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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 YRD FUND II**

The Board is pleased to announce that on 15 December 2022, it approved Guotai Junan Zhengyu, a wholly-owned subsidiary of the Company, to enter into the Partnership Agreement with Growth Capital, GP2 (a limited partnership to be established as a follow-up investment platform by the management team of Growth Capital and certain LPs), SIG AM and other Independent Third Party LPs, pursuant to which Guotai Junan Zhengyu agrees to contribute no more than RMB700 million as a limited partner to participate in the establishment of YRD Fund II, an investment fund with an expected fund-raising scale of RMB10 billion focusing on investments in hard-technology industries, including semiconductors, biomedicine, digital intelligence. As at the date of this announcement, GP2 has not been established and the Partnership Agreement has not been executed yet, and the Company will make an announcement in due course once a definitive agreement is entered into.

Growth Capital is held as to 35% by SIG AM, and SIG AM is a wholly-owned subsidiary of International Group. As International Group is a substantial shareholder of the Company, both Growth Capital and SIG AM are connected persons of the Company. Accordingly, the proposed participation in the establishment of YRD Fund II by Guotai Junan Zhengyu will constitute a connected transaction of the Company.

As International Group is a counterparty of the Company in (1) the partnership agreement of the Shanghai Lingang Guotai Junan Technology Frontier Industrial Private Fund Partnership (Limited Partnership), (2) the partnership agreement of the Shanghai Financial Technology Equity Investment Fund (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 in the establishment of YRD Fund II 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 15 December 2022, it approved Guotai Junan Zhengyu, a wholly-owned subsidiary of the Company, to enter into the Partnership Agreement with Growth Capital, GP2 (a limited partnership to be established as a follow-up investment platform by the management team of Growth Capital and certain LPs), SIG AM and other Independent Third Party LPs, pursuant to which Guotai Junan Zhengyu agrees to contribute no more than RMB700 million as a limited partner to participate in the establishment of YRD Fund II, an investment fund with an expected fund-raising scale of RMB10 billion focusing on investments in hard-technology industries, including semiconductors, biomedicine, digital intelligence.

As at the date of this announcement, GP2 has not been established and the Partnership Agreement has not been executed yet, and the Company will make an announcement in due course once a definitive agreement is entered into.

I. PARTICULARS OF YRD FUND II

1. Principal Terms of the Partnership Agreement

Name of YRD Fund II: Growth Capital Yangtze River Delta Collaborative Advantage Industry Fund (Phase II) (國方資本長三角協同優勢產業基金(二期)) (tentative name)

Parties:

- General partner:
 - o Growth Capital (as also the executive partner)
 - o GP2
- Limited partners:
 - o SIG AM
 - o Pudong Investment Center
 - o Guotai Junan Zhengyu
 - o Huzhou Venture Capital
 - o Nanjing Yangtze River
 - o ICBC-AXA
 - o Hundsun Technologies
 - o Changxin Xinju

Fund Manager

Growth Capital

Term of YRD Fund II

The term of YRD Fund II shall be 8 years commencing from the date when the initial capital commitments from the LPs are made, comprising an investment period and an exit period of 4 years each. The exit period can be extended twice with no more than 12 month each time.

Management Fees

During the investment period, YRD Fund II shall pay Growth Capital a management fee equivalent to 1% *per annum* of the paid-in capital of the LPs. In the event that YRD Fund II has made investments in Project Investments, YRD Fund II shall pay Growth Capital a management fee equivalent to 1.5% *per annum* of the investment costs of such Project Investments apportioned to the LPs.

During the exit period, YRD Fund II shall pay Growth Capital a management fee equivalent to the aggregation amount of (i) 1% *per annum* of the investment costs of Fund Investments (which have not been sold out) apportioned to each LPs and (ii) 1.5% *per annum* of the investment costs of Project Investments (which have not been sold out) apportioned to the LPs.

Profit Sharing

The distributable profits derived from specific investments shall be allocated among the partners participating therein according to Investment Cost Allocation Ratio. The distributable profits derived from unused funds should be allocated among the partners according to the unused parts of the paid-in capital of each partner after confirmation by Growth Capital. The distributable profits derived from liquidity investments (such as bank deposits, monetary funds and government bonds) shall be allocated among all partners on a *pro rata* basis according to their paid-in capital. After the distributable profits allocated to the GPs, the remaining distributable profits should be allocated as follows:

- (1) First round: The distributable profits shall be allocated among all the LPs until all of the accumulated distribution to such LPs 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 LPs until such LPs have achieved an annualized return of 8% on their paid-in capital. The distributable profits allocated to the LPs for this round shall be referred to as the "Priority Return";

- (3) Third round: As for the remaining distributable profits after the second round allocation, 90% of the remaining distributable profits shall be allocated to the LPs and 10% of the remaining distributable profits shall be allocated to GP2 or its designated entity;

Payment Arrangement

The capital commitment by each of the LPs shall be paid in 4 installments with 25% of the total amount each. The first installment shall be paid after the execution of the Partnership Agreement in accordance with the notice (“**Payment Notice**”) to be issued by Growth Capital subject to the Partnership Agreement and the Payment Notice for each installment afterwards shall be issued after more than 70% of the current paid-in capital has been utilized.

