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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)**

### **1. CONNECTED TRANSACTION – FORMATION OF PARTNERSHIP FUND 2. SUPPLEMENTAL INFORMATION OF A CONNECTED TRANSACTION**

#### **1. FORMATION OF PARTNERSHIP FUND**

##### **(1) Background**

The Board is pleased to announce that on September 28, 2020, GF Xinde and GF Qianhe (wholly-owned subsidiaries of the Company) entered into the Partnership Agreement with Zhonghui Group (a holding company of Zhongshan Public Utilities, which is one of the substantial shareholders of the Company), 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 RMB500 million, of which the capital contribution by GF Xinde (as the general partner) will be RMB100 million, representing a capital contribution ratio of 20% of the subscription size of the Partnership Fund. The capital contribution by GF Qianhe (as a limited partner) will be RMB50 million, representing a capital contribution ratio of 10% of the subscription size of the Partnership Fund. The capital contribution by Zhonghui Group (as a limited partner) will be RMB350 million, representing a capital contribution ratio of 70% of the subscription size of the Partnership Fund.

The Partnership Fund will primarily invest in target companies in the fields including but not limited to advanced environmental protection equipment manufacturing and new economy industries. 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 the management fees will be paid to GF Xinde as agreed in the Partnership Agreement.

##### **(2) Listing Rules Implications**

Given that (1) GF Xinde and GF Qianhe both are wholly-owned subsidiaries of the Company; and (2) Zhonghui Group is a holding company of Zhongshan Public Utilities, a substantial shareholder of the Company, therefore Zhonghui Group 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.

Reference is made to the announcement of the Company dated September 22, 2020, in relation to the partnership agreement of the joint promotion and formation of Zhiyuan Partnership Fund entered into by GF Xinde, Public Utilities Environmental Protection (a wholly-owned subsidiary of Zhongshan Public Utilities) and other independent third parties on the same date. In accordance with Rule 14A.81 of the Listing Rules, a series of connected transactions will be aggregated and treated as if they were one transaction if they were all completed within a 12-month period or were otherwise related. As Zhongshan Public Utilities or its associate participates in capital contribution in this transaction of forming the Partnership Fund and the transaction of forming Zhiyuan Partnership Fund and the nature of these transactions is similar, accordingly, such transactions shall be aggregated. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) upon aggregation exceed 0.1% but are less than 5%, this transaction of forming the Partnership Fund and the transaction of forming Zhiyuan 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 RMB500 million, of which the capital contribution by Zhonghui Group will be RMB350 million, representing 70% of the total size of the Partnership Fund. Therefore, the Partnership Fund is a controlled entity (an associate) in which Zhonghui Group (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 minimis* 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 minimis* 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.

## **2. SUPPLEMENTAL INFORMATION OF A CONNECTED TRANSACTION**

Reference is made to the announcement published by the Company on September 22, 2020 about a connected transaction in relation to formation of a partnership fund. GF Xinde entered into a partnership agreement with Public Utilities Environmental Protection and independent third parties to jointly promote and form a partnership fund. The Company hereby supplements certain background information of Bay Area Industrial and Financial Investment (Guangzhou) Co., Ltd. (灣區產融投資(廣州)有限公司), a party referred to in the forgoing announcement published on September 22, 2020.

## **1. CONNECTED TRANSACTION – FORMATION OF PARTNERSHIP FUND**

### **(1) BACKGROUND**

The Board is pleased to announce that on September 28, 2020, GF Xinde and GF Qianhe (wholly-owned subsidiaries of the Company) entered into the Partnership Agreement with Zhonghui Group (a holding company of Zhongshan Public Utilities, which is one of the substantial shareholders of the Company), in relation to the joint promotion and formation of the Partnership Fund.

## **(2) PARTNERSHIP AGREEMENT**

### **Date**

September 28, 2020

### **Parties**

- GF Xinde (as the general partner)
- GF Qianhe (as a limited partner)
- Zhonghui Group (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 RMB500 million, of which the capital contribution by GF Xinde (as the general partner) will be RMB100 million, representing a capital contribution ratio of 20% of the subscription size of the Partnership Fund. The capital contribution by GF Qianhe (as a limited partner) will be RMB50 million, representing a capital contribution ratio of 10% of the subscription size of the Partnership Fund. The capital contribution by Zhonghui Group (as a limited partner) will be RMB350 million, representing a capital contribution ratio of 70% of the subscription size of the Partnership Fund. 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.

### **Investment direction**

The Partnership Fund will primarily invest in target companies in the fields including but not limited to advanced environmental protection equipment manufacturing and new economy industries.

### **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 RMB500 million, of which the capital contribution by GF Xinde (as the general partner) will be RMB100 million, representing a capital contribution ratio of 20% of the subscription size of the Partnership Fund. The capital contribution by GF Qianhe (as a limited partner) will be RMB50 million, representing a capital contribution ratio of 10% of the subscription size of the Partnership Fund. The capital contribution by Zhonghui Group (as a limited partner) will be RMB350 million, representing a capital contribution ratio of 70% of the subscription size of the Partnership Fund. Each partner shall make their capital contribution in full in accordance with the demand notes issued by the Partnership Fund manager within three years from the date of establishment of the Partnership Fund.

## **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 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 divestment strategy in accordance with the law.

### **Management fees**

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

- during the Investment Period, the management fee will be at the rate of 1.5% per year 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 and management fees that the Partnership Fund should bear and bears all unpaid partnership fees and management 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 decide to distribute 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.

