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**國泰君安證券股份有限公司**  
**Guotai Junan Securities Co., Ltd.**

*(A joint stock company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 02611)**

**ANNOUNCEMENT**  
**CONTINUING CONNECTED TRANSACTIONS**  
**REVISION OF ANNUAL CAP FOR AND**  
**RENEWAL OF THE TERM OF**  
**THE SECURITIES AND FINANCIAL PRODUCT**  
**TRANSACTIONS AND SERVICES WITH HUAAN FUNDS**

**Independent Financial Adviser to the Independent Board Committee**  
**and the Independent Shareholders**



**THE REVISED FRAMEWORK AGREEMENT**

We refer to the announcement of the Company dated 29 December 2022 in relation to the Original Framework Agreement entered into between the Company and HuaAn Funds, pursuant to which the Group and HuaAn Funds Group will engage in various securities and financial transactions and provide securities and financial products and financial services to each other in our and their respective ordinary course of business based on normal commercial terms and market practices at prevailing market prices or rates.

The Company estimates that the Existing Annual Caps will not be sufficient to meet the expected transaction amounts of the Securities and Financial Product Transactions contemplated under the Original Framework Agreement for the year ending 31 December 2023. In addition, as the Original Framework Agreement is due to expire on 31 December 2023, the Company intends to continue the transactions contemplated thereunder with HuaAn Funds Group. On 20 October 2023, the Board has approved the Company to enter into the Revised Framework Agreement with HuaAn Funds to amend and restate the Original Framework Agreement, pursuant to which the Existing Annual Caps for the year ending 31 December 2023 will be revised and term of the Original Framework Agreement shall be extended to 31 December 2025. Save for the extension of the term of the agreement, the revision of Existing Annual Caps and proposed New Annual Caps, all other terms and conditions under the Original Framework Agreement shall remain unchanged.

The Revised Framework Agreement has not been executed yet as at the date of this announcement and is still subject to the approval from the Independent Shareholders at the EGM. The Company will make an announcement in due course in accordance with the requirements under the Listing Rules and the rules of the Shanghai Stock Exchange.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, HuaAn Funds is owned as to 51% by the Company and is a subsidiary of the Company. International Group (a substantial shareholder of the Company) holds 33.53% and 80% equity interests in GTJA Investment and Shanghai SITICO, respectively. 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 hold 20% and 5% equity interests in HuaAn Funds, respectively, the associates of International Group are interested in more than 10% in HuaAn Funds. Therefore, HuaAn Funds constitutes a connected subsidiary of the Company as defined under the Listing Rules, and the Revised Framework Agreement and the transactions contemplated thereunder therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, as the Company intends to revise the Existing Annual Caps, the Company shall re-comply with the requirements under Chapter 14A of the Listing Rules in respect of the Continuing Connected Transactions before the Existing Annual Caps are exceeded.

As the highest applicable percentage ratio in respect of the New Annual Caps is more than 5% but less than 25%, the Continuing Connected Transactions shall be subject to the reporting, announcement, annual review, circular (including independent financial adviser's advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee (comprising Mr. DING Wei, Mr. LI Renjie, Mr. BAI Wei, Mr. LEE Conway Kong Wai, Mr. WANG Guogang and Mr. YIM, Chi Hung Henry, all of whom are independent non-executive Directors) has been formed to advise and provide recommendations to the Independent Shareholders in respect of the Revised Framework Agreement and the Continuing Connected Transactions (including the New Annual Caps).

In addition, the Company has appointed Gram Capital as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Revised Framework Agreement and the New Annual Caps are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and whether they are in the interests of the Company and the Shareholders as a whole.

## **DESPATCH OF CIRCULAR**

A circular containing, among other things, (i) a letter from the Board setting out further details of the Continuing Connected Transactions (including the New Annual Caps), (ii) a letter from the Independent Board Committee, (iii) a letter from the Independent Financial Adviser, and (iv) a notice of the EGM, is expected to be despatched to the Shareholders on or before 13 November 2023.

