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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)**

**DISCLOSEABLE AND CONNECTED TRANSACTION  
PROPOSED ACQUISITION OF 8% EQUITY INTERESTS IN HUAAN FUNDS**

**PROPOSED ACQUISITION**

We refer to the announcements of the Company dated 8 October 2021, 28 October 2021 and 14 March 2022 in relation to the acquisition of 15% equity interests in HuaAn Funds by the Company from Shanghai SITICO pursuant to the Equity Transfer Agreement I. The completion of such acquisition is still pending the completion of relevant industrial and commercial registration procedures.

On 24 May 2022, the Board approved the Company to enter into the Equity Transfer Agreement II with Shanghai Industrial, pursuant to which the Company agrees to acquire and Shanghai Industrial agrees to sell 8% equity interests in HuaAn Funds at a tentative consideration of no more than RMB1,012 million, subject to the Valuation Report of the total equity interests in HuaAn Funds to be filed with the competent state-owned assets supervisory authority of the PRC.

Upon the completion of the acquisition under the Equity Transfer Agreement I and the Proposed Acquisition, the Company will hold 51% of the total equity interests in HuaAn Funds, and HuaAn Funds will become a subsidiary of the Company and the financial results of HuaAn Funds will be consolidated into those of the Group.

**LISTING RULES IMPLICATIONS**

As at the date of this announcement, International Group directly and indirectly holds 33.34% of the total share capital of the Company, and therefore International Group is a controlling shareholder and a controller of the Company as defined under the Listing Rules.

On the other hand, International Group holds 33.57% and 80% equity interests in GTJA Investment and Shanghai SITICO, respectively, and therefore each of GTJA Investment and Shanghai SITICO is an associate of International Group as defined under the Listing Rules. As GTJA Investment and Shanghai SITICO holds 20% and 20% equity interests in HuaAn Funds, respectively, the associates of International Group are interested in more than 10% in HuaAn Funds, therefore, the Proposed Acquisition constitutes a connected transaction of the Company pursuant to Rule 14A.28(2) of the Listing Rules.

As the Proposed Acquisition contemplated under the Equity Transfer Agreement II is expected to take place within 12 months of the Equity Transfer Agreement I, such transactions shall be aggregated for the calculation of the percentage ratios pursuant to Rule 14.22 and Rule 14A.81 of the Listing Rules.

As the highest percentage ratio applicable to such transactions upon aggregation is more than 5% but less than 25%, the Proposed Acquisition constitutes a discloseable transaction for the Company which is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules, and is also a connected transaction for the Company which is subject to the reporting, announcement, circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **GENERAL**

The Company will convene the EGM for the Independent Shareholders to consider and, if thought fit, approve the Proposed Acquisition.

An Independent Board Committee comprising all the independent non-executive Directors, namely, Mr. XIA Dawei, Mr. DING Wei, Mr. LI Renjie, Mr. BAI Wei, Mr. LEE Conway Kong Wai and Mr. CHAI Hongfeng, has been established to advise the Independent Shareholders on the Equity Transfer Agreement II and the Proposed Acquisition contemplated thereunder. Altus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

A circular containing, amongst other things, detailed information on the Proposed Acquisition, a letter of advice from the Independent Board Committee and a letter of advice from the Independent Financial Adviser, is expected to be despatched to the Shareholders on or before 15 June 2022.

## **INTRODUCTION**

We refer to the announcements of the Company dated 8 October 2021, 28 October 2021 and 14 March 2022 in relation to the acquisition of 15% equity interests in HuaAn Funds by the Company from Shanghai SITICO pursuant to the Equity Transfer Agreement I. The completion of such acquisition is still pending the completion of relevant industrial and commercial registration procedures.

The Board is pleased to announce that on 24 May 2022, the Board approved the Company to enter into the Equity Transfer Agreement II with Shanghai Industrial, pursuant to which the Company agrees to acquire and Shanghai Industrial agrees to sell 8% equity interests in HuaAn Funds at a tentative consideration of no more than RMB1,012 million, subject to the Valuation Report of the total equity interests in HuaAn Funds to be filed with the competent state-owned assets supervisory authority of the PRC.

Upon the completion of the acquisition under the Equity Transfer Agreement I and the Proposed Acquisition, the Company will hold 51% of the total equity interests in HuaAn Funds, and HuaAn Funds will become a subsidiary of the Company and the financial results of HuaAn Funds will be consolidated into those of the Group.

The Equity Transfer Agreement II has not been executed yet as at the date of this announcement and the Proposed Acquisition contemplated thereunder is still subject to the approval from the Independent Shareholders at the EGM, Shanghai SASAC and CSRC. The Company will make announcements in due course in accordance with the requirements under the Listing Rules and the rules of the Shanghai Stock Exchange.

