

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



GUOTAI JUNAN SECURITIES CO., LTD.

國泰君安證券股份有限公司

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

(Stock Code: 02611)

**CONNECTED TRANSACTION
PROPOSED ACQUISITION OF 15% EQUITY INTERESTS IN
HUAAN FUNDS**

On 8 October 2021, the Board approved the Company to enter into the Equity Transfer Agreement with Shanghai SITICO, pursuant to which, the Company agrees to acquire and Shanghai SITICO agrees to sell 15% equity interests in HuaAn Funds at a consideration of no more than RMB1,812 million, subject to the finalized valuation report of the total equity interests in HuaAn Funds to be filed with and confirmed by the competent state assets supervisory authority of the PRC.

As at the date of this announcement, International Group, our controlling shareholder, directly holds 80% equity interests in Shanghai SITICO, and therefore Shanghai SITICO is an associate of International Group and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Proposed Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest percentage ratio applicable to the Proposed Acquisition is more than 0.1% but less than 5%, the Proposed Acquisition will be subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 8 October 2021, it approved the Company to enter into the Equity Transfer Agreement with Shanghai SITICO, pursuant to which, the Company agrees to acquire and Shanghai SITICO agrees to sell 15% equity interests in HuaAn Funds at a consideration of no more than RMB1,812 million, subject to the finalized valuation report of the total equity interests in HuaAn Funds to be filed with and confirmed by the competent state assets supervisory authority of the PRC.

The Equity Transfer Agreement has not been executed yet as at the date of this announcement and the Proposed Acquisition is still subject to the approval from the competent state assets supervisory authority of the PRC and the CSRC. The Company will make announcements in due course in accordance with the requirements under the Listing Rules and the rules of Shanghai Stock Exchange.

I. PARTICULARS OF THE PROPOSED ACQUISITION

1. Principal Terms of the Equity Transfer Agreement

- Target:** 15% equity interests in HuaAn Funds
- Parties:**
- The Company, as the purchaser; and
 - Shanghai SITICO, as the vendor
- Consideration:** The consideration of the transaction will be paid in cash by internal resources of the Company. The amount will be determined with reference to the valuation report issued by Shanghai Orient Appraisal Co., Ltd., an independent valuer, in respect of 100% equity interests in HuaAn Funds by way of market approach with 30 April 2021 as the Reference Date subject to the confirmation from the competent state assets supervisory authority of the PRC, and be no more than RMB1,812 million.
- Completion:** The registration with competent industry and commerce authorities for the Proposed Acquisition should be completed within 30 days after the grant of approval from the CSRC.
- Transitional Period:** The profits or losses of HuaAn Funds to be accrued between the Reference Date and the Closing Date shall be attributed to the Company in proportion to its shareholding in HuaAn Funds after the completion of the Proposed Acquisition.
- The profits of HuaAn Funds resolved to be distributed to Shanghai SITICO between the Reference Date and the Closing Date shall be attributed to Shanghai SITICO.

Right to Nominate Directors:	The right to nominate directors of HuaAn Funds that Shanghai SITICO is entitled to before the Proposed Acquisition shall remain with Shanghai SITICO after the Proposed Acquisition.
Payment:	The payment of consideration shall be settled within five business days from the Effective Date.
Liability for Breach of Contract	<p>Where the Company fails to pay the consideration on time, it shall pay liquidated damages to Shanghai SITICO equivalent to 0.01% of the overdue consideration each overdue day. Where the payment delays for more than 30 days, Shanghai SITICO shall be entitled to terminate the Equity Transfer Agreement and require the Company to compensate for its losses.</p> <p>Where Shanghai SITICO fails to cooperate with the Company to complete the registration with competent industry and commerce authorities for the Proposed Acquisition and other relevant approvals, registrations or filings on time, Shanghai SITICO shall pay liquidated damages to the Company equivalent to 0.01% of the total consideration each overdue day. Where Shanghai SITICO delays for more than 30 days, the Company shall be entitled to terminate the Equity Transfer Agreement and require Shanghai SITICO to compensate for its losses.</p> <p>Where any party fails to perform its obligations or commitments pursuant to the Equity Transfer Agreement and hereby causing losses to the other party, it shall be liable for damages. If the party in breach causes a significant adverse effect on the target to the Equity Transfer Agreement or HuaAn Funds and hereby rendering it impossible to achieve the purpose of the contract, the other party shall be entitled to terminate the Equity Transfer Agreement and require the party in breach to compensate for its losses.</p>