## THE REVISED FRAMEWORK AGREEMENT

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The Company estimates that the Existing Annual Caps will not be sufficient to meet the expected transaction amounts of the Securities and Financial Product Transactions contemplated under the Original Framework Agreement for the year ending 31 December 2023. In addition, as the Original Framework Agreement is due to expire on 31 December 2023, the Company intends to continue the transactions contemplated thereunder with HuaAn Funds Group. On 20 October 2023, the Board has approved the Company to enter into the Revised Framework Agreement with HuaAn Funds to amend and restate the Original Framework Agreement, pursuant to which the Existing Annual Caps for the year ending 31 December 2023 will be revised and term of the Original Framework Agreement shall be extended to 31 December 2025. Save for the extension of the term of the agreement, the revision of Existing Annual Caps and proposed New Annual Caps, all other terms and conditions under the Original Framework Agreement shall remain unchanged.

The Revised Framework Agreement has not been executed yet as at the date of this announcement and is still subject to the approval from the Independent Shareholders at the EGM. The Company will make an announcement in due course in accordance with the requirements under the Listing Rules and the rules of the Shanghai Stock Exchange.

### Summary of Principal Terms of the Revised Framework Agreement

**Parties:** (i) the Company; and

(ii) HuaAn Funds.

**Term:** from the date of the EGM to 31 December 2025 (both dates inclusive)

### Scope of Continuing Connected Transactions

#### 1. *Securities and Financial Product Transactions*

Pursuant to the Revised Framework Agreement, we expect that the securities and financial products transactions with HuaAn Funds Group include (but not limited to) the following:

- **products with fixed-income features** – including but not limited to bonds, funds, trusts, wealth management products, asset management plans, asset-backed securities products, bond borrowing and lending, structured products, futures, and other financial products with fixed-income features; interest rate and credit risk derivatives and other fixed-income products;
- **equity products** – including but not limited to equity products (including stocks, equity interests, stocks listed on the National Equities Exchange and Quotations and other products with features of equity), funds, trusts, wealth management products, asset management products and equity derivatives (such as swaps, futures, options, etc.);

- **financing transactions** – secured or unsecured financing transactions (including but not limited to lending and borrowing, repurchase, inter-bank deposits, income right, asset-backed securities, mutual debt certificates, short-term financing bonds, income certificates, subordinated bonds and corporate bonds); and
- **other relevant securities and financial products transactions permitted by regulatory authorities** – including but not limited to futures, commodities and foreign exchange.

## 2. *Financial Services*

In addition to the Securities and Financial Product Transactions, the Group and HuaAn Funds Group also provide financial services to each other in our and their respective ordinary course of business.

The services to be provided by the Group to HuaAn Funds Group under the Revised Framework Agreement include (but not limited to):

- **financial products agency sale services** – providing agency service for selling financial products;
- **brokerage services** – including but not limited to brokerage services for securities brokers, futures brokers and other related financial products;
- **rental of trading booths** – providing rental service of trading booths;
- **custody and outsourcing** – providing asset custody and operation outsourcing services; and
- **other relevant securities and financial services permitted by regulatory authorities** – including but not limited to financial and securities consulting and advisory services and commodity services.

The services to be provided by HuaAn Funds Group to the Group under the Revised Framework Agreement include (but are not limited to):

- **financial products agency sale services** – including but not limited to agency sale of financial products;
- **entrusted asset management services** – including but not limited to the management of entrusted assets of customers; and
- **other financial and securities consulting and advisory services permitted by regulatory authorities.**

## Pricing Basis

The parties agreed that they will strictly comply with relevant laws and regulations and regulatory requirements for the connected transactions as mentioned above in the daily operation, and will determine the transaction price on the principle of fair price, which means the price will be determined by the price prescribed by government or industry if available, or determined by market price when the price prescribed by government or industry is not available. The pricing basis for the Securities and Financial Product Transactions and Financial Services is set out as follows.

