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国联证券股份有限公司
GUOLIAN SECURITIES CO., LTD.

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

(Stock Code: 01456)

DISCLOSEABLE TRANSACTION ACQUISITION OF THE 25% EQUITY INTEREST IN ZHONGHAI FUND

EQUITY TRANSFER AGREEMENT

On 30 September 2020, the Company entered into the Equity Transfer Agreement with LCFR, pursuant to which, the Company has agreed to acquire, and LCFR has agreed to sell, the 25% equity interest in Zhonghai Fund.

As at the date of this announcement, Zhonghai Fund is owned as to 41.591%, 33.409% and 25% by Zhonghai Trust Co., Ltd.* (中海信託股份有限公司), the Company and LCFR, respectively. Upon the completion of the Acquisition, the Company will hold 58.409% equity interest in Zhonghai Fund, and Zhonghai Fund will become a holding subsidiary of the Company.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratios of the Acquisition contemplated under the Equity Transfer Agreement, as calculated in accordance with Chapter 14 of the Listing Rules, exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As completion of the Acquisition is subject to the satisfaction of the conditions precedent such as the approval of the general meeting of Zhonghai Fund, waiver of pre-emptive rights in the transfer by Zhonghai Trust and the approval of Equity Transfer Agreement and relevant matters thereunder by the PRC regulatory authorities, shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

INTRODUCTION

As at the date of this announcement, Zhonghai Fund is owned as to 41.591%, 33.409% and 25% by Zhonghai Trust Co., Ltd.* (中海信託股份有限公司), the Company and LCFR, respectively. On 30 September 2020, the Company entered into the Equity Transfer Agreement with LCFR, pursuant to which, the Company has agreed to acquire, and LCFR has agreed to sell, the 25% equity interest in Zhonghai Fund. Upon the completion of the Acquisition, the Company will hold 58.409% equity interest in Zhonghai Fund, and Zhonghai Fund will become a holding subsidiary of the Company.

EQUITY TRANSFER AGREEMENT

Date

30 September 2020

Parties

- (i) LCFR (as seller); and
- (ii) the Company (as purchaser)

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, LCFR and its ultimate beneficial owners are third parties independent of the Company and its connected persons. The ultimate beneficial owner of LCFR is Edmond de Rothschild Holding S.A..

Nature of the Transaction

Pursuant to the Equity Transfer Agreement, the Company has agreed to acquire, and LCFR has agreed to sell, the 25% equity interest in Zhonghai Fund.

Consideration

The consideration for the Acquisition is RMB115,000,000, which is determined based on the arm's length negotiation between the parties and with reference to the valuation of total shareholders' equity of Zhonghai Fund of RMB467,000,000 as at the Valuation Benchmark Date pursuant to the Valuation Report.

Conditions Precedent

The completion of the Acquisition is subject to the satisfaction of the conditions precedent such as the approval of the general meeting of Zhonghai Fund, waiver of pre-emptive rights in the transfer by Zhonghai Trust and the approval of Equity Transfer Agreement and relevant matters thereunder by the PRC regulatory authorities.

Payment

The Company shall settle the price for the equity transfer to the bank account of LCFR on the second business day after the satisfaction of the conditions precedent to the completion.

Completion

The equity interest shall be transferred to the Company upon the price for the equity transfer is paid.

VALUATION OF ZHONGHAI FUND

Given that the valuation of Zhonghai Fund adopts the income approach and involves the cash flow discount method, the valuation of Zhonghai Fund in the Valuation Report constitutes a profit forecast under Rule 14.61 of the Listing Rules. Deloitte Touche Tohmatsu, the auditor of the Company, has reported on the accounting policy/the calculations of discounted future cash flow used in the Valuation Report. For such calculation, the accounting policy/discounted future cash flow has been duly compiled in accordance with the basis and assumptions adopted in all material aspects. Please refer to the Letter from the Auditor in Appendix I. The Board confirmed that the profit forecast has been made after due and careful enquiry by the Board. Please refer to the Letter from the Board in Appendix II.

