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**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  
INVESTMENT IN LINGANG FUND**

The Board is pleased to announce that on 1 December 2021, it approved Guotai Junan Innovation Investment, a wholly-owned subsidiary of the Company, to enter into the Partnership Agreement with International Group and other Independent Third Parties, pursuant to which the Guotai Junan Innovation Investment agreed to contribute RMB2 billion as a general partner to participate in the establishment of Lingang Fund, an investment fund with an expected fund-raising scale of RMB10 billion focusing on investments in industries including technology, medical and healthcare, intelligent manufacturing and green development. The Partnership Agreement has not been executed yet as at the date of this announcement and the Company will make an announcement once a definitive agreement is entered into.

As International Group is interested directly and indirectly in 33.34% of the issued share capital of the Company in total as at the date of this announcement, it is a substantial shareholder of the Company as defined under the Listing Rules and therefore is a connected person of the Company. Accordingly, the proposed establishment of Lingang Fund will constitute a connected transaction of the Company as defined under Chapter 14A of the Listing Rules.

As International Group is a counterparty of the Company in (1) the partnership agreement in relation to the establishment of the Shanghai Kechuang Center Equity Investment Fund (Phase II) L.P., (2) the partnership agreement in relation to the establishment of the Sailing International Private Equity Investment Fund II (Shanghai) Partnership (Limited Partnership) and (3) the Partnership Agreement and these transactions are of a similar nature and are entered into within the period of 12 months or otherwise related, such transactions shall be aggregated for the calculation of the percentage ratios pursuant to Rule 14A.81 of the Listing Rules. As the highest percentage ratio applicable to such transactions upon aggregation is more than 0.1% but less than 5%, the proposed participation of Guotai Junan Innovation Investment in the establishment of Lingang Fund will be subject to the reporting and announcement requirements but exempted from circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## INTRODUCTION

The Board is pleased to announce that on 1 December 2021, it approved Guotai Junan Innovation Investment, a wholly-owned subsidiary of the Company, to enter into the Partnership Agreement with International Group and other Independent Third Parties, pursuant to which the Guotai Junan Innovation Investment agreed to contribute RMB2 billion as a general partner to participate in the establishment of Lingang Fund, an investment fund with an expected fund-raising scale of RMB10 billion focusing on investments in industries including technology, medical and healthcare, intelligent manufacturing and green development.

The Partnership Agreement has not been executed yet as at the date of this announcement and the Company will make an announcement once a definitive agreement is entered into.

### I. PARTICULARS OF LINGANG FUND

#### 1. Principal Terms of the Partnership Agreement

<b>Full Name of Lingang Fund</b>	Shanghai Lingang Guotai Junan Technology Frontier Industrial Private Fund Partnership (Limited Partnership) (上海臨港國泰君安科技前沿產業私募基金合夥企業(有限合夥))(tentative name)
<b>Parties</b>	<ul style="list-style-type: none"><li>• General partner:<ul style="list-style-type: none"><li>o Guotai Junan Innovation Investment</li></ul></li><li>• Limited partners:<ul style="list-style-type: none"><li>o International Group</li><li>o Lingang Fund Management</li><li>o Other Investors</li></ul></li></ul>
<b>Place of registration</b>	Shanghai, the PRC
<b>Fund Manager and Executive Partner</b>	Guotai Junan Innovation Investment
<b>Term of Lingang Fund</b>	The term of Lingang Fund shall be eight years, including an investment period and an exit period of four years each. The exit period can be extended twice with no more than one year each time, subject to the proposal of the Fund Manager and the approval by the partners' meeting of Lingang Fund, and can be further extended afterwards subject to the proposal of the Fund Manager and the approval by the partners holding more than 90% of the capital contributions of Lingang Fund.

**Management Fees**

During the investment period, Lingang Fund shall pay the Fund Manager a management fee equivalent to 1% *per annum* of the paid-in capital of all the partners of Lingang Fund as specified in the payment notices to be issued by the Fund Manager.

After the expiration of the investment period, Lingang Fund shall pay the Fund Manager a management fee equivalent to 1% *per annum* of the investment costs of the investment projects not yet realized, nevertheless, Lingang Fund will not pay management fee to the Fund Manager during the extended period approved by the partners of Lingang Fund.

