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## **Central China Securities Co., Ltd.**

*(a joint stock company incorporated in 2002 in Henan Province, the People's Republic of China with limited liability under the Chinese corporate name “中原证券股份有限公司” and carrying on business in Hong Kong as “中州证券”)*

**(Stock Code: 01375)**

### **PROPOSED NON-PUBLIC ISSUANCE OF NEW A SHARES UNDER SPECIFIC MANDATE**

The Board is pleased to announce that, the plan of the Non-public Issuance and related resolutions were approved at a meeting of the Board held on 29 April 2022, pursuant to which, the Company proposes to issue no more than 1,392,865,410 (inclusive) new A Shares to target subscribers by way of non-public issuance, and the proceeds are expected to be no more than RMB7.0 billion (inclusive). The Non-public Issuance is still subject to the approval and grant of specific mandate by the Shareholders' general meeting, the class meeting for holders of A Shares and the class meeting for holders of H Shares of the Company, respectively as well as the approval by competent regulatory authorities in the PRC.

The Company will convene a Shareholders' general meeting, a class meeting for holders of A Shares and a class meeting for holders of H Shares for the Shareholders to consider and, if thought fit, to approve, among other things, the plan of the Non-public Issuance and other related resolutions.

A circular containing, among other things, details of the plan of the Non-public Issuance and other related resolutions, together with notices of the Shareholders' general meeting and the class meeting for holders of H Shares, will be despatched to the holders of H Shares in accordance with the Hong Kong Listing Rules and the Articles of Association in due course.

**The completion of the Non-public Issuance is subject to the fulfilment of certain conditions, and therefore, the Non-public Issuance may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.**

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The detailed plan of the Non-public Issuance is as follows:

### **1. Class and Nominal Value of Shares to be Issued**

The Shares to be issued under the Non-public Issuance are domestic-listed ordinary shares denominated in Renminbi (A Shares) with a nominal value of RMB1.00 each.

### **2. Method and Time of Issue**

The Non-public Issuance will be conducted by way of non-public issuance of A Shares to target subscribers, and the Shares will be issued as and when appropriate within the validity period of the approval in respect of the Non-public Issuance to be issued by the CSRC.

### **3. Target Subscribers and Subscription Method**

The target subscribers of the Non-public Issuance will be no more than 35 (inclusive) specific investors. The target subscribers shall be domestic industrial investors, securities investment fund management companies, securities companies, asset management companies, trust investment companies (to subscribe with their own funds), finance companies, insurance institutional investors, qualified foreign institutional investors (including the above-mentioned investors' self-operated accounts or managed investment product accounts) who meet the requirements of the CSRC and other legal persons, natural persons or other qualified investors who meet the relevant requirements. Where a securities investment fund management company, securities company, qualified foreign institutional investor, or RMB Qualified Foreign Institutional Investor (RQFII) subscribes with more than two funds under its management, it shall be deemed as one target subscriber. Trust investment companies as target subscribers shall only subscribe with their own funds.

The final target subscribers shall be determined based on the principle of price priority by the Board and its authorized persons, under the authorization granted by the Shareholders' general meeting, with the sponsor (the lead underwriter) according to the subscription quotation of the target subscribers in compliance with relevant regulations, upon obtaining of the approval of the CSRC on the Non-public Issuance.

All target subscribers shall subscribe for the Shares to be issued under the Non-public Issuance in cash.

If the shareholder qualification of the target subscribers and the corresponding review procedures are otherwise provided by regulatory authorities, such provisions shall prevail.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, it is expected that none of the connected persons (as defined under the Hong Kong Listing Rules) of the Company will participate in the subscription of the new A Shares to be issued under the Non-public Issuance. If any of the new A Shares under the Non-public Issuance is issued to any connected person of the Company, the Company will comply with relevant requirements under Chapter 14A of the Hong Kong Listing Rules, including but not limited to announcement and independent Shareholders' approval.

#### **4. Number of Shares to be Issued**

The number of A Shares to be issued under the Non-public Issuance shall be no more than 1,392,865,410 (inclusive) Shares.

The number of Shares to be issued under the Non-public Issuance shall be adjusted according to relevant regulations in the event of ex-entitlement arising from bonus issue, capitalization issue or rights issue, etc. during the period from the date of the resolutions in respect of the Non-public Issuance being approved by the Board to the issuance date.

