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(A joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name "东方证券股份有限公司" and carrying on business in Hong Kong as "東方證券" (in Chinese) and "DFZQ" (in English))

(Stock Code: 03958)

ANNOUNCEMENT

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- AND**
- (6) APPOINTMENT OF MEMBER OF THE SPECIAL COMMITTEE UNDER THE BOARD**

The board of directors (the "**Board**") of 東方證券股份有限公司 (the "**Company**") hereby announces that:

I. GENERAL MANDATE ON PROPOSED ISSUANCE OF OFFSHORE DEBT FINANCING INSTRUMENTS

References are made to the circular of the Company date April 30, 2019, in relation to, among other things, general mandate on proposed issuance of offshore debt financing instruments and the relevant poll results announcement of the Company dated May 28, 2019. Pursuant to the Proposal Regarding the General Mandate to Issue Offshore Debt Financing Instruments of the Company considered and passed at the 2018 annual general meeting of the Company held on May 28, 2019, the maximum balance of the outstanding balance after the issuance of the offshore debt financing instruments shall not exceed RMB20 billion.

To further promote the international strategies of the Company, satisfy its business development requirements and prepare for replacement of offshore debt upon maturity in 2022, after prudent calculation and analysis, the Company proposes to submit a resolution in advance to ensure compliance with regulatory approval and raise the maximum balance of the outstanding balance after the issuance of the offshore debt financing instruments to RMB23 billion. To such end, the Company proposes to the general meeting to grant a package of authorizations regarding the issuance of offshore debt financing instruments (the “**Offshore Debt Financing Instruments**”) through public or non-public offering, on a one-off or multiple issuances or multi-tranche issuances basis, details of which are as follows:

1. Issue Methods

Offshore Debt Financing Instruments will be issued through public or non-public offering, on a one-off or multiple issuances or multi-tranche issuances basis.

2. Issue Type

According to the actual conditions, the issuance will be in the form of bonds, subordinated bonds or structural notes, including but not limited to offshore bonds or subordinated bonds in RMB or foreign currencies, notes (including but not limited to commercial notes), loans, syndicated loans and debt financing instruments to be drawn and issued under medium-term notes, etc.

3. Issue Size

The maximum balance of the outstanding balance after the issuance of the Offshore Debt Financing Instruments does not exceed RMB23 billion. For instrument denominated in foreign currencies, it shall be based on the median exchange rate published by the People’s Bank of China on the date of issuance and shall be in compliance with the requirements prescribed in the relevant laws and regulations on the maximum amount of the specific debt financing instruments to be issued.

4. Issuer

The issuer of Offshore Debt Financing Instruments can be one of the following entities according to the needs of the issuance:

- (1) the Company;
- (2) offshore wholly-owned subsidiaries of the Company;

(3) on the premise of fulfilling the following conditions 1, 2 and 3, a directly or indirectly wholly-owned offshore subsidiary established overseas by the Company can be the issuer of Offshore Debt Financing Instruments to issue, on a one-off or multiple issuances or multi-tranche issuances basis, Offshore Debt Financing Instruments overseas.

1 The wholly-owned offshore subsidiaries are established in Hong Kong or other appropriate offshore jurisdictions while the Company directly or indirectly holds 100% interest of those wholly-owned offshore subsidiaries.

2 The registered capital of the proposed directly or indirectly wholly-owned offshore subsidiaries shall not be higher than US\$10,000 or the equivalent amount in other currencies. The name of the entity will be subject to the final version approved by the approving and registering authorities.

3 The mandate will be granted at the general meeting and all necessary approval processes required by the regulatory authorities will have been fulfilled. The issuer will be determined in accordance with relevant laws and regulations as well as the advice and recommendations of regulatory authorities, the Company's actual needs for funding and the then prevailing market conditions at the time of issuance.

5. Issue Term

The term of the Offshore Debt Financing Instruments shall be no longer than 10 years (inclusive). It may have single or multiple combined maturities.

6. Issue Interest Rate, Way of Payment and Issue Price

The interest rate and payment methods of the issuance of Offshore Debt Financing Instruments will be determined by the issuer and sponsor or lead underwriter (if any) in accordance with the then prevailing market conditions at the time of issuance and relevant provisions. Issue price will be determined in accordance with the then prevailing market conditions at the time of issuance and relevant laws and regulations.

7. Security and Other Arrangements

The Company, the wholly-owned subsidiary and/or third party will provide security or issue letter of support and/or keep-well agreement, standby letter of credit or other credit enhancements, according to the structure of each issuance.

8. Use of Proceeds

The proceeds raised from the issuance of Offshore Debt Financing Instruments shall be used to fund business operation needs of the Company, improve the debt structure of the Company, supplement working capital of the Company and/or make project investment. Specific use of proceeds is subject to the actual capital requirements of the Company.

9. Target Subscribers

The target subscribers of the Offshore Debt Financing Instruments shall be the onshore and offshore investors whom meet the conditions for subscription.

10. Listing of Debt Financing Instruments

Application for listing of the Offshore Debt Financing Instruments shall be determined in accordance with domestic and overseas laws and regulations and regulatory requirements, and based on the actual conditions of the Company and prevailing market conditions at the time of issuance.

11. Authorization of Issuance of Offshore Debt Financing Instruments

To ensure effective coordination for the issuance of Offshore Debt Financing Instruments and other matters in connection with the issuance, a resolution will be proposed at the general meeting to authorize the Board, and agree the Board in turn to further authorize the executive directors of the Company (“**Authorized Representatives**”) to deal with, at its/ their sole discretion, all matters in connection with the issuance of Offshore Debt Financing Instruments in accordance with the relevant laws and regulations as well as the advice and recommendations from regulatory authorities, within the framework and under the principles approved at the general meeting, in order to maximize the interest of the Company, including but not limited to:

- 1 formulation and adjustment of the details of the proposal for issuance of Offshore Debt Financing Instruments in accordance with the applicable laws, regulations and relevant provisions from regulatory authorities as well as resolutions passed at the general meeting of the Company, and based on the actual conditions of the Company and the specific conditions of the relevant debt market, including without limitation, the determination of the suitable issuer(s), timing of issue, details of issue size and method, terms of issue, issue targets, maturity, whether to issue on a one-off, multiple issuances, multi-tranche issuances or multiple-category issuances basis and, if on multiple issuances, multi-tranche issuances or multiple-category issuances basis, the issue size and term of each issuance, tranche and category, the methods in which the nominal value and interest rate are determined, currencies (including offshore RMB), pricing method, issuance arrangements, credit enhancement arrangements including letter of guarantee or letter of support, rating arrangement, details of subscription method, whether to incorporate terms of repurchase or redemption, details of placement arrangements, use of proceeds, registration, listing of Offshore Debt Financing Instruments and place of listing, measures to mitigate repayment risks, measures to ensure debt repayment (if applicable), etc. and all matters in connection with the issuance of Offshore Debt Financing Instruments;
- 2 handling, at its/their sole discretion, the establishment of directly or indirectly wholly-owned offshore subsidiaries and all related matters, including but not limited to procedures at home or abroad such as approval, filing and registration, in relation to the issuance of Off-shore Debt Financing Instruments according to relevant provisions;

- 3 determining and engaging intermediary agency, signing, implementing, amending and completing all agreements and documents relating to the issuance of Offshore Debt Financing Instruments, including without limitation, the sponsor agreement, underwriting agreement, credit enhancement agreements such as guarantee agreement or letter of support, bond indenture, engagement letter with intermediary agency, trust agreement, settlement management agreement, registration and custody agreement, listing agreement and other legal documents, etc., and disclosing the relevant information in accordance with the relevant laws, regulations and the listing rules of the stock exchanges on which the Company's securities are listed (including without limitation, the preliminary and final offering memoranda of the debt financing instruments, and all announcements and etc. in relation to the issuance of Offshore Debt Financing Instruments);
- 4 selecting and engaging trustee manager(s) and settlement manager(s) for the issuance of Offshore Debt Financing Instruments, signing the trustee agreement(s) and settlement management agreement(s) and (if applicable), formulating rules for meetings of the holders of the debt financing instruments;
- 5 undertaking all applications and filings as well as listing matters (if applicable) in connection with the issuance of Offshore Debt Financing Instruments, including without limitation, preparing, revising and submitting relevant application and filing materials relating to the issuance and listing of the Offshore Debt Financing Instruments and application and filing materials in respect of credit enhancement agreements such as guarantee or letter of support to be provided by the Company, the issuer and/or third party, and signing the relevant application and filing documents and other legal documents;
- 6 making relevant adjustments to matters relating to the issuance of Offshore Debt Financing Instruments according to the advice of and changes in the policies of regulatory authorities or the changes in market conditions, or determining whether to continue with all or part of the work in respect of the issuance of Offshore Debt Financing Instruments in accordance with the actual conditions, unless re-approval by the shareholders of the Company (the "**Shareholders**") at the general meeting is otherwise required pursuant to the relevant laws, regulations and the articles of association of the Company;
- 7 dealing with other relevant matters in connection with the issuance of Offshore Debt Financing Instruments;
- 8 subject to approval of the above authorization at the general meeting, a resolution will be proposed to the Board to authorize its Authorized Representatives for the issuance of Offshore Debt Financing Instruments to jointly or individually deal with all matters in connection with the issuance of Offshore Debt Financing Instruments on behalf of the Company pursuant to the resolutions passed at the general meeting and the authorization granted by the Board.

12. Validity Period of Resolution

The Shareholder's resolutions regarding the issuance of Offshore Debt Financing Instruments shall be valid for a period of 36 months from the date of passing the resolutions at the general meeting.

Where the Board and/or its Authorized Representatives have, during the term of the authorization, decided the issuance or partial issuance of Offshore Debt Financing Instruments, and provided that the Company has also, during the term of the authorization, obtained the approval or license from or completed filing or registration (if applicable) with regulatory authorities on the issuance, the Company may, during the validity period of such approval, license, filing or registration, complete the issuance or relevant partial issuance of Offshore Debt Financing Instruments.

The Company will allocate resources reasonably according to the annual asset-liability allocation plan and annual financing plan, so as to enhance coordinated management over offshore debts, improve capital utilization efficiency, control financing cost and ensure that the Company maintains liquidity safety, all businesses are carried out in an orderly manner and use of proceeds secures sound economic benefits.

The above proposal is subject to consideration and approval by the Shareholders of the Company at the general meeting and shall take effect from approval at the general meeting. A circular containing, among other things, details of the above proposal, together with the notice of the general meeting, will be despatched to the Shareholders in due course.

II. PROJECTED INTRAGROUP GUARANTEES FOR THE YEAR 2021

The Board approved after consideration and submitted to the general meeting to consider the provision of guarantees provided by the Company and its subsidiaries or among the subsidiaries within the validity period of authorization.

i. Description of Guarantees

In accordance with the operation plan of the Company, the Company and its subsidiaries propose to raise funds by issuing bonds, bank loans, and other channels. In order to reduce financing costs, the Company or its subsidiaries may provide financing guarantees for its wholly-owned subsidiaries. Meanwhile, in order to enhance the external operation capability of the Company's subsidiaries in Hong Kong, Orient Finance Holdings (Hong Kong) Limited ("**Orient Finance Holdings**"), a wholly-owned subsidiary of the Company, proposes to provide non-financing guarantees for its wholly-owned subsidiaries. The Board considers and approves the following matters to be submitted to the general meeting for consideration and approval in accordance with the relevant requirements of the laws and regulations, the articles of association of the Company, and the Measures to Manage External Guarantees (《公司對外擔保管理辦法》) of the Company:

(i) *Financing guarantees*

1. Limitation of the guarantees: the total amount of additional Intragroup Guarantees provided by the Company and its subsidiaries within the validity period of authorization shall not exceed 20% of the latest audited net assets of the Company, and the amount of each separate Intragroup Guarantee shall not exceed 10% of the latest audited net assets of the Company.