### **1. *Securities and Financial Product Transactions***

Securities and Financial Product Transactions are principally conducted in China interbank bond market and China exchange bond market, exchanges (including stock exchanges, future exchanges, Shanghai Gold Exchange and China Foreign Exchange Trade System) and other over-the-counter markets, with transaction prices and related fees determined based on prevailing market prices. The pricing of such transactions is also subject to strict regulation in the PRC and shall comply with applicable laws and regulations of the PRC. Below is a summary of the pricing basis of each of the Securities and Financial Product Transactions.

- **Products with fixed-income features**

The fixed-income products and transactions in the PRC are mainly carried out through the interbank bond market and stock exchanges (call auction trading system, bulk trading platform and fixed-income platform). Except for the call auction trading on the exchanges, the prices for transactions in the interbank bond market, the bulk trading platforms and the fixed-income platforms of stock exchanges are mainly determined by reference to the bond valuations published by China Central Depository & Clearing Company Limited (“**CCDC**”) and China Securities Depository and Clearing Corporation Limited (“**CSDC**”). The deviation of the price quoted for a transaction in the interbank bond market shall be within 2% of the valuation published by CCDC, otherwise, it shall be reported to CCDC. In the absence of reasonable reasons, the abnormal pricing may be subject to a warning or even punishment by regulatory authorities. With regard to fixed-income products and transactions conducted on stock exchanges, the price for a call auction trading is the prevailing market price, and the price for a non-call auction trading is mainly determined by reference to the bond valuation published by CSDC.

With regard to fixed-income financing instruments issued by the Group and subscribed by HuaAn Funds Group or the financing instruments issued by HuaAn Funds Group and subscribed by the Group, the subscription price is determined by the issuer of the financing instruments with reference to the valuations of the financing instruments published by CCDC with the same credit and term and shall be in line with the subscription price for other investors. The Company and HuaAn Funds shall comply with the relevant administrative regulations, rules and measures of the PRC governing the issuance of their financial instruments, including pricing.

The fixed-income products outside the PRC are mainly traded on the over-the-counter market, with the transaction pricing mainly determined by reference to the market inquiry by the market makers.

- **Equity products**

A majority of certain equity products and transactions carried out in the securities market, including the stock market, are carried out through systems in which the identities of the counterparties are unknown and the transaction price is based on the prices quoted by the counterparties in the market. Real-time quotations for relevant securities and financial products are obtained through the trading systems of relevant stock exchanges; with regard to equity products for which the reference market price is unavailable in the market, the prices are mainly determined by reference to the market-based valuation method and the market price of similar products.

- **Financing transactions**

In terms of inter-bank lending and borrowing and repurchases, they are variably quoted based on SHIBOR of the National Interbank Funding Center and the time-weighted rate of repurchase at the front office along with certain factors, such as assessment of prevailing capital adequacy, the credit quality of counterparties and the quality of collaterals, such as pledged bonds. The pricing of such transactions are also subject to strict PRC regulatory supervision and requirements of the applicable PRC laws and regulations.

- **Over-the-counter derivative transactions**

The prices for over-the-counter derivative transactions are mainly determined: (1) according to derivative pricing models, such as Monte Carlo simulation and B-S model; (2) by reference to expected changes in the prices of relevant targets.

- **Gold products, futures and foreign exchange transactions**

Relevant gold products, futures and foreign exchange transactions are mainly carried out on Shanghai Gold Exchange, China Financial Futures Exchange and China Foreign Exchange Trade System, under a call auction mechanism or quote request mechanism, and with the pricing mainly based on the transactions of certain securities and financial products in the market. HuaAn Funds has access to the trading systems of relevant exchanges to obtain real-time quotations for the relevant securities and financial products.

- **Other securities and financial products and transactions**

Securities and financial products and transactions also include subscriptions of funds, trust, wealth management products and asset management products (the “**Products**”). The pricing of such transactions is determined based on the unit net value of the relevant Products on the date of transaction. The unit net value of such Products is calculated by dividing the net asset value of the Products by the amount of the fund units. The net asset value of the Products is the sum of the values of various marketable securities and notes, principals and interests of bank deposits, fund subscription monies receivables and other assets invested by such Products, less the liabilities of such Products, the calculation of which shall be in compliance with the China Accounting Standards for Business Enterprises. The net value of such Products are audited by a manager, reviewed by a custodian and confirmed by an external audit firm on a regular basis. The calculation method of the unit net value of the Products is set forth in the fund contract and prospectus, and equally applies to all investors of the Products.