Principal Assumptions Adopted under the Income Approach

The principal assumptions used in the Valuation Report, amongst others, are set out as below:

- It is assumed that there are no material changes to the relevant prevailing laws, regulations and policies of the country, and the national macro-economic situations; there are no significant changes to the political, economic and social environment of the regions where the transaction parties are located;
- It is assumed that Zhonghai Fund will operate as a going concern based on the actual status of the assets as at the Valuation Benchmark Date;
- The assets included in the valuation scope set up by the valuation will continue to be used according to their existing purposes and usage methods;
- It is assumed that there are no material changes to the interest rates, exchange rates, tax bases, tax rates and policies charges relevant to Zhonghai Fund after the Valuation Benchmark Date;
- It is assumed that the management of Zhonghai Fund is responsible, stable and has the capability to take on their duties after the Valuation Benchmark Date;
- Unless otherwise stated, it is assumed that Zhonghai Fund has fully complied with all relevant laws and regulations;
- It is assumed that there are no other force majeure and unforeseeable factors that will cause material adverse impact on Zhonghai Fund after the Valuation Benchmark Date;
- It is assumed that the accounting policies adopted by Zhonghai Fund after the Valuation Benchmark Date in all material aspects are consistent with the accounting policies adopted in the compilation of Valuation Report;
- It is assumed that Zhonghai Fund maintains the existing management style and level, business scope and mode after the Valuation Benchmark Date;
- It is assumed that there are no material changes to the business operation model of Zhonghai Fund after the Valuation Benchmark Date;

- It is assumed that business premises leased by Zhonghai Fund can be effectively renewed after the Valuation Benchmark Date.
- It is assumed that the cash inflow and outflow of Zhonghai Fund after the Valuation Benchmark Date are average inflow and outflow, respectively.

Experts Qualification, Consents and Opinions

The qualifications of the experts who have given their statements in this announcement are as follows:

Name	Qualifications
Deloitte Touche Tohmatsu	Certified Public Accountants
Jiangsu Zhongtian	Independent professional valuer

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of Deloitte Touche Tohmatsu and Jiangsu Zhongtian is a third-party independent of the Group and its connected persons and as at the date of this announcement:

- None of them has any shareholding in any member of the Group or any rights (whether legally enforceable or not) to subscribe for or to nominate others to subscribe for the securities of any member of the Group.
- None of them has any interest in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019 (being the settlement date to which the latest published audited annual statements of the Company were made up).

Each of the experts stated above has given and has not withdrawn its written consent as at the date of this announcement in relation to the publication of this announcement with the inclusion of its letter and/or references to its name (including its qualifications) as well as its advice as set out in this announcement in the form and context in which it is included.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Zhonghai Fund is principally engaged in fund raising, fund sales, asset management and other businesses permitted by the China Securities Regulatory Commission. The Company considers that the Acquisition is a good opportunity for the Group to increase its control in Zhonghai Fund and quickly obtain public offering license, so as to form an important business growth point of the Company for the following reasons:

1. The existing private equity business of the Company is difficult to serve the vast majority of the existing customer groups, while the service scope of public offering funds covers almost all customer groups and is the most important component of the wealth management business and has promising development prospects. The Board believes that it will be more beneficial to the Company to expand the public offering layout, broaden business scope, form complementary and synergistic forces with existing private equity businesses, improve customer service capabilities, increase incremental customers and incremental assets, and promote the transformation of wealth management business.
2. Upon the completion of the Acquisition, Zhonghai Fund will become a holding subsidiary of the Company. The Board considers that this would facilitate better implementation of the operating philosophies and strategies of the Company into Zhonghai Fund.
3. Controlling public offering funds is one of the essential conditions for developing infrastructure publicly offered REITs. The publicly offered REITs are effective financial products that connect industries and capital. After controlling Zhonghai Fund, the Company can quickly obtain a public offering licence, form a synergy with the Company's asset management ABS business, seize opportunities, and form an important business growth point of the Company.

