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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)

CONNECTED TRANSACTION FORMATION OF PARTNERSHIP FUND

FORMATION OF PARTNERSHIP FUND

The Board is pleased to announce that on September 22, 2020, GF Xinde (a wholly-owned subsidiary of the Company) entered into the Partnership Agreement with Public Utilities Environmental Protection (a wholly-owned subsidiary of Zhongshan Public Utilities, one of the substantial shareholders of the Company) and independent third parties, in relation to the joint promotion and formation of the Partnership Fund. The Partnership Fund will be established in the form of limited partnership. The total capital contribution amount of the Partnership Fund is RMB600 million, of which the capital contribution by GF Xinde (as the general partner) will be RMB120 million, representing a capital contribution ratio of 20% of the subscription size of the Partnership Fund. The capital contribution by Public Utilities Environmental Protection (as a limited partner) will be RMB280 million, representing a capital contribution ratio of approximately 46.67% of the subscription size of the Partnership Fund. The remaining will be subscribed by independent third parties (as the limited partners).

The Partnership Fund will primarily invest in the fields such as environmental industry, consumer and modern services industry and new information technology industry. The Partnership Fund will not be accounted for as a subsidiary of the Company and its financial results will not be consolidated into the Company. Upon its establishment, the Partnership Fund will be managed by GF Xinde as the manager and management fees will be paid annually to GF Xinde based on a certain percentage of the actual capital contribution amount.

LISTING RULES IMPLICATIONS

Given that (1) GF Xinde is a wholly-owned subsidiary of the Company; and (2) Public Utilities Environmental Protection is a wholly-owned subsidiary of Zhongshan Public Utilities, a substantial shareholder of the Company, therefore Public Utilities Environmental Protection is a connected person of the Company for the purpose of the Listing Rules, and the transaction of forming the Partnership Fund constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) exceed 0.1% but are less than 5%, the transaction of forming the Partnership Fund shall be subject to the reporting, announcement and annual review requirements, but exempt from the circular, independent financial advice and shareholders' approval requirements as set out in Chapter 14A of the Listing Rules.

The total capital contribution amount of the Partnership Fund is RMB600 million, of which the capital contribution by Public Utilities Environmental Protection will be RMB280 million, representing approximately 46.67% of the total size of the Partnership Fund. Therefore, the Partnership Fund is a controlled entity (an associate) in which Public Utilities Environmental Protection (a connected person) owns more than 30%. Accordingly, the Partnership Fund is also a connected person of the Company, and the payment of the management fee and performance incentive fee (if any) by the Partnership Fund to GF Xinde for the management service rendered by GF Xinde under the Partnership Agreement will constitute a continuing connected transaction under Chapter 14A of the Listing Rules. However, applicable ratios for the payment of the total amount of such management fee and performance incentive fee (if any) will be lower than the *de minimus* ratio as stipulated under Chapter 14A of the Listing Rules. If the total amount of management fee and performance incentive fee (if any) payable by the Partnership Fund to GF Xinde under the Partnership Agreement exceeds the *de minimus* ratio, the Company will comply with the requirements of reporting, announcement, annual review and/or independent shareholders' approval under Chapter 14A of the Listing Rules.

BACKGROUND

The Board is pleased to announce that on September 22, 2020, GF Xinde (a wholly-owned subsidiary of the Company) entered into the Partnership Agreement with Public Utilities Environmental Protection (a wholly-owned subsidiary of Zhongshan Public Utilities, one of the substantial shareholders of the Company) and independent third parties, in relation to the joint promotion and formation of the Partnership Fund.

PARTNERSHIP AGREEMENT

Date

September 22, 2020

Parties

- GF Xinde, as the general partner
- Public Utilities Environmental Protection, as a limited partner
- Jiangsu King's Luck, a third party independent of the Company, as a limited partner
- Bay Area Industrial and Financial Investment, a third party independent of the Company, as a limited partner

Details of cooperation

The parties to the Partnership Agreement have agreed to the joint promotion and formation of the Partnership Fund. The Partnership Fund will be established in the form of limited partnership. The total capital contribution amount of the Partnership Fund is RMB600 million, of which the capital contribution by GF Xinde (as the general partner) will be RMB120 million, representing a capital contribution ratio of 20% of the subscription size of the Partnership Fund. The capital contribution by Public Utilities Environmental Protection (as a limited partner) will be RMB280 million, representing a capital contribution ratio of approximately 46.67% of the subscription size of the Partnership Fund. The remaining will be subscribed by Jiangsu King's Luck and Bay Area Industrial and Financial Investment (as the limited partners) for a capital contribution of RMB100 million, respectively.

Investment direction

The Partnership Fund will primarily invest in the fields such as environmental industry, consumer and modern services industry and new information technology industry.

Organizational form and domicile

The Partnership Fund will be established in the form of limited partnership in Zhongshan City, Guangdong Province pursuant to the Partnership Enterprise Law of the PRC.