2. Types of the guarantees: including but not limited to providing guarantees for onshore or offshore debt financing instrument(s) is/are issued through public or non-public issuances (including but not limited to ordinary bonds, subordinated bonds, ultra-short-term financing bills, short-term financing bills, medium-term notes), or loans granted from onshore or offshore financial institutions (including but not limited to bank credit, bank loans and syndicated loans).
3. Models of the guarantees: collateralization include guarantees, security, pledges, and other models as stipulated under the provisions of the relevant laws and regulations.
4. Targets of the guarantees: directly and indirectly holding wholly-owned subsidiaries of the Company (including those with the gearing ratio over 70%).
5. Validity period of authorization: the aforementioned guarantees shall be valid from the date of consideration and approval of the guarantees by the 2020 annual general meeting to the date of the 2021 annual general meeting.
6. Authorization: subject to the quota, type, model, targets and validity period of financing guarantees, it is proposed to the general meeting for the Shareholders to authorize the Board and agree the Board in turn to further authorize the management to, at its/their sole discretion, deal with all specific matters involved in the aforementioned financing guarantee, including but limited to executing all documents in connection with the aforementioned guarantees, obtaining approvals from and handling filing formalities with the relevant regulatory authorities, and fulfilling the obligation of information disclosure in a timely manner in accordance with the relevant laws and regulations upon the provision of letters of guarantees or issuance of guarantee documents between the Company and its wholly-owned subsidiaries and between the subsidiaries and their wholly-owned subsidiaries.

(ii) Non-financing guarantees

1. Limitation of the guarantees: the total amount of additional external guarantees provided by Orient Finance Holdings within the validity period of authorization shall not exceed US\$1.6 billion and the amount guaranteed shall be calculated subject to the agreed amount as set out in the guarantee agreement or the limit of risk monitoring indicators.
2. Types of the guarantees: including but not limited to providing guarantees for non-financing transactions such as International Swaps and Derivatives Association (ISDA), Master Clearing Agreement, Bond Market Association/ International Securities Market Association Global Master Repurchase Agreement (TBMA/ISMA GMRA), Master Brokerage Service Agreement, physical trading of precious metals, brokerage business, and issuance of structured notes.

3. Models of the guarantees: collateralization include guarantees, security, pledges, and other models as stipulated under the provisions of the relevant laws and regulations.
4. Targets of the guarantees: wholly-owned subsidiaries directly or indirectly held by Orient Finance Holdings (including those with the gearing ratio over 70%).
5. Validity period of authorization: the aforementioned guarantees shall be valid from the date of consideration and approval of the guarantees by the 2020 annual general meeting to the date of the 2021 annual general meeting.
6. Authorization: subject to the quota, type, model, targets and validity period of the non-financing guarantees, it is proposed to the general meeting for the Shareholders to authorize the Board and agree the Board in turn to further authorize the competent directors of Orient Finance Holdings to, at its/their sole discretion, deal with all specific matters involved in the aforementioned non-financing guarantees, including but not limited to executing all documents in connection with the aforementioned guarantees, obtaining approvals from and handling filing formalities with the relevant regulatory authorities, and fulfilling the obligation of information disclosure in a timely manner in accordance with the relevant laws and regulations upon the provision of letters of guarantees or issuance of guarantee documents for the wholly-owned subsidiaries of Orient Finance Holdings.

ii. Summary of the Guaranteed Parties

The aforementioned targets of the guarantees include but not limited to the Company's directly and indirectly holding wholly-owned subsidiaries and their respective subsidiaries as below (including those with the gearing ratio over 70%):

1. *Shanghai Orient Securities Futures Co., Ltd. ("Orient Futures")*

Address: 14/F, Shanghai Futures Building, 500, Pudian Road, China (Shanghai) Pilot Free-Trade Zone

Date of establishment: December 8, 1995

Registered capital: RMB2.3 billion

Equity interests held by the Company: 100%

Legal representative: Lu Dayin

Business scope: commodities futures brokerage, financial futures brokerage, futures investment consultancy, assets management, funds sale.

According to the audited financial information, as of December 31, 2020, the total assets and liabilities of Orient Futures, the guaranteed target, were RMB45.159 billion and RMB41.811 billion, respectively, including bank loans of RMB150 million, current liabilities of RMB41.68 billion and net assets of RMB3.348 billion. From January 1, 2020 to December 31, 2020, the guaranteed target realized operating income of RMB9.584 billion and net profit of RMB192 million.

2. *Shanghai Orient Securities Capital Investment Co., Ltd. (“Orient Securities Capital Investment”)*

Address: 36/F, Building 2, No. 318 South Zhongshan Road, Huangpu District, Shanghai, China

Date of establishment: February 8, 2010

Registered capital: RMB4.0 billion

Equity interests held by the Company: 100%

Legal representative: Jin Wenzhong

Business scope: establishment of direct investment funds, and equity investments to enterprises; or invest in other investment funds related to equity investments; provide clients with financial advisory services related to equity investments; other businesses approved by the China Securities Regulatory Commission (“CSRC”).

According to the audited financial information, as of December 31, 2020, the total assets and liabilities of Orient Securities Capital Investment, the guaranteed target, were RMB4.976 billion and RMB175 million, respectively, including nil bank loans, current liabilities of RMB147 million and net assets of RMB4.801 billion. From January 1, 2020 to December 31, 2020, the guaranteed target realized operating income of RMB615 million and net profit of RMB361 million.

3. *Orient Finance Holdings (Hong Kong) Limited*

Address: 28/F to 29/F, No. 100 Queen’s Road Central, Central, Hong Kong

Date of establishment: February 17, 2010

Registered capital: HK\$2,754,078,015.00

Equity interests held by the Company: 100%

Chairman: Zhang Jianhui

Business scope: investment holding, and operation of securities brokerage business, futures brokerage business, asset management business, investment banking and margin financing business as regulated by the SFC pursuant to SFO through establishment of various subsidiaries and licensed sub-subsidiaries.

According to the audited financial information, as of December 31, 2020, the total assets and liabilities of Orient Finance Holdings, the guaranteed target, were HK\$18.981 billion and HK\$16.461 billion, respectively, including bank loans of HK\$510 million, current liabilities of HK\$8.894 billion and net assets of HK\$2.52 billion. From January 1, 2020 to December 31, 2020, the guaranteed target realized operating income of HK\$533 million and net profit of HK\$235 million.