2. Change in Shareholding Structure of HuaAn Funds

The shareholding structures of HuaAn Funds before and after the Proposed Acquisition are set out as follows:

Shareholders	Shareholding before the Proposed Acquisition (%)	Shareholding after the Proposed Acquisition (%)
The Company	28	43
Shanghai SITICO	20	5
Shanghai Industrial	20	20
GTJA Investment	20	20
Jin Jiang International Investment	12	12
Total	100.00	100.00

3. Financial Information of HuaAn Funds

Set out below is certain audited financial information of HuaAn Funds for the years ended 31 December 2019 and 2020 prepared in accordance with the China Enterprise Accounting Standards (the “**PRC GAAP**”):

	For the year ended 31 December 2019 (RMB0'000)	For the year ended 31 December 2020 (RMB0'000)
Profit before taxation	57,165.78	91,697.43
Profit after taxation	44,993.14	71,061.34

The audited net assets of HuaAn Funds as at 31 December 2020 was approximately RMB3.4 billion in accordance with the PRC GAAP. The value of 100% equity interest of HuaAn Funds as at 30 April 2021 was approximately RMB12.1 billion as set out in the valuation report by way of market approach issued by Shanghai Orient Appraisal Co., Ltd., an independent valuer.

The equity interests in HuaAn Funds held by Shanghai SITICO were transferred gratuitously from Shanghai International Trust Corp., Ltd. (上海國際信託有限公司), which was a promoter of HuaAn Funds with an initial investment of RMB30 million, as part of the state-owned enterprise reform in July 2019.

II. REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

The Proposed Acquisition is expected to help reinforce the Company's profile in mutual fund business, strengthen the synergy between the Company and HuaAn Funds and boost HuaAn Funds' operating performance and comprehensive strength, therefore further enhancing the Company's comprehensive ability to serve the development of Shanghai as an international financial center and global asset management center.

The Board (including all the independent non-executive Directors) considers that the Proposed Acquisition is on normal commercial terms, and the terms of the Equity Transfer Agreement are fair and reasonable, and in the interests of the Company and its shareholders as a whole.

III. LISTING RULES IMPLICATIONS

As at the date of this announcement, International Group, our controlling shareholder, directly holds 80% equity interests in Shanghai SITICO, and therefore Shanghai SITICO is an associate of International Group and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Proposed Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest percentage ratio applicable to the Proposed Acquisition is more than 0.1% but less than 5%, the Proposed Acquisition will be subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As each of Mr. Liu Xinyi, Ms. Guan Wei, Mr. Zhong Maojun and Mr. Chen Hua holds certain positions in International Group and/or its associates, they have abstained from voting on the Board resolution approving the Proposed Acquisition. Saved as disclosed above, none of the Director has a material interest in the transactions in connection with the Proposed Acquisition or holds any position in International Group and/or its associates which required them to abstain from voting on the relevant Board resolution.

IV. GENERAL INFORMATION

The Company

The Company is a joint stock limited company incorporated in the PRC. The principal businesses of the Company are securities brokerage, proprietary securities trading, securities underwriting and sponsorship and relevant financial services.

HuaAn Funds

HuaAn Funds is a limited liability company incorporated in the PRC and is primarily engaged in fund management. As the date of this announcement, HuaAn Funds is held as to 28%, 20%, 20%, 20% and 12% by the Company, Shanghai SITICO, Shanghai Industrial, GTJA Investment and Jin Jiang International Investment, respectively.

Shanghai SITICO

Shanghai SITICO is a limited liability company incorporated in the PRC and is primarily engaged in investment and asset management. As at the date of this announcement, Shanghai SITICO is a subsidiary of International Group, the controlling shareholder of the Company and the ultimate beneficial owner of Shanghai SITICO is Shanghai SASAC.

DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this announcement:

“Board”	the board of directors of the Company
“Closing Date”	the date on which the payment of consideration for the Proposed Acquisition is completed
“Company”	Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司), a joint stock limited company incorporated in the PRC in August 1999, the A Shares of which are listed on the Shanghai Stock Exchange (stock code: 601211)
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	director(s) of the Company
“Effective Date”	the date on which the Equity Transfer Agreement is signed and sealed by Shanghai SITICO and the Company and the approval from the competent state assets supervisory authority of the PRC and the CSRC for the Proposed Acquisition is obtained
“Equity Transfer Agreement”	the Equity Transfer Agreement to be entered into between the Company and Shanghai SITICO, pursuant to which, the Company agrees to acquire and Shanghai SITICO agrees to sell 15% equity interests in HuaAn Funds

“GTJA Investment”	Guotai Junan Investment Management Co., Ltd. (國泰君安投資管理股份有限公司), a limited liability company incorporated in the PRC in December 2001 and principally engaged in asset management, enterprise investment and enterprise consulting. As at the date of this announcement, Shanghai State-owned Assets Management Co., Ltd. (上海國有資產經營有限公司), a subsidiary of International Group, holds 33.53% interests in GTJA Investment and is its single largest shareholder
“Group”	the Company and its subsidiaries
“HuaAn Funds”	HuaAn Funds Management Co., Ltd. (華安基金管理有限公司), a limited liability company incorporated in the PRC in June 1998
“Independent Third Part(ies)”	part(ies) not connected with the Company or its subsidiaries within the meaning of the Listing Rules as far as the Directors are aware after having made all reasonable enquiries
“International Group”	Shanghai International Group Co., Ltd. (上海國際集團有限公司), our controlling shareholder, a limited liability company incorporated in the PRC in April 2000. As at the date of this announcement, the ultimate beneficial owner of International Group is Shanghai SASAC
“Jin Jiang International Investment”	Shanghai Jin Jiang International Investment and Management Company Limited (上海錦江國際投資管理有限公司), a limited liability company incorporated in the PRC in February 1990 and is primarily engaged in investment and asset management. As at the date of this announcement, the ultimate beneficial owner of Jin Jiang International Investment is Shanghai SASAC. Jin Jiang International Investment is an Independent Third Party
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Shanghai Industrial”	Shanghai Industrial Investment (Group) Co., Ltd. (上海工業投資(集團)有限公司), a limited liability company incorporated in the PRC in November 1998 and is primarily engaged in investment and asset management. As at the date of this announcement, the ultimate beneficial owner of Shanghai Industrial is Shanghai SASAC. Shanghai Industrial is an Independent Third Party
“Shanghai SASAC”	the Shanghai State-owned Assets Supervision and Administration Commission (上海市國有資產監督管理委員會)

“Shanghai SITICO”	Shanghai SITICO Asset Management Co., Ltd. (上海上國投資產管理有限公司), a subsidiary of International Group incorporated in the PRC in March 2015
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
“Proposed Acquisition”	the proposed acquisition of 15% equity interests in HuaAn Funds by the Company from Shanghai SITICO pursuant to the Equity Transfer Agreement
“Reference Date”	30 April 2021
“RMB”	Renminbi, lawful currency of the PRC

In addition, the terms “associate(s)”, “connected person(s)”, “connected transaction(s)”, “percentage ratio(s)” and “subsidiary(ies)” shall have the meanings ascribed to them under the Listing Rules.

By order of the Board
Guotai Junan Securities Co., Ltd.
HE Qing
Chairman

Shanghai, the PRC
8 October 2021

As at the date of this announcement, the executive directors of the Company are Mr. HE Qing, Mr. WANG Song and Mr. YU Jian; the non-executive directors of the Company are Mr. LIU Xinyi, Ms. GUAN Wei, Mr. ZHONG Maojun, Mr. CHEN Hua, Mr. WANG Wenjie, Mr. ZHANG Zhan and Mr. AN Hongjun; and the independent non-executive directors of the Company are Mr. XIA Dawei, Mr. DING Wei, Mr. LI Renjie, Mr. BAI Wei and Mr. LEE Conway Kong Wai.