Scale

The total capital contribution amount of the Partnership Fund is RMB600 million, of which the capital contribution by GF Xinde (as the general partner) will be RMB120 million, representing a capital contribution ratio of 20% of the subscription size of the Partnership Fund. The capital contribution by Public Utilities Environmental Protection (as a limited partner) will be RMB280 million, representing a capital contribution ratio of approximately 46.67% of the subscription size of the Partnership Fund. The remaining will be subscribed by Jiangsu King's Luck and Bay Area Industrial and Financial Investment (as the limited partners) for a capital contribution of RMB100 million, respectively.

Term of the Partnership Fund

The term of the Partnership Fund will begin from the date on which the Partnership Fund is filed with the Asset Management Association of China. The planned term of the Partnership Fund is ten years. The first to third year from the date of establishment of the Partnership Fund shall be the investment period (the “**Investment Period**”), while the fourth to sixth year shall be the divestment period (the “**Divestment Period**”), subsequent to which it shall be the extension period (the “**Extension Period**”).

Management of the Partnership Fund

According to the Partnership Agreement, GF Xinde, as the general partner, will act as the executive partner to manage the investment and operation of the Partnership Fund.

Exit methods

As the manager, GF Xinde will realize the investments at an opportune time. When selling or otherwise disposing of an investment project, it can select applicable exit strategy in accordance with the law.

Management fees

The management fees of the Partnership Fund will be paid to GF Xinde as agreed below:

- during the Investment Period, the management fee will be at the rate of 1.5% of the total paid-in capital contribution amount of the Partnership Fund;
- during the Divestment Period, the management fee will be at the rate of 1.2% per year on the accumulated corresponding invested principal of the non-divested portion of all projects in the Partnership Fund; and
- no management fee will be charged during the Extension Period.

Income distribution and loss sharing

- after deducting the withholding partnership fees that the Partnership Fund should bear and bears all unpaid partnership fees payable by the partnership, distributable cash will be distributed first to all partners in proportion to their paid-in capital contribution ratio in the Partnership Fund, until each partner recovers the funds corresponding to its paid-in capital contribution in the partnership through the accumulated tax-included distributable cash it obtained, and obtains the tax-included amount calculated at 8% per annum (simple interest) based on the weighted average paid-in capital contribution balance in the partnership. If there is a balance, 18% of such balance will be distributed to the manager, GF Xinde, as a performance commission. The remaining 82% of such balance will be distributed to each partner in proportion to their paid-in capital contribution ratio in the Partnership Fund;
- loss incurred by the Partnership Fund will be shared by all partners in proportion to their capital contribution; and
- when the Partnership Fund is to be liquidated, the manager shall make reasonable efforts to realize the investment of the Partnership Fund in order to avoid non-cash distribution. However, if such realization is not feasible or the manager determines on its own discretion that non-cash distribution is more favorable to the interests of all partners, the manager is entitled to propose to distribute in a non-cash manner. Without the consent of more than two-thirds of the partners of the Partnership Fund, the Partnership Fund shall not distribute its proceeds in a non-cash manner. If a non-cash distribution is made, the manager shall make reasonable efforts to ensure that the relevant partners are provided with title proofs of the assets that have been distributed (if such registered title proofs are available), and perform all the necessary transfer and registration procedures.

REASONS FOR AND BENEFITS OF ENTERING INTO THE PARTNERSHIP AGREEMENT

Entering into the Partnership Agreement allows the Company to make full use of its strengths in market-oriented operation, acquisition and reorganization and financial innovation, in order to create value for partners and realize positive interaction between industrial resources and financial capital. The completion of this transaction will be beneficial to the further optimization of the Company's business structure, which will have a positive impact on improving the profitability of the Company.

The terms of the Partnership Agreement were negotiated on an arm's length basis. None of the Directors have any material interest in the Partnership Fund. The Directors (including the independent non-executive Directors) are of the view that the terms of Partnership Agreement are based on normal commercial terms, which are fair and reasonable, and in the interests of the Company and its shareholders as a whole.

The independent non-executive Directors of the Company have also granted prior approval and given independent opinions on this transaction in accordance with applicable laws, regulations and rules of the relevant stock exchange:

1. The independent non-executive Directors of the Company have issued prior approval opinions, agreeing to submit the relevant proposals of this transaction to the Board for consideration; and
2. The independent non-executive Directors of the Company consider that:
 - a. the establishment of a fund for investment through such connected transaction by fully leveraging the Company's expertise in market operations, mergers and acquisitions and restructurings, as well as financial innovation, will create value for its partners and contribute positive interactions between industrial resources and financial capital; thus facilitating the Company to further optimize its business structure and causing positive effect on boosting the profit level of the Company.
 - b. the terms of such connected transaction are reasonable with fair pricing, and the independence of the operating activities of the Company are not affected.
 - c. the review and decision-making procedures for such connected transaction have complied with the requirements under the laws, administrative regulations, departmental rules and other normative legal documents.

Therefore, the independent non-executive Directors of the Company are of the views that such connected transaction has complied with the applicable external laws and regulations as well as the relevant requirements of the internal rules and regulations of the Company, and there is no prejudice against the interests of the Company and other shareholders, particularly the interests of non-connected shareholders and minority shareholders.