4. *Other offshore wholly-owned subsidiaries and BVI companies*

The other offshore wholly-owned subsidiaries and BVI companies will be determined by the Company based on financing or transaction requirements.

iii. *Opinions of the Board*

The independent opinions issued by the independent directors of the Company with respect to the matters are listed as below: the Company estimates the guarantees which might be provided by the Company to its subsidiaries or provided among its subsidiaries during the validity period of authorization, both due to the Company's needs under its business plan and goal of minimizing financing costs as well as enhancing the external operating capacities of the Company's subsidiaries in Hong Kong. The aforementioned projection complies with relevant requirements of the relevant laws and regulations, the articles of association of the Company, and the measures to Manage External Guarantees of the Company, the decision-making procedures are lawful and the aforementioned intragroup guarantees are approved.

iv. *Accumulated Amount of External Guarantees*

As at the date of this announcement, the total external guarantee amount of the Company and its holding subsidiaries was RMB10.002 billion, accounting for 16.61% of the audited net assets of the Company as of December 31, 2020.

There is no overdue guarantee provided by the Company and its holding subsidiaries.

The above proposal is subject to consideration and approval by the Shareholders of the Company at the general meeting and shall take effect from approval at the general meeting. A circular containing, among other things, details of the above proposal, together with the notice of the general meeting, will be despatched to the Shareholders in due course.

III. PROPOSED AMENDMENTS TO CERTAIN ARTICLES OF THE ARTICLES OF ASSOCIATION

Pursuant to relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”), referring to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) and the Guidelines for Directors issued by the Hong Kong Institute of Directors and based on the actual operation and management of the Company, to further optimize division of duties among the directors of the Company, it is proposed to make the following amendments to the relevant article of the articles of association of the Company (the “**Articles of Association**”):

Before amendment	After amendment	Basis of amendment
<p>Article 157 The Company shall have a Board of Directors accountable to the shareholders’ general meeting. The Board of Directors consists of 13 Directors, <u>including one employee representative Director</u> and at least one-third of independent Directors. The Board of Directors shall have a chairman and may have a vice chairman.</p>	<p>Article 157 The Company shall have a Board of Directors accountable to the shareholders’ general meeting. The Board of Directors consists of 13 Directors, <u>including executive Directors and non-executive Directors. Executive Directors comprise Directors who serve as senior management members and assume other operation and management positions within the Company; and Directors other than executive Directors are non-executive Directors, including independent Directors and employee representative Directors.</u></p> <p>The Board of Directors consists of at least one-third of independent Directors, <u>including one employee representative Director.</u> The Board of Directors shall have a chairman and may have a vice chairman.</p>	<p>Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules, Article 91 of the Guidelines for Directors and other requirements as well as the actual operation of the Company</p>

Note: The Articles of Association are prepared in Chinese and there is no official English version. Therefore, any English translation serves as a reference only. In case of any inconsistencies between the Chinese and English version, the former shall prevail.

The proposed amendments to the Articles of Association, which have been considered and approved by the Board, are subject to Shareholders’ approval at the general meeting of the Company. A circular containing, among other things, details of the above proposal, together with the notice of the general meeting, will be despatched to the Shareholders in due course.

IV. PROPOSED CONTINUING CONNECTED TRANSACTIONS

Background

On March 30, 2021, the Board considered and approved a resolution, pursuant to which the Company proposed to enter into the continuing connected transactions under framework agreement (“**Framework Agreement**”) with Shenergy (Group) Company Limited (“**Shenergy Group**”) in relation to the transactions of the securities and financial services, the securities and financial products transactions and the purchase of goods and services that have been and will continue to be carried out between the Company and its subsidiaries (“**Group**”) and Shenergy Group and its associates (“**associates**”, has the meaning ascribed thereto under the Hong Kong Listing Rules) in the ordinary and usual course of business for a period from January 1, 2021 to December 31, 2023.

Principal Terms and Conditions of the Framework Agreement to be Entered into

Parties

The Company and Shenergy Group

Term

January 1, 2021 to December 31, 2023

Securities and Financial Services

The securities and financial services include but are not limited to:

1. Securities and futures brokerage services: including but not limited to securities brokerage and related financial services, brokerage services for treasure bond futures and other futures;
2. Underwriting and sponsoring services: including but not limited to underwriting, sponsoring and continuous supervision services for issuance of stocks, fixed income products, structured products and other derivative products;
3. Financial consultation services: including but not limited to financial consultation services for corporate restructuring, mergers and acquisitions and reorganization;
4. Entrusted asset management services: including but not limited to providing asset management services for clients’ entrusted assets;
5. Foreign exchange settlement and sale services: including but not limited to spot settlement and sale of foreign exchange for clients;
6. Margin financing and securities lending services: including but not limited to providing margin refinancing services to clients; and
7. Securities and financial advisory and consultation and other securities and financial services.

The pricing basis for various securities and financial services under the Framework Agreement are as follows:

1. Securities and futures brokerage services: as commission rates for brokerage services are generally transparent and standardized in the market, the commission rates will be determined after arm's length negotiation between the contracting parties with reference to the requirements of relevant laws and regulations, as well as the commission rates applicable to independent third parties and the estimated size of brokerage transactions;
2. Underwriting and sponsoring services: due to intensive competition in the market of underwriting and sponsorship services, the service rates and related fees are highly transparent and standardized. The service fees will be determined after arm's length negotiation between the contracting parties with reference to the requirements of relevant laws and regulations and taking into account a number of factors, including prevailing market conditions, the size of the proposed issue, general market rates for recent issues of similar nature and size, and the fee rates applicable to independent third parties for similar services;
3. Financial consultation services: the fees for financial consultation services are highly transparent and standardized in the market, and will be determined after arm's length negotiation between the contracting parties with reference to the requirements of relevant laws and regulations and taking into account factors such as prevailing market conditions, the nature and size of the transaction and the fee rates applicable to independent third parties for similar services;
4. Entrusted asset management services: the rates for asset management services are highly transparent and standardized in the market, and the service fees will be determined after arm's length negotiations between the contracting parties with reference to the requirements of relevant laws and regulations and taking into account factors such as the size of the entrusted assets, the complexity of specific services and the fee rates applicable to independent third parties for similar services;
5. Foreign exchange settlement and sale services: the exchange rates for the transactions of settlement and sale of foreign exchange will be determined after arm's length negotiations between the contracting parties by taking into account factors such as the prevailing exchange rate in interbank foreign exchange market, the scale of the transaction and the exchange rate standards applicable to independent third parties for similar services;
6. Margin financing and securities lending services: the fees for margin financing and securities lending services will be determined after arm's length negotiations between the contracting parties with reference to the fee rates applicable to independent third parties; and
7. Securities and financial advisory and consultation and other securities and financial services: the fees for such services will be determined after arm's length negotiations between the contracting parties in accordance with relevant applicable laws and regulations and with reference to prevailing market prices, the nature of the transaction, the cost of different services and the fee rates applicable to independent third parties for similar services.

