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中信证券股份有限公司
CITIC Securities Company Limited

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

(Stock Code: 6030)

ANNOUNCEMENT
RENEWAL OF PROPERTY LEASING FRAMEWORK
AGREEMENT WITH CITIC GROUP

References are made to the prospectus of the Company dated 22 September 2011, the announcements of the Company dated 26 September 2013, 30 October 2016 and 13 November 2019 respectively and the circular of the Company dated 14 October 2013 in relation to, among others, the continuing connected transactions under the Property Leasing Framework Agreement entered into between the Company and CITIC Group and the subsequent Property Leasing Supplemental Agreement I, Property Leasing Supplemental Agreement II and Property Leasing Supplemental Agreement III for the mutual leasing of properties.

Since the term of each of the Property Leasing Framework Agreement and the Property Leasing Supplemental Agreement III and the relevant caps thereunder are due to expire on 22 September 2021, in accordance with the relevant requirements of the Hong Kong Listing Rules, the Company and CITIC Group renewed the Property Leasing Framework Agreement on 9 August 2021 for a further term from 23 September 2021 to 31 December 2022 and set the caps for the continuing connected transactions contemplated thereunder for the period from 23 September 2021 to 31 December 2021 and the year ending 31 December 2022.

CITIC Group is a substantial shareholder of the Company indirectly holding an aggregate of 18.38% interest in the Company as at the date of this announcement. Accordingly, CITIC Group and its associates are connected persons of the Company under Chapter 14A of the Hong Kong Listing Rules and the transactions contemplated between the Group and CITIC Group and its associates under the renewed Property Leasing Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest of the applicable percentage ratios in respect of the caps for the continuing connected transactions contemplated under the renewed Property Leasing Framework Agreement for the period from 23 September 2021 to 31 December 2021 and the year ending 31 December 2022 is more than 0.1% but less than 5%, such continuing connected transactions are only subject to the reporting, announcement and annual review requirements, but are exempted from independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

1 BACKGROUND

References are made to the prospectus of the Company dated 22 September 2011, the announcements of the Company dated 26 September 2013, 30 October 2016 and 13 November 2019 respectively and the circular of the Company dated 14 October 2013 in relation to, among others, the continuing connected transactions under the Property Leasing Framework Agreement entered into between the Company and CITIC Group and the subsequent Property Leasing Supplemental Agreement I, Property Leasing Supplemental Agreement II and Property Leasing Supplemental Agreement III for the mutual leasing of properties.

As disclosed in the prospectus as well as the above-mentioned announcements and circular of the Company, in order to regulate the continuing connected transactions in respect of leasing of properties between the parties, the Company and CITIC Group entered into the Property Leasing Framework Agreement on 23 September 2011 for a term of 10 years commencing on 23 September 2011 and expiring on 22 September 2021 (subject to renewal), and set the annual caps for the continuing connected transactions conducted thereunder for the three financial years ended 31 December 2013. On 31 December 2013, the Company and CITIC Group set the annual caps for such continuing connected transactions for another three years ended 31 December 2016 by entering into the Property Leasing Supplemental Agreement I. On 14 February 2017, the Company and CITIC Group set the annual caps for such continuing connected transactions for another three years ended 31 December 2019 by entering into the Property Leasing Supplemental Agreement II. On 31 December 2019, the Company and CITIC Group further set the caps for such continuing connected transactions for the year ended 31 December 2020 and the period from 1 January 2021 to 22 September 2021 by entering into the Property Leasing Supplemental Agreement III.

Since the term of each of the Property Leasing Framework Agreement and the Property Leasing Supplemental Agreement III and the relevant caps thereunder are due to expire on 22 September 2021, in accordance with the relevant requirements of the Hong Kong Listing Rules, the Company and CITIC Group renewed the Property Leasing Framework Agreement on 9 August 2021 for a further term from 23 September 2021 to 31 December 2022 and set the caps for the continuing connected transactions contemplated thereunder for the period from 23 September 2021 to 31 December 2021 and the year ending 31 December 2022.