## **I. PARTICULARS OF THE PROPOSED ACQUISITION**

### **1. Principal Terms of the Equity Transfer Agreement II**

- Target:** 8% equity interests in HuaAn Funds
- Parties:**
- The Company, as the purchaser; and
  - Shanghai Industrial, as the vendor
- Method of implementation of the Proposed Acquisition:** By way of non-public agreement-based transfer on The Shanghai United Assets and Equity Exchange.
- Consideration:** The consideration shall be no more than RMB1,012 million in principle, which is determined after arm's length negotiation and with reference to the appraised value of the Target Equity in the Valuation Report by way of market approach, being RMB1,012 million. Such Valuation Report is pending to be filed with the competent state assets supervisory authority of the PRC.
- Payment:** The consideration of the transaction will be paid in cash by internal resources of the Company and the payment of consideration shall be through bank transfer within five business days after the Equity Transfer Agreement II becomes effective.
- Transitional Period:** The proportion of profits or losses in respect of the Target Equity to be accrued from the first day after the Reference Date to the last day of the month prior to the Closing Date shall be attributed to Shanghai Industrial; and
- the proportion of distributed profits in respect of the Target Equity shall be attributed to the Company in the event that HuaAn Funds resolves to distribute profits during the period between the first day after the Reference Date and the Closing Date.

**Director Nomination Right:** The director nomination right of HuaAn Funds that Shanghai Industrial is entitled to before the Proposed Acquisition shall remain with Shanghai Industrial after the completion of the Proposed Acquisition.

**Conditions Precedent:** The Equity Transfer Agreement II shall become effective upon the fulfillment of the following conditions:

- the Equity Transfer Agreement II and the Proposed Acquisition contemplated thereunder being considered and approved at the general meeting of the Company;
- the Equity Transfer Agreement II having been signed and sealed by the parties; and
- the Equity Transfer Agreement II and the Proposed Acquisition contemplated thereunder being approved by each of Shanghai SASAC and the CSRC.

## 2. Change in Shareholding Structure of HuaAn Funds

The shareholding structures of HuaAn Funds before and after the completion of the acquisition under the Equity Transfer Agreement I and the Proposed Acquisition and are set out as follows:

Shareholders	Shareholding before the completion of the acquisition under the Equity Transfer Agreement I and the Proposed Acquisition (%)	Shareholding after the completion of the acquisition under the Equity Transfer Agreement I and Proposed Acquisition (%)
The Company	28*	51*
Shanghai SITICO	20*	5*
Shanghai Industrial	20	12
Jin Jiang International Investment	12	12
GTJA Investment	20	20
<b>Total</b>	<b>100</b>	<b>100</b>

\* *Note:* the 15% equity interests in HuaAn Funds acquired by the Company from Shanghai SITICO pursuant to the Equity Transfer Agreement I is pending the completion of relevant industrial and commercial registration procedure.

### 3. Financial Information of HuaAn Funds

Set out below is the relevant audited financial information of HuaAn Funds for the years ended 31 December 2020 and 2021 prepared in accordance with the China Enterprise Accounting Standards (the “**PRC GAAP**”):

	<b>For the year ended 31 December 2020 (RMB million)</b>	<b>For the year ended 31 December 2021 (RMB million)</b>
Profit before taxation	917	1,322
Profit after taxation	711	1,006

The audited net assets of HuaAn Funds as at 31 December 2021 were approximately RMB4,148 million in accordance with the PRC GAAP. According to the Valuation Report, the appraised value of 100% equity interests in HuaAn Funds as at 30 September 2021 was RMB12,650 million by way of market approach.

After the completion of the acquisition under the Equity Transfer Agreement I and the Proposed Acquisition, the Company expects to record a one-off equity revaluation gain of no more than 10% audited profits attributable to equity holders of the Company for 2021 subject to factors including the final consideration of the Proposed Acquisition, the date of consolidation of financial results of HuaAn Funds into the Company’s financial statements and the financial performance of HuaAn Funds.

**The information disclosed above is based on the preliminary assessment by the management of the Company according to the information currently available which has not been reviewed or audited by the Company’s auditors. Details of the financial impact of the consolidation of HuaAn Funds’ financial results will be further evaluated after the completion of relevant acquisition by the Company and disclosed in the annual results announcement of the Company following such consolidation.**

## II. REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

The Company has been among the top in the securities industry in respect of comprehensive operating capabilities and financial position. The Proposed Acquisition will further enhance the Company’s competitiveness.