The terms of various securities and financial services provided by the Group under the Framework Agreement shall be comparable to those provided to other independent institutional clients of similar profile and transaction amount. The financial services under the Framework Agreement shall be subject to the same internal approval and monitoring procedures and the same or more strict pricing policies applicable to independent clients.

For the three financial years ended December 31, 2020, the historical amounts of securities and financial services between the Group and Shenergy Group and its associates are as follows:

	Approximate historical data (RMB in ten thousands)		
	For the year ended December 31, 2018	For the year ended December 31, 2019	For the year ended December 31, 2020
Securities and financial services			
Total income received by the Group for the provision of securities and financial services to Shenergy Group and its associates	598	381	48
Total expenditures paid by the Group for receiving securities and financial services provided by Shenergy Group and its associates or providing Shenergy Group and its associates with securities and financial services	18	16	17

The Company estimates that the proposed annual caps for the securities and financial services between the Group and Shenergy Group and its associates for the three financial years ending December 31, 2023 are as follows, and relevant transaction consideration will be settled in cash at the time of each transaction:

	Proposed annual caps (RMB in ten thousands)		
	For the year ending December 31, 2021	For the year ending December 31, 2022	For the year ending December 31, 2023
Securities and financial services			
Total income received by the Group for the provision of securities and financial services to Shenergy Group and its associates	12,000	14,000	15,000
Total expenditures paid by the Group for receiving securities and financial services provided by Shenergy Group and its associates or providing Shenergy Group and its associates with securities and financial services	1,200	1,400	1,500

When estimating the annual caps for the income received from securities and financial services between the Group and Shenergy Group and its associates, the Company has considered the following major factors:

1. Approximate historical data of the securities and financial services between the Group and Shenergy Group and its associates for the three financial years ended December 31, 2020.
2. The Group participates in various financing activities of Shenergy Group and its associates through the provision of investment banking services in the ordinary course of business, and will continue to provide underwriting services for various bonds issued by Shenergy Group and its associates, and provide underwriting, sponsoring and financial consultation services for its equity financing; and it is expected that the Group will obtain stable income from Shenergy Group and its associates in the next three years by providing securities and futures brokerage, underwriting, sponsoring and financial consultation services.
3. The Group has strengths and expertise in provision of financial services such as research, investment consultation and asset management. With the expansion of the Group's existing businesses and the launch of new businesses, it is expected that the Group's cooperation with Shenergy Group and its associates will continue to increase in the next three years, and the Group's income from Shenergy Group and its associates for advisory and consultancy and asset management services is likely to grow substantially.
4. As a listed securities and financial holding group established under the CSRC's approval, which provides all-round, one-stop, professional and comprehensive financial services covering securities, futures, asset management, wealth management, investment banking, investment consultancy and securities research, the Group will further deepen industrial and financial capital integration and propose to implement and create special advantages and build up brand name in energy financing sector. In view of the Company's development strategies of the industrial and financial capital integration and the business plans of relevant segments, it is expected that the Group will obtain stable income by providing various securities and financial services to Shenergy Group and its associates in the next three years.
5. The Group provides other securities and financial services such as brokerage, margin financing and securities lending services to Shenergy Group and its associates in the ordinary course of business. As the financial market continues to grow, it is expected that Shenergy Group and its associates will further deepen their involvement in financial market activities and the fees to be paid by the Group to Shenergy Group and its associates are expected to gradually increase.
6. The Group expects to pay the interest expenses for the repurchase transactions between the Group and Shenergy Group and its associates on normal commercial terms.

Securities and Financial Products Transactions

The securities and financial products transactions include but are not limited to:

1. Transactions related to equity products, non-equity products and their derivative products: including but not limited to stocks, bonds, funds, trusts, wealth management products, asset management plans, asset securitization products, swaps, futures, options, forwards and other financial products;
2. Transactions related to financing: Financing activities between financial institutions, including but not limited to interbank lending; repurchase agreement; cross holding of debt instruments such as income certificates, short-term financing bills, subordinated bonds and corporate bonds; and
3. Other securities and financial products transactions as permitted by the regulatory authorities.

The pricing basis for various securities and financial products transactions under the Framework Agreement are as follows:

1. Securities and financial products transactions are mainly conducted through the interbank bond market and exchanges (including exchange-traded bond markets and futures exchanges). The pricing of such transactions is subject to relevant laws and regulations and under strict supervision and shall be conducted at prevailing market prices.

The securities and financial products traded in the interbank bond market and exchange-traded bond market mainly include most fixed income products and certain transactions under repurchase agreements. The prices for transactions in the interbank bond market and the exchange-traded bond market are determined based on the quoted prices in the interbank bond market and the exchange-traded bond market, respectively, with reference to the valuation of the relevant securities and financial products published by the China Central Depository and Clearing Co., Ltd. (“**CCDC**”) and the yield curves and trading volume published by the China Foreign Exchange Trading Center and National Inter-bank Funding Center (“**NIFC**”).