2. Capital commitments to YRD Fund II

The target fund-raising scale of YRD Fund II is expected to be RMB10 billion. As of the date of this announcement, the proposed capital commitments by the each of the LPs to YRD Fund II are as follows:

Limited Partners	Capital Commitment (RMB100 million)	Percentage (%)
SIG AM	28	42.42%
Pudong Investment Center	13	19.70%
Guotai Junan Zhengyu	7	10.61%
Huzhou Venture Capital	6	9.09%
Nanjing Yangtze River	5	7.58%
ICBC-AXA	1	1.52%
Hundsun Technologies	1	1.52%
Changxin Xinju	5	7.58%
Total	66	100.00%

In addition, Growth Capital, as one of the GPs, will make a proposed capital commitment of no less than 0.1% of the final total capital commitment to YRD Fund II; GP2 will also make a proposed capital commitment of no less than RMB1 million to YRD Fund II.

The capital commitment will be determined after arm’s length negotiations among the parties with reference to their respective interests in YRD Fund II as well as its investment objectives. Guotai Junan Zhengyu will finance its capital commitment by internal resources. Parties to the Partnership Agreement and capital commitment by each partner are subject to further adjustment and negotiation.

3. Investment Strategy

YRD Fund II will focus on hard-technology industries such as semiconductors, biomedicine, and digital intelligence. The YRD Fund II intends to invest no less than 60% of its total investment in Fund Investments, and no more than 40% in Project Investments.

4. Management and Operation

YRD Fund II will establish an investment decision-making committee (the “**Investment Decision-making Committee**”) as the decision-making authority for YRD Fund II, comprising of 5 members of which 2 members will be appointed by Growth Capital and other members will each be appointed by the Cornerstone LPs who joined during the first fund-raising period or top three LPs who contribute the most to YRD Fund II (in the event that there are less than three Cornerstone LPs during the first fund-raising period). The Investment Decision-making Committee shall consider and decide on investment projects and each investment decision of YRD Fund II should be approved by no less than four fifth of the members of the Investment Decision-making Committee.

YRD Fund II will also establish an advisory committee (the “**Advisory Committee**”) comprising of LPs who have made a capital commitment of no less than RMB500 million or other LPs at the discretion of the Growth Capital. The Advisory Committee shall consider and decide on issues including the term of the fund, significant related party transactions and conflict of interest. All resolutions of the Advisory Committee should be approved by half or more members with voting rights.

Unless otherwise approved by the Advisory Committee, (i) no cumulative investments in a Project Investment shall exceed 10% of the total capital commitment of YRD Fund II, (ii) no single investment in a Fund Investment shall exceed 10% of the total capital commitment of YRD Fund II and no cumulative investments in a Fund Investment shall exceed 30% of the total capital commitment of YRD Fund II, except for investment in a related Fund Investment.

5. Core Management Team

Growth Capital serves as the fund manager of YRD Fund II, with a core management team of 7 members with a rich and diversified experience in digital intelligence, biomedicine, semiconductor sectors as well as the fund operations and legal fields. Mr. Sun Min (“**Mr. Sun**”) and Ms. Yu Bing (“**Ms. Yu**”), as the managing partners, are responsible for the overall management of Growth Capital.

Mr. Sun, a managing partner and the general manager of Growth Capital, has more than 20 years of experience in industrial management and investment. He has led the establishment and operation of a number of industrial companies and has profound experience in front-line operation and management of the real industry and market-oriented fund management capabilities. He served as the deputy general manager of Shenergy (Group) Co., Ltd. and a partner of Shanghai Trust Bridge Partners Management Co., Ltd..

Ms. Yu, a managing partner and a deputy general manager of Growth Capital, has more than 25 years of fund management experience in private equity funds, and served as the general manager’s assistant at SIG AM and the director at Shanghai Shenda Co., Ltd. (stock code: 600626).