4. The transaction price is determined after negotiation with LCFR with reference to the valuation report issued by an independent professional evaluation agency and in-depth investigation of comparable market transactions. The negotiated purchase price is RMB115,000,000, which is equivalent to 1.86 times of the audited net assets of Zhonghai Fund in 2020 attributable to the equity interest to be transferred. Comparing with other market transactions, the Directors are of the view that the Consideration for the Transaction is favourable to the Company and the Company should urge the completion of such transaction.

The Directors (including the independent non-executive Directors) consider the terms of the Equity Transfer Agreement are fair and reasonable and the Acquisition is on normal commercial terms or better and is in the interests of the Company and its shareholders as a whole. None of the Directors has a material interest in the transactions contemplated under the Equity Transfer Agreement or is required to abstain from voting on the Board resolutions for considering and approving the same pursuant to the articles of association of the Company.

INFORMATION ON ZHONGHAI FUND

As at the date of this announcement, Zhonghai Fund is owned as to 41.591%, 33.409% and 25% by Zhonghai Trust Co., Ltd.* (中海信託股份有限公司), the Company and LCFR, respectively. It's a Sino-foreign joint venture company established in the PRC with limited liability, and is principally engaged in fund raising, fund sales, asset management and other businesses permitted by the China Securities Regulatory Commission.

The following table sets out the audited financial information of Zhonghai Fund for the years ended 31 December 2018 and 2019, which are prepared in accordance with the China Accounting Standards for Business Enterprises:

	For the year ended 31 December 2018 (RMB'000)	For the year ended 31 December 2019 (RMB'000)
Net profit/(loss) before taxation	(32,176.0)	3,711.2
Net profit/(loss) after taxation	(23,957.7)	2,156.8

The audited total assets and net assets of Zhonghai Fund prepared in accordance with the China Accounting Standards for Business Enterprises as at 31 July 2020 are RMB270,625,615.87 and RMB247,790,949.52, respectively.

INFORMATION ON THE COMPANY

The Company is engaged in the following principal activities: securities brokerage, securities investment consultancy, financial advisory in relation to securities trading and securities investment activities, proprietary securities trading, securities asset management, agency sale of securities investment fund, margin financing and securities lending, introducing broker for futures companies, agency sale of financial products.

INFORMATION ON LCFR

LCFR is a bank headquartered in Paris, which is principally engaged in private banking and asset management business.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, LCFR and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratios of the Acquisition contemplated under the Equity Transfer Agreement, as calculated in accordance with Chapter 14 of the Listing Rules, exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As completion of the Acquisition is subject to the satisfaction of the conditions precedent such as the approval of the general meeting of Zhonghai Fund, waiver of pre-emptive rights in the transfer by Zhonghai Trust and the approval of Equity Transfer Agreement and relevant matters thereunder by the PRC regulatory authorities, shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

DEFINITIONS

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

“Acquisition”	the acquisition of the 25% equity interest in Zhonghai Fund from LCFR by the Company pursuant to the Equity Transfer Agreement
“Board”	the board of Directors of the Company
“Company”	Guolian Securities Co., Ltd. (國聯證券股份有限公司), a joint stock company established in the PRC with limited liability, the H shares of which are listed on the main board of the Stock Exchange (stock code: 1456), and the A shares of which are listed on Shanghai Stock Exchange (stock code: 601456)
“connected person(s)”	have the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 30 September 2020 entered into between the Company and LCFR in relation to the transfer of 25% equity interest in Zhonghai Fund
“Group”	the Company and its subsidiaries
“Jiangsu Zhongtian”	Jiangsu China Enterprise Appraisals Zhongtain Asset Co., Ltd. (江蘇中企華中天資產評估有限公司), an independent third-party valuer appointed by the Company for the valuation of the Acquisition
“LCFR”	La Compagnie Financière Edmond de ROTHSCHILD Banque, a bank engaged in private banking and asset management business