The interbank bond market is a quote-driven market highly regulated by the People’s Bank of China in accordance with the “Measures for the Administration of Bond Transactions in the National Interbank Bond Market (《全國銀行間債券市場債券交易管理辦法》)”. Transactions in the interbank bond market must be reported to NIFC and are jointly regulated by NIFC, CCDC and the National Association of Financial Market Institutional Investors (“**NAFMII**”). According to relevant laws and regulations, the prevailing market prices in the interbank bond market are determined with reference to the bid and ask prices quoted by NIFC, and all transactions, whether conducted through authorized money brokers or market makers or by over-the-counter (“**OTC**”) negotiations, must be reported to NIFC and reflected in the quoted prices provided by NIFC and CCDC. NAFMII is a self-regulatory organization responsible for overseeing interbank transactions. Abnormal pricing may be subject to disciplinary action from NAFMII under its self-regulatory rules (being the Self-Regulatory Rules for Bond Transactions in the Interbank Bond Market (《銀行間債券市場債券交易自律規則》)).

The exchange-traded bond market is an order-driven market regulated by the CSRC. Transactions in the exchange-traded bond market shall be conducted based on the prevailing market prices quoted by the exchange.

Securities and financial products traded on an exchange mainly include stocks and bonds. Transactions on the exchange shall be conducted based on the prevailing market prices on the exchange.

In the ordinary course of business, the Group may also enter into OTC transactions of securities and financial products with Shenergy Group and its associates. The pricing of OTC derivative transactions is mainly determined with reference to derivative pricing models such as Monte Carlo simulation and B-S model. In the event that Shenergy Group and its associates subscribe for the Group's securities and financial products, the subscription price shall be determined after taking into account the underlying asset/business conditions of the investment and the subscription price of other investors.

2. For borrowing and lending among financial institutions, transactions shall be conducted with reference to the Shanghai Interbank Offered Rate at the prevailing rates quoted in the interbank money market, and pricing shall comply with relevant laws and regulations and be subject to strict supervision.

The Group enters into repurchase transactions with the financial institutions under Shenergy Group in the ordinary course of business at interest rates applicable to independent third parties or on terms better than normal commercial terms, and the pricing of which shall be determined after taking into account the securities pledged, the maturity of the financing and prevailing market interest rates.

In terms of subscriptions by the Group of the securities and financial products set up by Shenergy Group and its associates, and subscriptions by the Shenergy Group and its associates of the securities and financial products set up by the Group, the subscription price shall be the same as the subscription price for other investors. Such subscription price shall be determined by the financial institutions which set up the securities and financial products after considering the underlying asset/business conditions of the investment.

For the three financial years ended December 31, 2020, the historical amounts of the securities and financial products transactions between the Group and Shenergy Group and its associates are as follows:

	Approximate historical data (RMB in ten thousands)		
	For the year ended December 31, 2018	For the year ended December 31, 2019	For the year ended December 31, 2020
Securities and financial products transactions			
Total capital inflow arising from securities and financial products transactions between the Group and Shenergy Group and its associates	–	–	–
Total capital outflow from securities and financial products transactions between the Group and Shenergy Group and its associates	12,188	42,000	–

The Company expects that the proposed annual caps for the securities and financial products transactions between the Group and Shenergy Group and its associates for the three financial years ending December 31, 2023 are as follows, and relevant transaction consideration will be settled in cash at the time of each transaction:

	Proposed annual caps (RMB in ten thousands)		
	For the year ending December 31, 2021	For the year ending December 31, 2022	For the year ending December 31, 2023
Securities and financial products transactions			
Total capital inflow arising from securities and financial products transactions between the Group and Shenergy Group and its associates	20,000	20,000	20,000
Total capital outflow from securities and financial products transactions between the Group and Shenergy Group and its associates	220,000	220,000	220,000

In particular, the subscriptions by Shenergy Group and its associates of the income certificates issued by the Group shall be conducted on normal commercial terms at the issue price determined after taking into account factors such as comparable market interest rates and the liquidity position of the Group, and are not secured by the assets of the Group. These subscriptions constitute exempted continuing connected transactions under Rule 14A.90 of the Hong Kong Listing Rules and are not subject to a cap.

When estimating the annual caps for the securities and financial products transactions between the Group and Shenergy Group and its associates, the Company has considered the following major factors:

1. Approximate historical data of the securities and financial products transactions between the Group and Shenergy Group and its associates for the three financial years ended December 31, 2020.
2. With the continuous growth of the financial market and the introduction of new securities and financial products, the Company, as a listed securities and financial holding group established under the CSRC's approval which provides all-round, one-stop, professional and comprehensive financial services covering securities, futures, asset management, wealth management, investment banking, investment consultancy and securities research, will further deepen industrial and financial capital integration and propose to implement and create special advantages and build up brand name in energy financing sector. As such, the Group expects that the securities and financial products transactions between the Group and Shenergy Group and its associates will maintain at a relatively high level in the next three years. In addition, given that a single securities and financial products transaction is usually in large amount, it is possible that the total inflow and outflow of funds arising from the securities and financial products transactions between the Group and Shenergy Group and its associates in a single year may be lower than expected if the Company enters into fewer securities and financial products transactions with Shenergy Group and its associates based on the prevailing market conditions and the Group's situation at that time.

The incomes (due to cash inflow to Shenergy Group and its associates from the securities and financial products transactions) and expenditures (due to cash inflow to the Group from the securities and financial products transactions) of the Group derived from the above securities and financial products transactions have been included in the incomes and expenditures of securities and financial services.

Purchase of Goods and Services

The purchase of goods and services contemplated under the Framework Agreement includes services received by the Group and provided by Shenergy Group and its associates within their scope of operation, including but not limited to:

Receiving goods and services such as electricity, town gas, natural gas, gas stoves, gas appliances and gas kitchen equipment; and receiving property management, gas transmission and distribution, gas project planning, design and construction and other services.

The pricing basis for purchase of goods and services under the Framework Agreement are as follows:

The pricing basis for the purchase of goods and services are determined after arm's length negotiations between the contracting parties in accordance with relevant applicable laws and regulations with reference to the prevailing market prices and on normal commercial terms. The Group has reached an agreement in principle with Shenergy Group and its associates on relevant pricing mechanism and the prices will be determined as follows:

1. Should there be a government pricing directive, the government directive price shall prevail; or
2. In the absence of any government pricing directive currently applicable, the government directive price previously promulgated by the competent government authority shall be adopted as the basic price and adjusted with reference to the procurement or service costs of Shenergy Group and its associate;
3. The price as adjusted by item 2 above shall be fair and reasonable.