### **(3) REASONS FOR AND BENEFITS OF ENTERING INTO THE PARTNERSHIP AGREEMENT**

The Partnership Fund will primarily invest in target companies in the fields including but not limited to advanced environmental protection equipment manufacturing and new economy industries, which allows the Company to make full use of its strengths in market-oriented operation, merger and acquisition, 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 benefit 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-oriented operation, merger and acquisition, reorganization and financial innovation, will create value for its partners and realize 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.



#### **(4) LISTING RULES IMPLICATIONS**

Given that (1) GF Xinde and GF Qianhe both are wholly-owned subsidiaries of the Company; and (2) Zhonghui Group is a holding company of Zhongshan Public Utilities, which is one of the substantial shareholder of the Company, therefore Zhonghui Group 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.

Reference is made to the announcement of the Company dated September 22, 2020, in relation to the partnership agreement of the joint promotion and formation of Zhiyuan Partnership Fund entered into by GF Xinde, Public Utilities Environmental Protection (a wholly-owned subsidiary of Zhongshan Public Utilities) and other independent third parties on the same date. In accordance with Rule 14A.81 of the Listing Rules, a series of connected transactions will be aggregated and treated as if they were one transaction if they were all completed within a 12-month period or were otherwise related. As Zhongshan Public Utilities or its associate participates in capital contribution in this transaction of forming the Partnership Fund and the transaction of forming Zhiyuan Partnership Fund and the nature of these transactions is similar, accordingly, such transactions shall be aggregated. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) upon aggregation exceed 0.1% but are less than 5%, this transaction of forming the Partnership Fund and the transaction of forming Zhiyuan 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 RMB500 million, of which the capital contribution by Zhonghui Group will be RMB350 million, representing 70% of the total size of the Partnership Fund. Therefore, the Partnership Fund is a controlled entity (an associate) in which Zhonghui Group (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.

#### **(5) 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.

GF Qianhe is principally engaged in project investment and investment management.

Zhonghui Group is 100% controlled by the State-owned Assets Supervision and Administration Commission of People's Government of Zhongshan Municipality (中山市人民政府國有資產監督管理委員會). It is principally engaged in the operation and management of enterprises of which property rights are directly held and authorized to be held by it and under its entrusted management, as well as foreign investment.

## 2. SUPPLEMENTAL INFORMATION OF A CONNECTED TRANSACTION

Reference is made to the announcement published by the Company on September 22, 2020 (the “**September 22 Announcement**”) about a connected transaction in relation to formation of a partnership fund. GF Xinde entered into a partnership agreement with Public Utilities Environmental Protection and other independent third parties to jointly promote and form a partnership fund. Bay Area Industrial and Financial Investment (Guangzhou) Co., Ltd. (灣區產融投資(廣州)有限公司) (“**Bay Area Industrial and Financial Investment**”) is a party to the connected transaction referred to in the September 22 Announcement. As disclosed in the September 22 Announcement, Bay Area Industrial and Financial Investment is a company with limited liability incorporated in the PRC. It is 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) (“**Guangdong-Hong Kong-Macao-Greater Bay Area Industrial and Financial Investment**”) and a third party independent of the Company. The Company hereby supplements the information on beneficial owner of Bay Area Industrial and Financial Investment.

Based on the public enterprise search results, as far as the Company is aware, as of September 28, 2020, Guangdong-Hong Kong-Macao-Greater Bay Area Industrial and Financial Investment has a total of 47 shareholders, of which Guangzhou Industrial and Financial Equity Investment Management Partnership (Limited Liability Partnership) (廣州產融股權投資管理合夥企業(有限合夥)) (“**Guangzhou Industrial and Financial**”) is the single largest shareholder of Guangdong-Hong Kong-Macao-Greater Bay Area Industrial and Financial Investment, holding 19.63% of its equity interests. Each of other shareholders of Guangdong-Hong Kong-Macao-Greater Bay Area Industrial and Financial Investment held less than 8% of its equity interests. Guangzhou Industrial and Financial is a limited liability partnership with 10 partners in total. Henan Century Sunshine Industrial Development Co., Ltd. (河南世紀陽光實業發展有限公司) (“**Henan Century**”) is the single largest holder of the partnership interest in Guangzhou Industrial and Financial, holding 33.82% of its partnership interest. Henan Century has a total of 11 shareholders, among whom Xu Zhe, an individual, is the single largest shareholder of Henan Century holding 15.00% of its equity interests.

Saved for the supplemental information above, other information disclosed in the September 22 Announcement remains unchanged.

## 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
“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
“holding company”	has the meaning ascribed thereto in the Listing Rules
“Directors”	the directors of the Company
“GF Qianhe”	GF Qianhe Investment Co., Ltd. (廣發乾和投資有限公司), a company with limited liability incorporated in the PRC, a wholly-owned subsidiary 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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Partnership Agreement”	the partnership agreement of Partnership Fund entered into by GF Xinde, GF Qianhe and Zhonghui Group on September 28, 2020
“Partnership Fund”	Zhongshan Zhonghui GF Xinde Equity Investment Fund (Limited Partnership) (中山中匯廣發信德股權投資基金(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



“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
“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
“Zhiyuan Partnership Fund”	the partnership fund to be formed pursuant to the partnership agreement entered into by GF Xinde, Public Utilities Environmental Protection, Jiangsu King’s Luck Investment Management Co., Ltd. (江蘇今世緣投資管理有限公司) and Bay Area Industrial and Financial Investment (Guangzhou) Co., Ltd. (灣區產融投資(廣州)有限公司) on September 22, 2020
“Zhonghui Group”	Zhongshan Zhonghui Investment Group Company Limited (中山中匯投資集團有限公司), a company with limited liability incorporated in the PRC, the holding company of Zhongshan Public Utilities
“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 28, 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.*