II. REASONS FOR AND BENEFITS OF ENTERING INTO THE PARTNERSHIP AGREEMENT

YRD Fund II will contribute to and benefit from the national strategy of the integrated construction of the Yangtze River Delta region, give full play to the guidance and leverage effect of state-owned capital, help the development of the technology industries, and realize the synergy of “technology-industry-finance”. Through the establishment of YRD Fund II, the Group will be able to obtain potential business opportunities with the invested enterprises of YRD Fund II engaged in the hard-technology industry and further benefit from the industrial influence of other investors of YRD Fund II. The fund manager of YRD Fund II has abundant resources in the advanced hard-technology industries as well as a management team of extensive industry experience. The investment in YRD Fund II is expected to bring considerable profits to the Group and its shareholders.

The Board (including all the independent non-executive Directors) considers that the transactions contemplated under the Partnership Agreement 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

Growth Capital is held as to 35% by SIG AM, and SIG AM is a wholly-owned subsidiary of International Group. As International Group is a substantial shareholder of the Company, both Growth Capital and SIG AM are connected persons of the Company. Accordingly, the proposed participation in the establishment of YRD Fund II by Guotai Junan Zhengyu will constitute a connected transaction of the Company.

As International Group is a counterparty of the Company in (1) the partnership agreement of the Shanghai Lingang Guotai Junan Technology Frontier Industrial Private Fund Partnership (Limited Partnership), (2) the partnership agreement of the Shanghai Financial Technology Equity Investment Fund (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 in the establishment of YRD Fund II 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

(1) Growth Capital

Growth Capital is a company incorporated in the PRC with limited liability and is principally engaged in the business of private equity investment funds management and venture capital funds management. As at the date of this announcement, SIG AM is the single largest shareholder of Growth Capital, holding 35.00% of its equity interests, and no other single shareholder holds 30% or more of its equity interests. SIG AM is a wholly-owned subsidiary of International Group, a substantial shareholder of the Company, Growth Capital is therefore a connected person of the Company.

(2) GP2

GP2 is a limited partnership to be established as a follow-up investment platform by the management team of Growth Capital and the Cornerstone LPs who joined during the first fund-raising period or top three LPs who contribute the most to YRD Fund II (in the event that there are less than three Cornerstone LPs during the first fund-raising period), which will serve as a general partner of YRD Fund II. As of the date of this announcement, GP2 has not been established yet.

(3) SIG AM

SIG AM is a company incorporated in the PRC with limited liability and is principally engaged in the business of domestic and foreign investment, asset operation and management. SIG AM is a wholly-owned subsidiary of International Group, a substantial shareholder of the Company, thus a connected person of the Company. As at the date of this announcement, the ultimate beneficial owner of SIG AM is Shanghai SASAC.

(4) Pudong Investment Center

Pudong Investment Center is a limited partnership incorporated in the PRC and is principally engaged in investment business. As at the date of this announcement, Pudong Investment Center is owned as to 99.98% by Shanghai Pudong Investment Holdings (Group) Co., Ltd. (“**Pudong Investment Holdings**”, 上海浦東投資控股(集團)有限公司) and 0.02% by Shanghai Pudong Private Fund Management Co., Ltd. (“**Pudong Private Fund**”, 上海浦東私募基金管理有限公司, as the executive partner). The single largest shareholder of Pudong Private Fund is Pudong Investment Holdings, which holds 40.00% equity interests in Pudong Private Fund. The ultimate beneficial owner of Pudong Investment Holdings is Shanghai Pudong New District State-owned Assets Supervision and Administration Committee (上海市浦東新區國有資產監督管理委員會). Pudong Investment Center is an Independent Third Party.

(5) Guotai Junan Zhengyu

Guotai Junan Zhengyu is a company incorporated in the PRC with limited liability and is principally engaged in equity investment and financial products investment. As at the date of this announcement, Guotai Junan Zhengyu is a wholly-owned subsidiary of the Company.

(6) Huzhou Venture Capital

Huzhou Venture Capital is a company incorporated in the PRC with limited liability and is principally engaged in venture capital, corporate management and equity investment. As at the date of this announcement, the ultimate beneficial owner of Huzhou Venture Capital is the Huzhou State-owned Assets Supervision and Administration Commission (湖州市人民政府國有資產監督管理委員會). Huzhou Venture Capital is an Independent Third Party.

(7) Nanjing Yangtze River

Nanjing Yangtze River is a company incorporated in the PRC with limited liability and is principally engaged in the business of private equity investment fund management and related advisory services. As at the date of this announcement, the ultimate beneficial owner of Nanjing Yangtze River is the Nanjing Jiangbei New Area Management Committee (China (Jiangsu) Free Trade Pilot Zone Nanjing Area Management Committee)(南京市江北新區管理委員會(中國(江蘇)自由貿易試驗區南京片區管理委員會)). Nanjing Yangtze River is an Independent Third Party.