For the three financial years ended December 31, 2020, the historical amounts of purchase of goods and services by the Group from Shenergy Group and its associates are as follows:

	Approximate historical data (RMB in ten thousands)		
	For the year ended December 31, 2018	For the year ended December 31, 2019	For the year ended December 31, 2020
Purchase of goods and services			
Total expenses paid by the Group for purchase of goods and services from Shenergy Group and its associates	779	1,492	1,943

The Group estimates that the proposed annual caps for the purchase of goods and services by the Group from Shenergy Group and its associates for the three financial years ending December 31, 2023 are as follows, and relevant transaction consideration will be settled in cash at the time of each transaction:

	Proposed annual cap (RMB in ten thousands)		
	For the year ending December 31, 2021	For the year ending December 31, 2022	For the year ending December 31, 2023
Purchase of goods and services			
Total expenses paid by the Group for purchase of goods and services from Shenergy Group and its associates	5,000	5,000	5,000

When estimating the annual caps for the amounts paid by the Group for the purchase of goods and services from Shenergy Group and its associates, the Company has made reference to the above historical data and has also taken into account certain contracts entered into, the electricity, gas and property management services to be purchased by the Group from Shenergy Group and its associates in the next three years, and the expected potential growth in expenditure.

Internal Control Measures for Continuing Connected Transactions

The Group has formulated internal guidelines and policies on connected transactions which provided detailed regulations on key aspects such as identification, initiation, pricing, decision-making and disclosure of connected transactions and set out the approval procedures for connected transactions.

The terms of the proposed securities and financial services, securities and financial products transactions and purchase of goods and services transactions (including pricing terms) shall be similar to those offered by/available to independent third parties for similar services and shall be subject to the same internal selection, approval and monitoring procedures and pricing policies as those applicable to independent third parties.

The business departments of the Company are responsible for monitoring whether the actual transaction amount exceeds the annual cap, and properly maintaining and storing any documents and records related to connected transactions; the compliance department of the Company reviews the compliance and fairness of the proposed connected transactions; the Board office, the planned financial management department and other relevant departments regularly compile the data to ensure that the actual amount does not exceed the annual cap and remind the business departments to manage and control the related connected transactions; the audit department of the Company conducts annual audit on the actual connected transactions.

The independent non-executive Directors and auditors of the Company will review the continuing connected/related transactions of the Company on an annual basis, and the Board (including the independent non-executive Directors) and the supervisory committee will confirm whether the terms of the said transactions are fair and reasonable and on normal commercial terms or better terms in the ordinary course of business of the Group and in the interests of the Company and the Shareholders as a whole. The auditors of the Company are required to review the above continuing connected transactions and issue a confirmation letter to the Board in this regard.

The Company and Shenergy Group have agreed that, according to the requirements of Rule 14A.54 of the Hong Kong Listing rules, if, at any time within the term of the Framework Agreement, the total transaction amount may or is expected to exceed the annual caps above, the Company will re-comply with the announcement and independent Shareholders' approval (if applicable) requirements under the Hong Kong Listing Rules.

Reasons for and Expected Benefits of Entering into the Framework Agreement of Continuing Connected Transaction

The above proposed continuing connected transactions have been and will be carried out in the ordinary course of business of the Group at fair and reasonable terms after arm's length negotiation on an ongoing basis. The signing of the Framework Agreement of continuing connected transactions between the Company and Shenergy Group is necessary for the day-to-day operation and business development of the Group to facilitate the centralized management and supervision of the continuing connected transactions that may be made between the Company and Shenergy Group and its associates. In addition, the above continuing connected transactions will generate cost synergy through the integration of advantageous resources of the Group, Shenergy Group and its associates, further deepen industrial and financial capital integration and facilitate the Group's proposal to implement and create special advantages and build up brand name in energy financing sector.

The independent non-executive Directors considered that the entering into of the Framework Agreement of Connected Transactions for 2021-2023 between the Company and Shenergy Group is necessary for the day-to-day operation and business development of the Company to facilitate the centralized management and supervision of the continuing connected transactions that may be made between the Company and Shenergy Group. The pricing for the transactions is fair and reasonable and in line with market-based practices. No damage to the interests of non-related Shareholders and interests of the Company is expected to arise and no impact on the independence of the Company is expected as a result of the above continuing connected transactions. The examination and voting process taken by the Board for the approval of entering into the Framework Agreement of Connected Transactions for 2021-2023 between the Company and Shenergy Group complies with the requirements of relevant laws, regulations and the Articles of Association.

In light of the above, the Board (including the independent non-executive Directors) believes that the terms of the Framework Agreement are fair and reasonable and are entered into on normal commercial terms in the ordinary course of business of the Group. Entering into the Framework Agreement is in the interest of the Company and the Shareholders as a whole. Mr. Song Xuefeng, executive Director of the Company, Mr. Yu Xuechun and Mr. Liu Wei, both being non-executive Directors of the Company, serve in Shenergy Group. Therefore, for the purpose of good corporate governance, they have abstained from voting in the Board meeting on the approval of the resolution in relation to the Company entering into the Framework Agreement with Shenergy Group. Save as disclosed above, none of the Directors is required to abstain from voting on the relevant Board resolution.

Implications of the Hong Kong Listing Rules

As at the date of this announcement, Shenergy Group, which is the largest Shareholder of the Company, holds approximately 25.27% of the issued share capital of the Company. Therefore, pursuant to Rule 14A.07(1) of the Hong Kong Listing Rules, Shenergy Group and its associates are connected persons of the Company and the transactions contemplated by the Group and Shenergy Group and its associates under the Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest percentage ratios applicable to the proposed annual caps for the securities and financial services, the proposed annual caps for the securities and financial products transactions and the proposed annual caps for the purchase of goods and services (as defined in Rule 14.07 of the Hong Kong Listing Rules) under the Framework Agreement are higher than 0.1% but lower than 5%, pursuant to Chapter 14A of the Hong Kong Listing Rules, the continuing connected transactions contemplated under the Framework Agreement are subject to reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement.

