned as a director of GF Fund on October 25, 2019. In view of the fact that Ms. Xu Dongjin had been a director of GF Fund in the past twelve months, Ms. Xu Dongjin is a connected person of the Company pursuant to Rule 14A.07 of the Hong Kong Listing Rules. Mr. Ma Xingtian is the de facto controller of Kangmei Pharmaceutical and Ms. Xu Dongjin is the spouse of Mr. Ma Xingtian. Therefore, Kangmei Pharmaceutical is an associate of Ms. Xu Dongjin, and thus Kangmei Pharmaceutical is a connected person of the Company at the subsidiary level
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan Region
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company

* *for identification purpose only*

By order of the Board of Directors
GF Securities Co., Ltd.
Sun Shuming
Chairman

Guangzhou, the PRC
January 22, 2020

As at the date of this announcement, the Board of the Company comprises Mr. Sun Shuming, Mr. Lin Zhihai, Mr. Qin Li and Ms. Sun Xiaoyan as executive directors; Mr. Shang Shuzhi, Mr. Li Xiulin and Ms. Liu Xuetao as non-executive directors; and Mr. Yang Xiong, Mr. Tang Xin, Mr. Chan Kalok and Mr. Fan Lifu as independent non-executive directors.