2 THE RENEWED PROPERTY LEASING FRAMEWORK AGREEMENT

2.1 The Principal Terms

Pursuant to the renewed Property Leasing Framework Agreement, the Group agrees to lease certain properties from and to CITIC Group and its associates, the principal terms of which are summarised as follows:

- (a) Members of the Group and CITIC Group or its relevant associates shall enter into individual lease agreement to set out the specific terms and conditions in respect of the relevant leased properties according to the principles, and within the ambit of the renewed Property Leasing Framework Agreement.

- (b) Both the individual lease agreements entered into by the Group and CITIC Group and its associates prior to the effective date of the renewed Property Leasing Framework Agreement and subsisting on such effective date, and the new individual lease agreements to be entered into after the effective date of the renewed Property Leasing Framework Agreement, shall be included in and regulated by the renewed Property Leasing Framework Agreement.
- (c) During the term of the renewed Property Leasing Framework Agreement, the lessee may increase or decrease the number of properties leased from the lessor within the scope of lease as agreed in the renewed Property Leasing Framework Agreement according to the reasonable needs of its management and office operation.
- (d) Either party may terminate the lease of all or part of the leased properties at any time prior to the expiry of the renewed Property Leasing Framework Agreement, provided that it gives prior written notice to the other party as required by the individual lease agreement or assumes the corresponding liability for compensation or damages.
- (e) The renewed Property Leasing Framework Agreement is for a term commencing on 23 September 2021 and expiring on 31 December 2022. Subject to the listing rules of the stock exchanges where the shares of the Company are listed, the renewed Property Leasing Framework Agreement is renewable through mutual negotiation by the parties.

2.2 Determination and Payment of Rentals

In accordance with the renewed Property Leasing Framework Agreement, the rentals and other related expenses shall be determined by the following:

- (a) The rentals for the leased properties under the renewed Property Leasing Framework Agreement (including the additional properties that may be leased to either party during the term of the renewed Property Leasing Framework Agreement) shall be determined by the parties through negotiation with reference to the prevailing market rentals. In determining the annual rentals, the parties shall refer to (i) recent fair transaction prices for the leased properties in comparable rental markets; (ii) the government guidance price for property leasing from the government where the leased property is located (if any); and (iii) the relevant factors such as the location, size and utilities of the properties. For the properties leased by the Group from CITIC Group and its associates, the terms of the lease shall be no less favourable than those offered to the Group by an independent third party for the leasing of properties of the same class in the vicinity of the location; and for the properties leased by CITIC Group and its associates from the Group, the terms of the lease shall be no more favourable than those offered to an independent third party for the leasing of the properties.
- (b) The lessor and the lessee shall agree in the individual lease agreement on the requirements for the use of the leased properties and the manner of payment of the relevant fees. The rentals may be paid on a monthly, quarterly, semi-annual or annual basis, and the relevant fees shall be paid in cash.

- (c) During the term of the lease, the party responsible for the expenses of water, electricity, heating, maintenance, air conditioning, car parking, management and other expenses related to the use of the leased properties shall be agreed upon by the parties for each property and shall be specified and stipulated in the relevant individual lease agreement.

The rentals and other related expenses under the individual lease agreements shall be fair and shall be determined in accordance with the following principles: if a government prescribed price is available, such price shall be applied directly (government prescribed prices mainly apply to water, electricity and heating charges of the leased properties); if a government guidance price is available, the rental and other related expenses under an individual lease agreement may be reasonably determined within the range of the government guidance price; besides the government prescribed price and the government guidance price, if a comparable independent third party market price is available, the comparable independent third party market price may be referred to in determining the rental and other related expenses under an individual lease agreement; if there is no comparable independent third party price, reference may be made to the price of a transaction between a connected person of the Company and a third party independent of such connected person for the purpose of determining the rental and other related expenses under an individual lease agreement.