Upon consolidation of HuaAn Funds, the Company will enjoy stronger synergy with HuaAn Funds in wealth management and financial product management businesses. The Company’s wealth management business will benefit from high-quality financial products provided by HuaAn Funds, and the Company will facilitate HuaAn Funds in investment banking products including public REITs, sales of financial products, international business, institutional transactions, which will contribute to HuaAn Funds’ operating performance and comprehensive competitiveness.

In recent years, the CSRC has encouraged and led securities companies to speed up their business layout, actively promoted the establishment of aircraft-level security companies, and promoted the sustainable and healthy development of the securities industry. After taking control of HuaAn Funds, the Company will continue to improve its services in comprehensive asset management business, as well as its ability to serve the construction of Shanghai as an international financial center and a global asset management center.

The Board (excluding the independent non-executive Directors whose view will be given upon considering the advice from the Independent Financial Adviser) considers that the Equity Transfer Agreement II and the Proposed Acquisition contemplated thereunder are on normal commercial terms, and the terms of the Equity Transfer Agreement II are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

### **III. LISTING RULES IMPLICATIONS**

As at the date of this announcement, International Group directly and indirectly holds 33.34% of the total share capital of the Company, and therefore International Group is a controlling shareholder and a controller of the Company as defined under the Listing Rules.

On the other hand, International Group holds 33.57% and 80% equity interests in GTJA Investment and Shanghai SITICO, respectively, and therefore each of GTJA Investment and Shanghai SITICO is an associate of International Group as defined under the Listing Rules. As GTJA Investment and Shanghai SITICO holds 20% and 20% equity interests in HuaAn Funds, respectively, the associates of International Group are interested in more than 10% in HuaAn Funds, therefore, the Proposed Acquisition constitutes a connected transaction of the Company pursuant to Rule 14A.28(2) of the Listing Rules.

As the Proposed Acquisition contemplated under the Equity Transfer Agreement II is expected to take place within 12 months of the Equity Transfer Agreement I, such transactions shall be aggregated for the calculation of the percentage ratios pursuant to Rule 14.22 and Rule 14A.81 of the Listing Rules.

As the highest percentage ratio applicable to such transactions upon aggregation is more than 5% but less than 25%, the Proposed Acquisition constitutes a discloseable transaction for the Company which is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules, and is also a connected transaction for the Company which is subject to the reporting, announcement, circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The consideration of the Target Equity was determined with reference to the Valuation Report prepared by the Independent Valuer using the market approach. However, as the Independent Valuer is required under applicable PRC laws and regulations to conduct the valuation of the equity interests in HuaAn Funds using at least two valuation approaches, in addition to a valuation based on market approach, the Valuation Report also has a valuation based on the income approach in respect of the equity interests in HuaAn Funds. The Company has applied for a waiver from the profit forecast requirements under Rules 14.62, 14A.68(7), 14A.70(13) and paragraph 29(2) of Appendix 1B of the Listing Rules in respect of the Proposed Acquisition. If such waiver was not granted by the Stock Exchange, the Company would comply with the relevant profit forecast requirements under the Listing Rules.



#### **IV. GENERAL**

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 Directors 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.

The Company will convene the EGM to seek the approval of the Independent Shareholders for the entering into of the Equity Transfer Agreement II and the Proposed Acquisition contemplated thereunder. International Group, Shanghai Industrial and their respective associates, shall abstain from voting at the EGM for the resolution to approve such matters.

An Independent Board Committee comprising all the independent non-executive Directors, namely, Mr. XIA Dawei, Mr. DING Wei, Mr. LI Renjie, Mr. BAI Wei, Mr. LEE Conway Kong Wai and Mr. CHAI Hongfeng, has been established to advise the Independent Shareholders on the Equity Transfer Agreement II and the Proposed Acquisition contemplated thereunder. Altus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

A circular containing, amongst other things, detailed information on the Proposed Acquisition, a letter of advice from the Independent Board Committee, a letter of advice from the Independent Financial Adviser, is expected to be despatched to the Shareholders on or before 15 June 2022.

#### **V. INFORMATION OF RELEVANT PARTIES**

##### **The Company**

The Company is a joint stock company with limited liability 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. Due to the COVID-19 situation, the industrial and commercial registration in respect of the acquisition of 15% equity interests in HuaAn Funds by the Company from Shanghai SITICO pursuant to the Equity Transfer Agreement I has not been completed.

## **Shanghai Industrial**

Shanghai Industrial is a limited liability company incorporated in the PRC and is primarily engaged in project construction. As at the date of this announcement, the ultimate beneficial owners of Shanghai Industrial are Shanghai SASAC and Nanhui District State-owned Assets Supervision and Administration Office (南匯區國有資產管理辦公室), ultimately holding 98.7272% and 1.2728% equity interests in Shanghai Industrial, respectively. Shanghai Industrial and its ultimate beneficial owners are Independent Third Parties.