**Profit Distribution**

The distributable profits of Lingang Fund shall be allocated as follows:

- (1) First Round: The distributable profits shall be allocated among all the partners on a *pro-rata* basis according to their respective paid-in capital until all of the accumulated distribution to all the partners equals their accumulative paid-in capital at the time of distribution;
- (2) Second round: The remaining distributable profits after the first-round allocation shall be allocated to all the partners in proportion to their respective paid-in capital until all the partners realize an annualized return of 8% on their paid-in capital. The distributable profits allocated to the partners this round shall be referred to as the “*Basis for Calculating Excess Earnings*”;
- (3) Third round: The remaining distributable profits after the second-round allocation shall be allocated to the GP until the GP receive an amount of earnings equivalent to  $[\text{Basis for Calculating Excess Earnings}/90\%]*10\%$ ;
- (4) Fourth round: As for the remaining distributable profits after the third-round allocation, 10% of the remaining distributable profits shall be allocated to the GP and the rest of the remaining distributable profits shall be allocated to all the partners in proportion to their respective paid-in capital.

**Payment Arrangement**

The capital commitment to Lingang Fund is proposed to be paid in four installments according to the payment notice issued by the Fund Manager within three years after the establishment of Lingang Fund subject to the definitive agreement. In particular, the first and second installment of payment will be 20% of the capital commitment each and paid before 31 December 2021 and 28 February 2022, respectively, and the third and fourth installment will be 30% each and paid after 70% of the then paid-in capital is used up.

## 2. Capital commitments to Lingang Fund

The total capital commitments of all the partners of Lingang Fund is proposed to be RMB10 billion as follows:

<b>Parties</b>	<b>Capital Commitment (RMB100 million)</b>	<b>Percentage (%)</b>
Guotai Junan Innovation Investment	20	20
Lingang Fund Management	20	20
International Group	10	20
Other Investors	50	50
<b>Total</b>	<b>100</b>	<b>100</b>

As of the date of this announcement, since the Partnership Agreement is still under negotiation and open for subscription, parties to the Partnership Agreement (especially the Other Investors) and capital commitment by each LP are subject to further adjustment and negotiation. The Company will make an announcement once a definitive agreement is entered into and disclose the identities of the Other Investors together with other information as appropriate.

The capital commitment of each parties will be determined after arm's length negotiations among the parties with reference to their respective interests in Lingang Fund as well as its investment objectives. Guotai Junan Innovation Investment will finance its capital commitment by internal resources.

## 3. Investment Strategy

Lingang Fund will focus on emerging industries including technology, medical and healthcare, intelligent manufacturing and green development. It will mainly invest in projects at a growing stage, and also consider structural and systematic opportunities in projects at an early stage which relate to emerging industries in line with China's development agenda, and transactional opportunities in projects at a mature stage which will contribute to the Group's strategic vision. Lingang Fund will make direct investments in industrial projects, which shall comprise of no less than 70% of the total investments made by Lingang Fund.

## 4. Management and Operation

Lingang Fund will establish an investment decision-making committee as the decision-making authority for Lingang Fund comprising no more than nine members, four of whom will be appointed by Guotai Junan Innovation Investment and each of the LPs contributing no less than RMB1 billion to Lingang Fund is entitled to appoint one member of the investment decision-making committee. All resolutions of the investment decision-making committee are subject to the approval by two thirds or more of the committee members not related to such resolutions. The resolutions to be considered by the investment decision-making committee includes, among others, those relating to the (i) investment projects; (ii) the transfer, sale, mortgage, pledge or disposal of the property; (iii) any lawsuit, arbitration or dispute; (iv) related transactions and (v) significant post-investment management matters.

## **II. REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSACTIONS**

Through the establishment of Lingang Fund, the Group will be able to implement the concept of high-quality development and proactively serve the national strategy. Focusing on strategic emerging industries, the establishment of Lingang Fund will enable the Group to seize potential strategic opportunities of industrial development in Lingang Area, including integrated circuit, artificial intelligence and biotech. In addition, Lingang Fund will also contribute to the development of the Company's private fund business and the realization of the Group's strategic vision. Based on the concept of "One Guotai Junan", Lingang Fund will help the Company provide in-depth services to the Company's enterprise and institutional clients and transform its wealth management business.

The Board (including all the independent non-executive Directors) considers that the transactions above are in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of Partnership Agreement are fair and reasonable, and in the interests of the Company and its shareholders as a whole.