2.3 Pricing Approval and Supervision

The Company has adopted relevant internal control policies to monitor the pricing policy of the continuing connected transactions contemplated under the renewed Property Leasing Framework Agreement and to ensure that the caps set under the renewed Property Leasing Framework Agreement will not be exceeded:

- (a) Members of the Group shall collect and refer to the recent fair transaction prices for the leased properties in the comparable rental market and the government guidance prices for property leasing (if any) from the government where the leased properties are located when reviewing the individual lease agreements, and shall ensure that the rentals and other related expenses under the individual lease agreements are fair and reasonable by following the principles as set out in the paragraph headed “Determination and Payment of Rentals”.
- (b) The individual lease agreements of the members of the Group should be reviewed and approved through the OA system of the Group for contract approval. Firstly, the relevant department shall initiate the approval process in the OA system and identify whether the counterparty is a related party/connected person of the Company through the system. If a related party/connected person of the Company is involved, the contact person for related/connected transactions who is responsible for the reporting, approval and compilation of related/connected transactions shall check, complete and submit the relevant information of the individual lease agreement in the OA system, including but not limited to information such as the utilization of budget for the day-to-day related party/continuing connected transactions, amount of budget to be utilized, pricing method, the range of market price (if market pricing is applicable), etc. Meanwhile,

the fairness of the rental and related expenses under the individual lease agreement will also be confirmed. Then, the relevant departments of the Company will review and approve the individual lease agreement through the OA system respectively. Specifically, the Compliance Department of the Company will review the terms and conditions under the individual lease agreement, the Planning and Finance Department will check the contract amount and other contents under the individual lease agreement, and the Board Office will organize the corresponding internal decision-making procedures (if required). After obtaining the approval from the relevant departments, the individual lease agreement will be submitted to the relevant head of the Company's management for review.

2.4 Historical Transaction Amounts

Set out below are the historical transaction amounts in respect of the continuing connected transactions conducted between the Group and CITIC Group and its associates under the Property Leasing Framework Agreement for the preceding two financial years ended 31 December 2020 and the six months ended 30 June 2021:

Property leasing	Approximate historical transaction amount ended		
	31 December 2019 (RMB million)	31 December 2020 (RMB million)	30 June 2021 (RMB million)
Rental income received by the Group from lease of properties to CITIC Group and its associates	30.12	30.92	16.12
Rental expenses paid in the year (period)/total value of right-of-use assets relating to the properties leased from CITIC Group and its associates in the year (period)	53.13	99.10 ^{Note 1}	81.17 ^{Notes 1 and 2}

Notes:

1. The historical transaction amount for the year 2020 and the six months ended 30 June 2021 in respect of the leases where the Group acts as the lessee as set out in the above table comprises: (i) in respect of lease of properties from CITIC Group and its associates with a term of one year or less, the rental expenses paid by the Group in that year (period); and (ii) in respect of lease of properties from CITIC Group and its associates with a term of more than one year, the total value of right-of-use assets relating to the properties leased from CITIC Group and its associates in the year (period).
2. The historical transaction amount for the six months ended 30 June 2021 are preliminary statistics of the Company. Please refer to the 2021 interim report to be officially disclosed by the Company for accurate data.

2.5 Proposed Caps

Taking into consideration of the above-mentioned historical transaction amounts and the impact of IFRS 16, the Company estimates the caps for the continuing connected transactions to be conducted between the Group and CITIC Group and its associates under the renewed Property Leasing Framework Agreement for the period from 23 September 2021 to 31 December 2021 and the year ending 31 December 2022 as follows:

Property leasing	Cap for the period from 23 September 2021 to 31 December 2021 (RMB million)	Cap for the year ending 31 December 2022 (RMB million)
Rental income to be received by the Group from lease of properties to CITIC Group and its associates	15	42
Rental expenses to be paid in the year (period)/total value of right-of-use assets relating to the properties to be leased from CITIC Group and its associates in the year (period)	150	200

Notes:

1. Rentals include management fees relating to the relevant leased properties, if any.
2. The relevant cap set out in the above table in respect of the leases where the Group acts as the lessee comprises: (i) in respect of lease of properties from CITIC Group and its associates with a term of one year or less, the estimated rental expenses to be paid by the Group in that year (period); and (ii) in respect of lease of properties from CITIC Group and its associates with a term of more than one year, the estimated total value of right-of-use assets relating to the properties to be leased from CITIC Group and its associates in the year (period).