The final number of the A Shares to be issued under the Non-public Issuance shall be determined by the Board and its authorized persons, under the authorization to be granted by the Shareholders' general meeting, through negotiation with the sponsor (the lead underwriter) based on the maximum number and issue price approved by the CSRC.

## **5. Issue Price and Pricing Principles**

The pricing benchmark date of the Non-public Issuance shall be the first day of the issuance period of the Non-public Issuance. The issue price shall not be lower than any of 80% of the average trading price of the A Shares of the Company for the 20 trading days preceding the pricing benchmark date (exclusive); and the net asset per Share attributable to shareholders of the parent company as shown in the latest audited annual accounts before the Non-public Issuance.

The average trading price of A Shares for the 20 trading days preceding the pricing benchmark date equals the total trading amount of A Shares for the 20 trading days preceding the pricing benchmark date divided by the total trading volume of A Shares for the 20 trading days preceding the pricing benchmark date. In the event that there are ex-entitlement or ex-dividend activities (such as dividends distribution, bonus issue, rights issue and capitalization issue) causing adjustment to the Share prices for such 20 trading days, the trading prices for the trading days before such adjustment shall be calculated on the basis of the adjusted price caused by the ex-entitlement or ex-dividend activities. The net asset per Share attributable to shareholders of the parent company will be adjusted accordingly in cases of occurrence of ex-rights or ex-dividend matters such as dividend distribution, bonus issue, rights issue and capitalization of capital reserves in the Company during the period from the balance sheet date of the latest audited financial report prior to the issuance to the Issue Date.

The final issue price under the Non-public Issuance shall be determined according to the principle of price priority by the Board and its authorized persons, under the authorization granted by the Shareholders' general meeting, with the sponsor (the lead underwriter) according to the subscription quotation of the target subscribers in compliance with relevant regulations, upon obtaining of the approval of the CSRC on the Non-public Issuance. If the issue price and pricing principles are otherwise provided by regulatory authorities, such provisions shall prevail.

## **6. Arrangements for Lock-up Period**

According to the relevant provisions of the Administrative Measures for Issuance of Securities by Listed Companies (《上市公司證券發行管理辦法》), the Implementing Rules on the Non-public Issuance of Shares by Listed Companies (《上市公司非公開發行股票實施細則》) and the Guidelines for the Review of Administrative Approval for Securities Companies No. 10 — Share Capital Increase and Change in Equity of Securities Companies (《證券公司行政許可審核工作指引第10號 — 證券公司增資擴股和股權變更》), upon completion of the Non-public Issuance, target subscribers holding 5% (inclusive) or more of the enlarged total issued Shares of the Company shall not transfer the Shares subscribed for 36 months from the date of completion of issuance; target subscribers holding less than 5% of the enlarged total issued Shares of the Company shall not transfer the Shares subscribed for 6 months from the date of completion of issuance.

If the lock-up period is otherwise provided by laws and regulations, such provisions shall be followed.

## **7. Amount and Use of Proceeds**

The proceeds from the Non-public Issuance shall not exceed RMB7.0 billion (inclusive) which, and after deducting the issuance expenses, will be completely used to supplement the Company's capital and working capital, so as to enhance the Company's market competitiveness and risk tolerance. The proceeds will be mainly used for the following purposes: (1) not more than RMB3.3 billion will be used for developing flow-based business; (2) not more than RMB2.1 billion will be used for developing investment and trading businesses; (3) not more than RMB800 million will be used for increasing the capital of the domestic and overseas wholly-owned subsidiaries; (4) not more than RMB200 million will be used for investing in the information system construction and compliance and risk control; and (5) not more than RMB600 million will be used for repaying debts and replenishing the working capital.

The Company has formulated specific internal rules on deposit of proceeds, and the proceeds from the Non-public Issuance will be deposited in the special account as decided by the Board.

## **8. Arrangements in relation to the Retained Profits of the Company before the Non-public Issuance**

In order to take into account the interests of the new and existing Shareholders, the retained profits of the Company before the Non-public Issuance shall be shared amongst the new and existing Shareholders upon completion of the Non-public Issuance.