## **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 and is a controlling shareholder of the Company. The ultimate beneficial owner of International Group is Shanghai SASAC.

## **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, as such, Shanghai SITICO is an associate of International Group and a connected person of the Company. The ultimate beneficial owner of Shanghai SITICO is Shanghai SASAC.

## **GTJA Investment**

GTJA Investment is a joint stock company with limited liability incorporated in the PRC and is primarily engaged in asset management, enterprise investment and consulting. As at the date of this announcement, the single largest shareholder of GTJA Investment is Shanghai State-owned Assets Management Co., Ltd. (上海國有資產經營有限公司, “**Shanghai State-owned Assets Management**”), holding approximately 33.53% equity interests in GTJA Investment. Shanghai State-owned Assets Management is a wholly-owned subsidiary of International Group, the controlling shareholder of the Company, as such GTJA Investment is an associate of International Group and a connected person of the Company. The ultimate beneficial owner of Shanghai State-owned Assets Management is Shanghai SASAC.

## **DEFINITIONS**

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

<b>“Board”</b>	the board of directors of the Company
<b>“Closing Date”</b>	the date on which the payment of consideration for the Proposed Acquisition is fully settled



<b>“Company”</b>	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)
<b>“CSRC”</b>	China Securities Regulatory Commission (中國證券監督管理委員會)
<b>“Director(s)”</b>	director(s) of the Company
<b>“EGM”</b>	the Company’s extraordinary general meeting to be held to consider and approve, if thought fit, the Equity Transfer Agreement II and the Proposed Acquisition contemplated thereunder
<b>“Equity Transfer Agreement I”</b>	the equity transfer agreement entered into between the Company and Shanghai SITICO on 27 October 2021, pursuant to which, the Company agreed to acquire and Shanghai SITICO agreed to sell 15% equity interests in HuaAn Funds
<b>“Equity Transfer Agreement II”</b>	the equity transfer agreement to be entered into between the Company and Shanghai Industrial, pursuant to which, the Company agrees to acquire and Shanghai Industrial agrees to sell 8% equity interests in HuaAn Funds
<b>“Group”</b>	the Company and its subsidiaries
<b>“GTJA Investment”</b>	Guotai Junan Investment Management Co., Ltd. (國泰君安投資管理股份有限公司), a joint stock company with limited liability incorporated in the PRC in December 2001, an associate of International Group
<b>“HuaAn Funds”</b>	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
<b>“Independent Board Committee”</b>	the independent committee of the Board constituted by the independent non-executive Directors, namely Mr. XIA Dawei, Mr. DING Wei, Mr. LI Renjie, Mr. BAI Wei, Mr. LEE Conway Kong Wai and Mr. CHAI Hongfeng, for the purpose of considering and advising the Independent Shareholders in connection with the Proposed Acquisition
<b>“Independent Financial Adviser”</b>	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance of Hong Kong, being the independent financial adviser appointed by the Board to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the Proposed Acquisition
<b>“Independent Shareholder(s)”</b>	the independent shareholders of the Company, and for the purpose of this announcement, means shareholders other than International Group, Shanghai Industrial and their respective associates

<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>“Independent Valuer”</b>	Shanghai Orient Appraisal Co., Ltd. (上海東洲資產評估有限公司), an independent qualified valuer
<b>“International Group”</b>	Shanghai International Group Co., Ltd. (上海國際集團有限公司), a limited liability company incorporated in the PRC in April 2000
<b>“Jin Jiang International Investment”</b>	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
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
<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>“Proposed Acquisition”</b>	the proposed acquisition of 8% equity interests in HuaAn Funds by the Company from Shanghai Industrial pursuant to the Equity Transfer Agreement II
<b>“Reference Date”</b>	30 September 2021
<b>“RMB”</b>	Renminbi, lawful currency of the PRC
<b>“Shanghai Industrial”</b>	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
<b>“Shanghai SASAC”</b>	the Shanghai State-owned Assets Supervision and Administration Commission (上海市國有資產監督管理委員會)
<b>“Shanghai SITICO”</b>	Shanghai SITICO Asset Management Co., Ltd. (上海上國投資產管理有限公司), a limited liability company incorporated in the PRC in March 2015, a non-wholly owned subsidiary of International Group
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Target Equity”</b>	the 8% equity interests in HuaAn Funds held by Shanghai Industrial to be transferred to the Company pursuant to the Equity Transfer Agreement II

**“Valuation Report”** the valuation report in respect of the valuation of 100% equity interests in HuaAn Funds as of the Reference Date issued by the Independent Valuer, pending to be filed with the competent state-owned assets supervisory authority 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  
24 May 2022

*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.*