2.6 Basis of Determination of the Caps

(a) Rental expenses

When estimating the caps for the rental expenses to be paid by the Group/total value of right-of-use assets relating to the properties to be leased from CITIC Group and its associates, the Company has taken into account the impact of IFRS 16 and made reference to the above historical transaction amounts and also considered, among other things, the following key factors:

- (i) the rental expenses payable by the members of the Group/total value of right-to-use assets relating to the properties leased under the existing individual lease agreements and the individual lease agreements proposed to be renewed, including various business and office premises leased to the members of the Group by CITIC Group and its associates in Beijing, Shanghai, Hong Kong, etc.;

- (ii) the potential expansion of the Group's businesses and the consequential increase in demand for additional office space, which may be leased from CITIC Group and its associates. For instance, the establishment and relocation of business outlets and subsidiaries of the Company will lead to increasing demand on leased properties. For the period from 23 September 2021 to 31 December 2021, it is estimated that the total value of right-of-use assets relating to the additional properties to be leased by the Group from CITIC Group and its associates in respect of the establishment and relocation of business outlets and subsidiaries will be approximately RMB140 million; for the year of 2022, it is estimated that the total value of right-of-use assets relating to the properties to be leased by the Group from CITIC Group and its associates in respect of the renewal of the existing individual lease agreements and the establishment and relocation of business outlets and subsidiaries will be approximately RMB180 million; and
- (iii) the expected rental increase of approximately 5% upon renewal of some of the leases in Mainland China and Hong Kong with CITIC Group or its associates based on the then market conditions during the term of the renewed Property Leasing Framework Agreement.

(b) Rental income

When estimating the caps for the rental income to be received by the Group, the Company has made reference to the above historical transaction amounts and also considered, among other things, the following key factors:

- (i) the rental income receivable by the Group under the existing individual lease agreements, including office premises in Beijing and Shenzhen leased by the members of the Group to CITIC Group and its associates; and
- (ii) the potential rental increase of approximately 5% pursuant to the existing individual lease agreements and the then market conditions during the term of the renewed Property Leasing Framework Agreement.

3. REASONS FOR AND BENEFITS OF RENEWAL OF THE PROPERTY LEASING FRAMEWORK AGREEMENT

For the purpose of business management and daily office operation, the Group has leased certain properties from CITIC Group and its associates in Beijing, Hong Kong and other cities in the PRC, while CITIC Group and its associates also have leased certain properties from the Group in Beijing and Shenzhen. The existing Property Leasing Framework Agreement will expire on 22 September 2021. The Company expects to lease more offices in the future as the scale of its businesses continues to expand. It is therefore necessary for the Company and CITIC Group to renew the Property Leasing Framework Agreement so as to better regulate the continuing connected transactions in relation to the property leasing between the parties and meet the business needs of both parties.

The Directors (including the independent non-executive Directors) are of the view that the transactions under the renewed Property Leasing Framework Agreement will be conducted on normal commercial terms, and the terms and conditions therein as well as the caps for the continuing connected transactions contemplated thereunder are fair and reasonable, and are in the best interests of the Company and its shareholders as a whole.

4. HONG KONG LISTING RULES IMPLICATIONS

CITIC Group is a substantial shareholder of the Company indirectly holding an aggregate of 18.38% interest in the Company as at the date of this announcement. Accordingly, CITIC Group and its associates are connected persons of the Company under Chapter 14A of the Hong Kong Listing Rules and the transactions contemplated between the Group and CITIC Group and its associates under the renewed Property Leasing Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest of the applicable percentage ratios in respect of the caps for the continuing connected transactions contemplated under the renewed Property Leasing Framework Agreement for the period from 23 September 2021 to 31 December 2021 and the year ending 31 December 2022 is more than 0.1% but less than 5%, such continuing connected transactions are only subject to the reporting, announcement and annual review requirements, but are exempted from independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

Mr. ZHANG Youjun, the Chairman of the Company, also serves as the assistant to the general manager of each of CITIC Group, CITIC Limited and CITIC Corporation Limited. Therefore, he is deemed to have material interest in the continuing connected transactions contemplated under the renewed Property Leasing Framework Agreement, and thus has abstained from voting on the relevant resolution at the Board meeting. Save as mentioned above, none of the other Directors has a material interest in such transactions and is required to abstain from voting on the relevant resolution at the Board meeting.