## **9. Place of Listing**

The A Shares to be issued under the Non-public Issuance will be listed and traded on the Shanghai Stock Exchange.

## **10. Period of Validity of the Resolution on the Non-public Issuance**

The resolutions in relation to the Non-public Issuance shall remain valid for 12 months from the date on which they are considered and approved at the Shareholders' general meeting, the class meeting for holders of A Shares and the class meeting for holders of H Shares.

## **PROPOSED AUTHORIZATION TO BE GRANTED BY THE SHAREHOLDERS**

In accordance with the arrangement of the Non-public Issuance and pursuant to relevant provisions of Company Law, Securities Law and other laws and regulations as well as the Articles of Association, it is proposed that the Board be authorized by the Shareholders' general meeting and the Chairman, President and Secretary to the Board of the Company be delegated by the Board, to solely or jointly handle the matters related to the Non-public Issuance to efficiently and smoothly promote the relevant work of the Non-public Issuance, including but not limited to:

1. To formulate and implement the specific plan for the Non-public Issuance, duly amend, adjust and supplement the terms of the Non-public Issuance, clarify specific terms and plan before the issuance, and formulate and implement the final plan for the Non-public Issuance, including but not limited to determination of issuance time, amount of proceeds, issue price, number of Shares to be issued, target subscribers, designated account for proceeds, use of proceeds and other matters related to the issuance plan, in accordance with national laws and regulations, relevant provisions of securities regulatory authorities and particular situation of the Company;
2. To handle application matters related to the Non-public Issuance, including but not limited to preparation, modification, signing, submission, subsequent submission, implementation and announcement of the plan and the listing application materials of the Non-public Issuance pursuant to requirements of relevant government departments and regulatory authorities, handle relevant procedures, and implement lock-up and other procedures related to the issuance and listing, and handle information disclosure matters related to the Non-public Issuance in accordance with regulatory requirements;
3. To sign, modify, supplement, complete, submit, and implement all the agreements, contracts and documents related to the Non-public Issuance (including but not limited to sponsor and underwriting agreements, engagement letters of intermediaries, agreements related to proceeds, subscription agreements entered into with investors, circulars, announcements and other disclosure documents, etc.);

4. To determine and engage a sponsor (the lead underwriter), law firm, accounting firm and other intermediaries, and handle other matters related thereto;
5. To amend the corresponding articles of the Articles of Association according to the results of the Non-public Issuance, submit to relevant government departments and regulatory authorities for approval or filing, handle industrial and commercial registration of changes at the administration for market regulation authorities, and handle matters in relation to registration, custody and lock-up of new Shares at relevant departments, upon completion of the Non-public Issuance;
6. In the event that relevant laws, regulations and regulatory authorities impose new regulations and requirements on refinancing to remedy the immediate returns, to make a further analysis, study, and demonstration on the impact of the Non-public Issuance on the immediate financial indicators and immediate returns to the Shareholders of the Company, formulate and amend relevant remedial measures and policies, and handle all the other matters thereto with absolute discretion, subject to the then relevant laws, regulations and requirements of the regulatory authorities;
7. In the event that relevant laws and regulations, other normative documents and relevant regulatory authorities impose new regulations on the non-public issuance of A shares by listed companies and market conditions change, to adjust the issue plan and use of proceeds and continue to handle matters related to the Non-public Issuance subject to relevant provisions and requirements of securities regulatory authorities (including review feedback opinions on the application for the Non-public Issuance) and market conditions, save the matters that shall be voted upon again at the Shareholders' general meeting with no authorization allowed as stipulated in relevant laws, regulations and the Articles of Association;
8. In the event of force majeure or other circumstances which are sufficient to make the plan of the Non-public Issuance difficult to implement, or which will bring adverse consequences to the Company although the issue plan can be implemented, or in the event of any change in the policy of non-public issuance of A shares, to determine to postpone or terminate in advance the plan of the Non-public Issuance at discretion;
9. To handle all other necessary, proper and appropriate matters related to the Non-public Issuance; and
10. The authorization shall be effective for 12 months after the Resolution on the Grant of Authorization to the Board and Its Authorized Persons by the Shareholders' General Meeting to Deal with the Relevant Matters relating to the Non-public Issuance of A Shares is considered and approved at the Shareholders' general meeting and class meetings of the Company. Upon the expiration of the authorization period, the Board shall, based on the actual situation of the Non-public Issuance, propose to the Shareholders' general meeting and class meetings of the Company for approval of new authorization.