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding the Hong Kong Special Administrative Region of the People’s Republic of China, the Macao Special Administrative Region of the People’s Republic of China and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“Valuation Benchmark Date”	31 July 2020, being the benchmark date used in the Valuation Report
“Valuation Report”	the valuation report issued by Jiangsu Zhongtian, an independent third-party valuer, for the valuation of the equity interest of Zhonghai Fund on Valuation Benchmark Date
“Zhonghai Fund”	Zhonghai Fund Management Co., Ltd.* (中海基金管理有限公司), a Sino-foreign joint venture company established in the PRC with limited liability. As at the date of this announcement, Zhonghai Fund is owned as to 41.591%, 33.409% and 25% by Zhonghai Trust Co., Ltd.* (中海信託股份有限公司), the Company and LCFR, respectively

“%”

per cent

By order of the Board
Guolian Securities Co., Ltd.
Yao Zhiyong
Chairman

Wuxi, Jiangsu Province, the PRC

30 September 2020

As of the date of this announcement, the executive director of the Company is Mr. Ge Xiaobo; the non-executive directors of the Company are Mr. Yao Zhiyong, Mr. Hua Weirong, Mr. Zhou Weiping, Mr. Liu Hailin and Mr. Zhang Weigang; and the independent non-executive directors of the Company are Mr. Lu Yuanzhu, Mr. Wu Xingyu and Mr. Chu Howard Ho Hwa.

* *For identification purpose only*

Appendix I Letter from the Auditor

INDEPENDENT ASSURANCE REPORT ON CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF EQUITY INTEREST IN ZHONGHAI FUND MANAGEMENT CO., LTD.

TO THE DIRECTORS OF GUOLIAN SECURITIES CO., LTD.

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by Jiangsu China Enterprise Appraisals Zhongtian Assets Co., Ltd. (江蘇中企華中天資產評估有限公司) dated 25 September, 2020, of a 25% equity interest in Zhonghai Fund Management Co., Ltd. as at 31 July, 2020 (the “**Valuation**”) is based. Zhonghai Fund Management Co., Ltd. is a company incorporated in Shanghai, China. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and will be included in an announcement dated 30 September, 2020, to be issued by Guolian Securities Co., Ltd. (the “**Company**”) in connection with the acquisition of the 25% equity interest in Zhonghai Fund Management Co., Ltd. (the “**Announcement**”).

Directors’ Responsibility for the Discounted Future Estimated Cash Flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and set out in the Announcement. This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibility

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work was limited primarily to making inquiries of the Company’s management, considering the analyses and assumptions on which the discounted future estimated cash flows are based and checking the arithmetic accuracy of the compilation of the discounted future estimated cash flows. Our work does not constitute any valuation of Zhonghai Fund Management Co., Ltd.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

30 September 2020

Appendix II Letter from the Board

30 September 2020
The Listing Division
The Stock Exchange of Hong Kong Limited
12th Floor, Two Exchange Square
8 Connaught Place, Central
Hong Kong

Dear Sirs,

DISCLOSEABLE TRANSACTION – ACQUISITION OF THE 25% EQUITY INTEREST IN ZHONGHAI FUND MANAGEMENT CO., LTD.

We refer to the Valuation Report dated 25 September 2020 prepared by Jiangsu China Enterprise Appraisals Zhongtain Assets Co., Ltd. (江蘇中企華中天資產評估有限公司) (the “**Independent Valuer**”) in relation to the valuation of the market value of the 25% equity interest in Zhonghai Fund Management Co., Ltd. as at 31 July 2020 (the “**Valuation**”). As the discounted future estimated cash flow method was adopted in the Valuation, the Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules and accordingly, Rules 14.60A and 14.62 of the Listing Rules are applicable.

We have discussed with the Independent Valuer in various aspects, including the bases and assumptions upon which the Valuation has been prepared, and reviewed the Valuation for which the Independent Valuer is responsible. We have also considered the report from our reporting accountant, Deloitte Touche Tohmatsu, regarding whether the Valuation was compiled properly so far as the calculations are concerned.

Pursuant to the requirements of Rule 14.62(3) of the Listing Rules, we are of the opinion that the Valuation prepared by the Independent Valuer has been made after due and careful enquiry.

Yours faithfully,
On behalf of the Board
Guolian Securities Co., Ltd.
Yao Zhiyong
Chairman