In accordance with the applicable PRC laws and regulations, those contents of the Framework Agreement containing estimations for 2021, 2022 and 2023 will become effective upon consideration and approval of the resolutions for the estimates of routine related party transactions of the Company in relevant years at the general meeting to be convened by the Company.

From January 1, 2021 to the date of this announcement, the applicable percentage ratios (as defined in Rule 14.07 of the Hong Kong Listing Rules) in relation to the transactions of the securities and financial services, the securities and financial products transactions and the purchase of goods and services between the Group and Shenergy Group and its associates are no more than 0.1%, and such transactions are therefore exempt from the reporting, announcement and annual review requirements.

General Information

Information about Shenergy Group

Shenergy Group was established on November 18, 1996 by the Shanghai State-owned Assets Supervision and Administration Commission. The registered capital is RMB20 billion. The legal representative is Huang Dinan. Shenergy Group holds 25.27% of the shares of the Company and is the largest Shareholder of the Company. Shenergy Group is a limited liability company incorporated under the laws of the PRC and is principally engaged in the investment, development and management of electric power and energy infrastructure industry, the investment of natural gas resources, the investment of municipal gas pipe network, the investment and management of real estate and high-technology industry, the industrial investment, the assets management and the domestic trades (except for specific items).

Information about the Group

The Group is principally engaged in securities sales and trading, investment management, brokerage and securities finance, investment banking and other businesses.

The above proposal is subject to consideration and approval by the Shareholders of the Company at the general meeting and shall take effect from approval at the general meeting. A circular containing, among other things, details of the above proposal, together with the notice of the general meeting, will be despatched to the Shareholders in due course.

V. PROPOSED APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR

Given the requirements of the Articles of Association regarding the composition of 13 members of the Board, there is currently still one vacancy for independent non-executive director within the Board. To ensure the effective functioning of the Board, the Board hereby nominates Mr. LUO Xinyu (“**Mr. LUO**”) as an independent non-executive director to the fifth session of the Board, who shall take office commencing from consideration and approval at the general meeting till expiry of the fifth session of the Board.

The biographical details of Mr. LUO are set out as below:

Mr. LUO Xinyu (羅新宇), is born in 1974 and holds a master’s degree. He is currently the general manager (president) of Shanghai State-owned Capital Operation Research Institute Co., Ltd. (上海國有資本運營研究院有限公司), chairman of Shanghai State-owned Capital Training Center Co., Ltd. (上海國資培訓中心有限公司董事長), a director of Shanghai Pudong Technology Investment Co., Ltd. (上海浦東科技投資有限公司), a director of Kunshan Culture Business Tourism Group Co., Ltd. (昆山文商旅集團有限公司), a supervisor of Shanghai Guosheng Guxian Venture Capital Investment Management Co., Ltd. (上海國盛古賢創業投資管理有限公司), and vice president of China Enterprise Reform and Development Society. He once served as a teacher of Shaodong No. 10 Middle School in Hunan Province, a reporter from the Propaganda Department of Shaodong County Committee in Hunan Province, a reporter from China Youth Daily, and a reporter from Xinhua News Agency Shanghai Branch. From July 2004 to July 2009, he served as the general manager of the membership department of Shanghai United Assets and Equity Exchange, from July 2009 to April 2020, he served as the deputy director of the board office and the strategy and investment decision committee of Shanghai Guosheng (Group) Co., Ltd. and served as the general manager (president) of Shanghai State-owned Capital Operation Research Institute Co., Ltd. since April 2020.

As at the date of this announcement and to the best of the Board’s knowledge, during the past three years, Mr. LUO has not held any directorship in any public company whose securities are listed on any securities market in Hong Kong or overseas. As at the date of this announcement, Mr. LUO is not connected with any other directors, supervisors, senior management, substantial Shareholders or controlling Shareholders of the Company. Mr. LUO has no interest in the shares of the Company or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

There is no information that needs to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, nor is there anything that needs to be brought to the attention of Shareholders of the Company in relation to the appointment of Mr. LUO. Mr. LUO has never been subject to any punishment by the CSRC or other related authorities or any sanction by stock exchanges.

As at the date of this announcement, the Company has not entered into any service contract with Mr. LUO in relation to his position as an independent non-executive director of the Company. The remuneration of Mr. LUO will be determined in accordance with the resolution in relation to the Adjustment of Remuneration of the Independent Directors of the Company during his terms of office as an independent non-executive director. As at the date of this announcement, to the best knowledge of the Board, the Board is of the view that Mr. LUO meets the independence guidelines set out in Rule 3.13 of the Listing Rules and is independent in accordance with the terms of the guidelines.

The above proposal is subject to consideration and approval by the Shareholders at the general meeting and shall take effect from approval at the general meeting. A circular containing, among other things, details of the above proposal, together with the notice of the general meeting, will be despatched to the Shareholders in due course.

VI. APPOINTMENT OF MEMBER OF THE SPECIAL COMMITTEE UNDER THE BOARD

The Board further announces that due to the election of independent non-executive director of the Company, pursuant to relevant requirements regarding appointment and removal of members as stipulated under the Terms of Reference of Audit Committee of the Board of Directors (《公司董事會審計委員會工作規則》), the Board hereby considers to elect Mr. LUO Xinyu as a member of the Audit Committee of the fifth session of the Board, who shall take office commencing from the date on which his election as an independent non-executive director of the Company has been considered and approved at the general meeting till expiry of the fifth session of the Board.

By order of the Board
JIN Wenzhong
Chairman

Shanghai, PRC
March 30, 2021

As at the date of this announcement, the Board of Directors comprises Mr. SONG Xuefeng and Mr. JIN Wenzhong as executive Directors; Mr. YU Xuechun, Mr. LIU Wei, Mr. ZHOU Donghui, Mr. CHENG Feng, Mr. REN Zhixiang and Ms. ZHU Jing as non-executive Directors; and Mr. XU Zhiming, Mr. JIN Qinglu, Mr. WU Hong and Mr. FENG Xingdong as independent non-executive Directors.