## EFFECT OF THE NON-PUBLIC ISSUANCE ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

For reference and illustration purposes only, assuming that there are no changes to the total issued Shares of the Company (excluding the Non-public Issuance) from the date of this announcement to the date immediately preceding the completion of the Non-public Issuance and that subject to the regulatory requirements of the places where the Shares of the Company are listed, a maximum of 1,392,865,410 new A Shares are issued under the Non-public Issuance (which represents approximately 30% of the total issued Shares of the Company as at the date of this announcement and approximately 23.08% of the enlarged total issued Shares of the Company upon completion of the Non-public Issuance), the shareholding structure of the Company as at the date of this announcement and immediately following the completion of the Non-public Issuance is set out as follows:

	As at the date of this announcement		Immediately following the completion of the Non-public Issuance	
	Number of Shares	Approximate percentage of the total issued Shares of the Company <sup>3</sup>	Number of Shares	Approximate percentage of the enlarged total issued Shares of the Company <sup>3</sup>
<b>A Shares</b>				
Henan Investment Group Co., Ltd.* (河南投資集團有限公司)	822,983,847	17.73%	822,983,847	13.64%
Anyang Iron & Steel Group Co., Ltd.* (安陽鋼鐵集團有限責任公司)	177,514,015	3.82%	177,514,015	2.94%
Other Public A Shareholders	2,447,021,838	52.70%	3,839,887,248 <sup>2</sup>	63.62%
<b>Total number of A Shares</b>	<b><u>3,447,519,700</u></b>	<b><u>74.25%</u></b>	<b><u>4,840,385,110</u></b>	<b><u>80.20%</u></b>
<b>H Shares</b>				
Henan Investment Group Co., Ltd.	151,710,000 <sup>1</sup>	3.27%	151,710,000	2.51%
Shanghai Wealspring Asset Management Co., Ltd.* (上海寧泉資產管理有限公司)	146,368,000	3.15%	146,368,000	2.43%
Other Public H Shareholders	897,287,000	19.33%	897,287,000	14.86%
<b>Total number of H Shares</b>	<b><u>1,195,365,000</u></b>	<b><u>25.75%</u></b>	<b><u>1,195,365,000</u></b>	<b><u>19.80%</u></b>
<b>Total</b>	<b><u>4,642,884,700</u></b>	<b><u>100.00%</u></b>	<b><u>6,035,750,110</u></b>	<b><u>100.00%</u></b>

\* For identification purpose only



*Notes:*

1. As known to the Company, as at the date of this announcement, Henan Investment Group held a long position in a total of 104,977,000 H Shares of the Company including a long position in 46,733,000 H Shares indirectly held through its indirect wholly-owned subsidiary, Dahe Paper (Hong Kong) Co., Limited.
2. It is expected that all of a maximum of 1,392,865,410 new A Shares to be issued under the Non-public Issuance will be held by public A Shareholders.
3. The percentages listed in the above table are all rounded to two decimal points.
4. For the purpose of calculating the public float, the shareholdings of Anyang Iron & Steel Group Co., Ltd. and Shanghai Wealspring Asset Management Co., Ltd. are counted as public float.

## **PUBLIC FLOAT**

According to the public information available to the Company and to the best of the Directors' knowledge, as at the date of this announcement, approximately 79.01% of the total issued A Shares and H Shares of the Company were held by the public, among which, the H Share public float was approximately 22.48%.

Assuming that there are no changes to the total issued Shares of the Company (excluding the Non-public Issuance) from the date of this announcement to the date immediately preceding the completion of the Non-public Issuance, and all of a maximum of 1,392,865,410 new A Shares to be issued under the Non-public Issuance are held by public Shareholders, immediately after the completion of the Non-public Issuance, the total public float in respect of the A Shares and H Shares as a whole will be approximately 83.85%, among which, the H Share public float will be approximately 17.29%. The Board expects that the Company would still be able to maintain sufficient public float to meet the minimum requirement of the Hong Kong Listing Rules.