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The total capital contribution amount of the Partnership Fund is RMB600 million, of which the capital contribution by Public Utilities Environmental Protection will be RMB280 million, representing approximately 46.67% of the total size of the Partnership Fund. Therefore, the Partnership Fund is a controlled entity (an associate) in which Public Utilities Environmental Protection (a connected person) owns more than 30%. Accordingly, the Partnership Fund is also a connected person of the Company, and the payment of the management fee and performance incentive fee (if any) by the Partnership Fund to GF Xinde for the management service rendered by GF Xinde under the Partnership Agreement will constitute a continuing connected transaction under Chapter 14A of the Listing Rules. However, applicable ratios for the payment of the total amount of such management fee and performance incentive fee (if any) will be lower than the *de minimus* ratio as stipulated under Chapter 14A of the Listing Rules. If the total amount of management fee and performance incentive fee (if any) payable by the Partnership Fund to GF Xinde under the Partnership Agreement exceeds the *de minimus* ratio, the Company will comply with the requirements of reporting, announcement, annual review and/or independent shareholders' approval under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

The Company is a provider of comprehensive capital market services with industry-leading innovation capabilities focused on serving China's quality enterprises and affluent individuals. The Company provides a diversified business serving the varying needs of corporations, individuals (especially affluent individuals), institutional investors, financial institutions and government clients. The Company's principal business activities are investment banking, wealth management, trading and institutional business and investment management.

GF Xinde is principally engaged in equity investment and the provision of financial advisory services on equity investment to clients.

Public Utilities Environmental Protection is principally engaged in investment in environmental protection industry and investment management.

Jiangsu King's Luck is principally engaged in investment management, asset management, industrial investment, corporate management, corporate image planning, conference services, investment information consulting and business information consulting (the above consultation shall not be engaged in brokerage). It is a third party independent of the Company.

Bay Area Industrial and Financial Investment is principally engaged in project investment (excluding licensed operation projects, and projects prohibited by laws and regulations shall not be operated), corporate financial consulting services, investment consulting services, enterprise's own capital investment and real estate investment (excluding licensed operation projects, and projects prohibited by laws and regulations shall not be operated). It is a third party independent of the Company.

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 Listing Rules
“Bay Area Industrial and Financial Investment”	Bay Area Industrial and Financial Investment (Guangzhou) Co., Ltd. (灣區產融投資(廣州)有限公司), a company with limited liability incorporated in the PRC and a wholly-owned subsidiary of Guangdong-Hong Kong-Macao Greater Bay Area Industrial and Financial Investment Co., Ltd. (粵港澳大灣區產融投資有限公司). It is a third party independent of the Company.
“Board”	the board of Directors of the Company
“Company”	GF Securities Co., Ltd., a joint stock company incorporated in the PRC with limited liability
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Directors”	the directors of the Company
“GF Xinde”	GF Xinde Investment Management Co., Ltd. (廣發信德投資管理有限公司), a company with limited liability incorporated in the PRC, a wholly-owned subsidiary of the Company
“Jiangsu King's Luck”	Jiangsu King's Luck Investment Management Co., Ltd. (江蘇今世緣投資管理有限公司), a company with limited liability incorporated in the PRC and a wholly-owned subsidiary of Jiangsu King's Luck Brewery Joint-Stock Co., Ltd. (江蘇今世緣酒業股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 603369). It is a third party independent of the Company.
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Public Utilities Environmental Protection”	Zhongshan Public Utilities Environmental Protection Industry Investment Co., Ltd. (中山公用環保產業投資有限公司), a company with limited liability incorporated in the PRC, a wholly-owned subsidiary of Zhongshan Public Utilities

“Partnership Agreement”	the partnership agreement of Partnership Fund entered into by GF Xinde, Public Utilities Environmental Protection, Jiangsu King’s Luck and Bay Area Industrial and Financial Investment on September 22, 2020
“Partnership Fund”	Zhongshan GF Xinde Zhiyuan Technology Venture Capital Partnership (Limited Partnership) (中山廣發信德致遠科技創業投資合夥企業(有限合夥)) (a temporary name, and the name to be approved by the Administration for Industry and Commerce shall prevail)
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau Special Administrative Region and Taiwan Region
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Zhongshan Public Utilities”	Zhongshan Public Utilities Group Co., Ltd. (中山公用事業集團股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000685), holding approximately 10.33% in total of the issued share capital of the Company together with its parties acting in concert as of the date of this announcement, one of the Company’s substantial shareholders

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

Guangzhou, the PRC
September 22, 2020

As at the date of this announcement, the Board comprises Mr. Sun Shuming, Mr. Qin Li and Ms. Sun Xiaoyan as executive Directors; Mr. Li Xiulin and Mr. Shang Shuzhi as non-executive Directors; Mr. Fan Lifu, Mr. Hu Bin, Ms. Leung Shek Ling Olivia and Mr. Li Wenjing as independent non-executive Directors.