5. GENERAL INFORMATION

5.1 Information on CITIC Group

CITIC Group, established in the PRC in 1979, is a large-scale state-owned comprehensive multinational conglomerate engaging in both financial and non-financial businesses under the Ministry of Finance of the PRC. Its financial business covers industries and fields including banking, securities, trust, insurance, funds, asset management and others, while its non-financial business covers industries and fields including resources and energy, manufacturing, engineering contracting, real estate and others. As at the date of this announcement, CITIC Group indirectly holds an aggregate of 18.38% interest in the Company.

5.2 Information on the Company

The principal businesses of the Company include securities brokerage (for areas other than Shandong Province, Henan Province, Tiantai and Cangnan Counties of Zhejiang Province); securities investment consulting; financial advisory services related to securities trading and securities investment activities; securities underwriting and sponsorship; securities proprietary business; securities asset management; margin financing and securities lending; securities investment fund sales agency; provision of intermediate referral services to futures companies; distribution of financial products; and stock options market making business.

6. DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it in the Hong Kong Listing Rules
“Board”	the board of Directors of the Company
“CITIC Group”	CITIC Group Corporation (中國中信集團有限公司)
“Company”	CITIC Securities Company Limited (中信証券股份有限公司), a joint stock company incorporated in the PRC with limited liability, whose H shares and A shares are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange respectively
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“IFRS 16”	the International Financial Reporting Standard 16 issued by the International Accounting Standards Board, which sets out the principles for the recognition, measurement, presentation and disclosure of leases
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“PRC” or “China”	the People’s Republic of China

“Property Leasing Framework Agreement”	the property leasing framework agreement entered into between the Company and CITIC Group on 23 September 2011 for a term of 10 years expiring on 22 September 2021, as supplemented by the Property Leasing Supplemental Agreement I, the Property Leasing Supplemental Agreement II and the Property Leasing Supplemental Agreement III, which is renewed by the parties on 9 August 2021 for a term commencing from 23 September 2021 and expiring on 31 December 2022
“Property Leasing Supplemental Agreement I”	the Supplemental Agreement I to the Property Leasing Framework Agreement entered into between the Company and CITIC Group on 31 December 2013 to set the annual caps for the rentals payable and receivable by the Group under the Property Leasing Framework Agreement for the three financial years ended 31 December 2016
“Property Leasing Supplemental Agreement II”	the Supplemental Agreement II to the Property Leasing Framework Agreement entered into between the Company and CITIC Group on 14 February 2017 to set the annual caps for the rentals payable and receivable by the Group under the Property Leasing Framework Agreement for the three financial years ending 31 December 2019
“Property Leasing Supplemental Agreement III”	the Supplemental Agreement III to the Property Leasing Framework Agreement entered into between the Company and CITIC Group on 31 December 2019 to set the caps for the rentals payable and receivable by the Group under the Property Leasing Framework Agreement for the year ended 31 December 2020 and the period from 1 January 2021 to 22 September 2021
“RMB”	Renminbi, the lawful currency of the PRC

By order of the Board
CITIC Securities Company Limited
ZHANG Youjun
Chairman

Beijing, the PRC
9 August 2021

As at the date of this announcement, the executive directors of the Company are Mr. ZHANG Youjun and Mr. YANG Minghui; the non-executive director is Mr. WANG Shuhui; and the independent non-executive directors are Mr. LIU Ke, Mr. ZHOU Zhonghui and Mr. LI Qing.