## **EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

The Company has not conducted any equity fund raising activity during the twelve months immediately before the date of this announcement.

## **REASONS AND BENEFITS FOR THE NON-PUBLIC ISSUANCE**

In recent years, with the introduction of a series of policies, deepening the reform of financial system, strengthening the ability of providing financial services to real economy, enhancing the proportion of direct financing and promoting healthy development of multilevel capital market have become the future focuses of the capital market in the PRC. The capital market of the PRC will, oriented by the principle of serving the national strategies and building a modernized economic system, strengthen the support to the reform of state-owned assets and state-owned enterprises and develop stronger, better and larger state-owned capital, while making unwavering efforts to support the innovation, transformation and healthy development of private enterprises and playing a more significant role in serving the real economy.

Henan Province has been benefiting from the overlapping effect of major strategies, while enjoying expanded comprehensive competitive edges and huge economic potentials. During the “14th Five-Year Plan” period, Henan Province has proposed to cultivate a multi-level capital market and diversified financial entities, deepen the “investment attraction for Henan” project, and make Henan a better and stronger “financial powerhouse”.

As the only securities company that was registered in Henan Province as a legal person, it is imperative for the Company to improve its capital strength, seize the development opportunities offered by the “14th Five-Year Plan” of Henan Province, deeply participate in and serve the national strategies, further enhance the market competitiveness and risk tolerance, and continuously improve the ability of providing services to real economy through the Non-public Issuance, so as to promote a better and faster development of the Company’s business and bring greater returns to all the Shareholders.

## **SHAREHOLDERS’ GENERAL MEETING AND CLASS MEETINGS**

The Company will convene a Shareholders’ general meeting, a class meeting for holders of A Shares and a class meeting for holders of H Shares for the Shareholders to consider and, if thought fit, to approve, among other things, the plan of the Non-public Issuance and other related resolutions.

A circular containing, among other things, details of the plan of the Non-public Issuance and other related resolutions, together with notice of the Shareholders’ general meeting and the class meeting for holders of H Shares, will be dispatched to the holders of H Shares in accordance with the Hong Kong Listing Rules and the Articles of Association in due course.

**The completion of the Non-public Issuance is subject to the fulfilment of certain conditions, and therefore, the Non-public Issuance may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.**

## DEFINITIONS

In this announcement, unless the context otherwise requires, the expressions below have the meanings assigned:

“A Share(s)”	domestic listed ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which are listed and traded on Shanghai Stock Exchange
“Articles of Association”	the articles of association of the Company as amended from time to time
“Board”	the board of Directors
“Company”	Central China Securities Co., Ltd. (中原证券股份有限公司) (carrying on business in Hong Kong as “中州证券”, a joint stock company incorporated on 8 November 2002 in Henan Province, the PRC with limited liability, the H Shares and A Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 01375) and the Shanghai Stock Exchange (stock code: 601375), respectively)
“Company Law”	the Company Law of the People’s Republic of China
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“H Share(s)”	overseas listed foreign ordinary shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed and traded on the Main Board of Hong Kong Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Non-public Issuance”	the proposed non-public issuance of no more than 1,392,865,410 (inclusive) new A Shares by the Company to no more than 35 target subscribers

“PRC” or “China”	the People’s Republic of China
“RMB” or “Renminbi”	the lawful currency of the PRC, Renminbi, the basic unit of which is “yuan”
“Securities Law”	the Securities Law of the People’s Republic of China
“Share(s)”	ordinary share(s) with a nominal value of RMB1.00 each in the share capital of the Company, including A Shares and H Shares
“Shareholder(s)”	the shareholder(s) of the Company
“%”	per cent.

By order of the Board of  
**Central China Securities Co., Ltd.**  
**Jian Mingjun**  
*Chairman*

Henan, the PRC  
29 April 2022

*As at the date of this announcement, the Board comprises executive director Mr. JIAN Mingjun, non-executive directors Mr. LI Xingjia, Ms. ZHANG Qiuyun, Mr. TIAN Shengchun, Mr. TANG Jin, Mr. ZHANG Xiaoqi and Mr. LU Benson Cheng, and independent non-executive directors Ms. ZHANG Dongming, Mr. CHEN Zhiyong, Mr. TSANG Sung and Mr. HE Jun.*