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 Partnership Agreement. Saved as disclosed above, none of the Director has a material interest in the transactions in connection with the Partnership Agreement or holds any position in International Group and/or its associates which required them to abstain from voting on the relevant Board resolution.

## **III. IMPLICATIONS UNDER THE LISTING RULES**

As International Group is interested directly and indirectly in 33.34% of the issued share capital of the Company in total as at the date of this announcement, it is a substantial shareholder of the Company as defined under the Listing Rules and therefore is a connected person of the Company. Accordingly, the proposed establishment of Lingang Fund will constitute a connected transaction of the Company as defined under Chapter 14A of the Listing Rules.

As International Group is a counterparty of the Company in (1) the partnership agreement in relation to the establishment of the Shanghai Kechuang Center Equity Investment Fund (Phase II) L.P., (2) the partnership agreement in relation to the establishment of the Sailing International Private Equity Investment Fund II (Shanghai) Partnership (Limited Partnership) and (3) the Partnership Agreement and these transactions are of a similar nature and are entered into within the period of 12 months or otherwise related, such transactions shall be aggregated for the calculation of the percentage ratios pursuant to Rule 14A.81 of the Listing Rules. As the highest percentage ratio applicable to such transactions upon aggregation is more than 0.1% but less than 5%, the proposed participation of Guotai Junan Innovation Investment in the establishment of Lingang Fund will be subject to the reporting and announcement requirements but exempted from circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## 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.

### Guotai Junan Innovation Investment

Guotai Junan Innovation Investment is a company incorporated in the PRC with limited liability and is principally engaged in equity investments. At the date of this announcement, Guotai Junan Innovation Investment is a wholly-owned subsidiary of the Company.

### International Group

International Group is a limited liability company incorporated in the PRC and is primarily engaged in financial-oriented investment, capital operation and asset management and other relevant financial business. As at the date of this announcement, International Group holds directly and indirectly 33.34% of the total equity interests of the Company in aggregate. The ultimate beneficial owner of International Group is Shanghai SASAC.

### Lingang Fund Management

Lingang Fund Management is a company incorporated in the PRC with limited liability and is principally engaged in venture capital investments, investment management and investment consulting, etc. The ultimate beneficial owner of Lingang Fund Management is the Financial Settlement and State-owned Assets Affairs Center of Lingang Special Area of China (Shanghai) Pilot Free Trade Zone (中國(上海)自由貿易試驗區臨港新片區管理委員會財務結算和國有資產事務中心). Lingang Fund Management is an Independent Third Party.

## DEFINITIONS

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

“Board”	the board of directors of the Company
“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)
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Guotai Junan Innovation Investment” or “GP” or “Fund Manager”	Guotai Junan Innovation Investment Co., Ltd. (國泰君安創新投資有限公司)

<b>“Independent Third Part(ies)”</b>	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
<b>“International Group”</b>	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
<b>“Investment Decision-making Committee”</b>	the decision-making institution responsible for considering and deciding on investment in and exiting from investment projects of Lingang Fund and relevant matters
<b>“Lingang Fund Management”</b>	Shanghai Lingang New Zone Private Fund Management Co., Ltd. (上海臨港新片區私募基金管理有限公司)
<b>“Lingang Fund”</b>	Shanghai Lingang Guotai Junan Technology Frontier Industrial Private Fund Partnership (Limited Partnership) (上海臨港國泰君安科技前沿產業私募基金合夥企業(有限合夥)) (tentative name)
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
<b>“LP(s)”</b>	limited partner(s) of Lingang Fund, namely, Lingang Fund Management, International Group, and Other Investors
<b>“Other Investors”</b>	potential investors of the Lingang Fund except for Guotai Junan Innovation Investment, International Group and Lingang Fund Management
<b>“Partnership Agreement”</b>	the partnership agreement to be entered into among Guotai Junan Innovation Investment, International Group, Lingang Fund Management and the Other Investors, which has not been executed yet as at the date of this announcement
<b>“PRC”</b>	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
<b>“RMB”</b>	Renminbi, lawful currency of the PRC

“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
“Shanghai SASAC”	Shanghai State-owned Assets Supervision and Administration Commission (上海市國有資產監督管理委員會)

*In addition, the terms “associate(s)”, “connected person(s)”, “connected transaction(s)”, “substantial shareholder”, “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  
1 December 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, Mr. ZHANG Yipeng 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, Mr. LEE Conway Kong Wai and Mr. CHAI Hongfeng.*