(8) ICBC-AXA

ICBC-AXA is a company incorporated in the PRC with limited liability and is principally engaged in the business of insurance asset management. As at the date of this announcement, ICBC-AXA is a wholly-owned subsidiary of ICBC-AXA Assurance Co., Ltd. (“**ICBC-AXA Assurance**”, 工銀安盛人壽保險有限公司), which is in turn controlled by Industrial and Commercial Bank of China Limited (“**ICBC**”, 中國工商銀行股份有限公司), a public company listed on the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited (stock code: 601398 and 01398). ICBC-AXA is an Independent Third Party.

(9) Hundsun Technologies

Hundsun Technologies is a public company listed on the Shanghai Stock Exchange (stock code: 600570) and is principally engaged in financial software and internet services business. According to publicly available information, the controlling shareholder of Hundsun Technologies is Hangzhou Hundsun Electronics Group Co., Ltd. (杭州恒生電子集團有限公司), which holds 20.72% equity interests in Hundsun Technologies. Hundsun Technologies is an Independent Third Party.

(10) Changxin Xinju

Changxin Xinju is a company incorporated in the PRC with limited liability and is principally engaged in venture capital business. As at the date of this announcement, Changxin Xinju is a wholly-owned subsidiary of Innotron Memory Co., Ltd. (“**Innotron Memory**”, 睿力集成電路有限公司), which is mainly engaged in the production, design, sales and R&D of integrated circuits and related products. Changxin Xinju 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
“Changxin Xinju”	Changxin Xinju Equity Investment (Anhui) Co., Ltd. (長鑫芯聚股權投資(安徽)有限公司)
“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)
“Cornerstone LP(s)”	limited partner(s) with capital commitment of no less than RMB1 billion or recognized by the Growth Capital
“Director(s)”	director(s) of the Company
“Fund Investment(s)”	private equity funds to be invested by YRD Fund II
“GP(s)”	Growth Capital and GP2
“GP2”	the entity to be established by the management team of Growth Capital and the Cornerstone LPs who joined during the first fund-raising period or top three LPs who contribute the most to YRD Fund II (in the event that there are less than three Cornerstone LPs during the first fund-raising period), which will serve as a general partner of YRD Fund II. As of the date of this announcement, GP2 has not been established yet.
“Group”	the Company and its subsidiaries
“Growth Capital”	Shanghai Growth-FOF Co., Ltd. (上海國方私募基金管理有限公司), one of the GP and fund manager of YRD Fund II
“Guotai Junan Zhengyu”	Guotai Junan Zhengyu Investment Co., Ltd. (國泰君安證裕投資有限公司)
“Hundsun Technologies”	Hundsun Technologies Inc. (恒生電子股份有限公司)
“Huzhou Venture Capital”	Huzhou Small and Medium Enterprise Venture Capital Co., Ltd. (湖州市中小企業創業投資有限公司)

“ICBC-AXA”	ICBC-AXA Asset Management Co., Ltd. (工銀安盛資產管理有限公司)
“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
“Investment Cost Allocation Ratio”	the percentage of the investment cost contributed by a partner to any investment targets in proportion to the total investment cost contributed by all the partners participating in such investment targets
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“LP(s)”	limited partner(s) of YRD Fund II, namely, SIG AM, Pudong Investment Center, Guotai Junan Zhengyu, Huzhou Venture Capital, Nanjing Yangtze River, ICBC-AXA, Hundsun Technologies and Changxin Xinju
“Nanjing Yangtze River”	Nanjing Yangtze River Investment Fund Management Co., Ltd. (南京揚子江投資基金管理有限公司)
“Partnership Agreement”	the partnership agreement to be entered into among Growth Capital, GP2, Guotai Junan Zhengyu, SIG AM, and other LPs, which has not been executed yet as at the date of this announcement
“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
“Project Investment(s)”	companies operating particular projects or businesses to be invested by YRD Fund II, except for the Fund Investment(s)
“Pudong Investment Center”	Shanghai Pudong Leading Area Investment Center (Limited Partnership) (上海浦東引領區投資中心(有限合夥))
“RMB”	Renminbi, lawful currency of the PRC

“SIG AM” SIG Asset Management Co., Ltd. (上海國際集團資產管理有限公司)

“YRD Fund II” Growth Capital Yangtze River Delta Collaborative Advantage Industry Fund (Phase II) (國方資本長三角協同優勢產業基金(二期))

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
15 December 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 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.