## 2. Financial Services

- **Financial products agency sale services** – The price is determined after arm’s length negotiation, based on market prices, industry management and the total amount of financial products covered under the sales agency arrangements, with reference to the fees charged by HuaAn Funds or the Company for similar sales agency services to independent customers;
- **Brokerage services** – The price is determined after arm’s length negotiation with reference to the prevailing market rates for similar securities or futures;
- **Rental of trading booths** – The commission rates for the rental of trading booths are fairly transparent in the market. The Company calculates the commission as a percentage of the amount of each transaction conducted through the trading booth and such percentage is determined based on prevailing market prices and industry practice;
- **Custody and outsourcing** – The rates for the services are generally transparent and standardized. The Company performs its responsibilities including asset custody, investment liquidation, valuation calculation, investment supervision, information disclosure and reporting in accordance with laws and regulations and fund contracts. Relevant rates are determined after arm’s length negotiation, in consideration of factors including market competition;
- **Entrusted asset management services** – The rates are determined after arm’s length negotiation, with reference to factors such as prevailing market rates, the value of products sold or the size of the entrusted assets and the complexity of providing the specified services;
- **Other securities and financial services including securities and financial consulting and advisory services and commodity services** – The prices are determined by the nature of the transaction in accordance with applicable laws and regulations with reference to prevailing market prices.

### MEASURES TO REGULATE THE CONTINUING CONNECTED TRANSACTIONS

The Group has adopted a series of internal pricing policies and approval procedures to regulate the provision of securities and financial products and financial services between the Group and HuaAn Funds Group. The major internal policies include the following:

- The terms (including pricing terms) in respect of the securities and financial products and services contemplated under the Revised Framework Agreement shall be similar to those offered by/to an Independent Third Party for comparable services, and shall be subject to the same internal selection, approval and supervision procedures and pricing policies applicable to an Independent Third Party.

- For Securities and Financial Product Transactions and Financial Services provided by the Group to HuaAn Funds Group, the Group will offer similar pricing terms to HuaAn Funds Group as those to other Independent Third Parties and no preferential terms shall be provided to HuaAn Funds Group. Prior to conducting such transactions, the relevant departments of the Company would conduct inspection and due diligence, assess whether the pricing is in compliance with relevant policies and procedures of the Group and whether the price is fair and reasonable after considering specific factors such as services provided, and grant approval, where appropriate.
- For Securities and Financial Product Transactions and Financial Services provided by HuaAn Funds Group to the Group, the Company will select suppliers and determine the relevant terms of the transactions through inquiry and negotiation process. The Company will also gather information on its suppliers and their levels of fees and prices and compare the fees/prices and quality of services before selection. A prior assessment will be conducted by the responsible officer to assess whether the proposed prices by suppliers are fair and reasonable before submission for consideration and approval to the head of the relevant department. In such case, any offer from HuaAn Funds Group needs to pass through the selection process the same as other suppliers before it could be appointed. As the Company will consider the various updated market information available and because of the uniqueness of financial transactions, there is not specific internal requirement as to the number of suppliers that will be selected for a particular type of service.
- The internal audit department of the Company will review relevant agreements and grant approval, where appropriate.
- The Company has formulated internal guidelines in accordance with Listing Rules, stipulating approval procedures for connected transactions.

The conduct of continuing connected transactions is also subject to annual review by all independent non-executive Directors and confirmation on that such transactions are in ordinary and usual course of business, on normal commercial terms or better, and the terms thereof are fair and reasonable and in the interest of shareholders of the Company as a whole. The auditors of the Company will conduct an annual review of the Company's continuing connected transactions and provide confirmations on that such transactions are conducted in accordance with the pricing policies, in accordance with the Revised Framework Agreement and approved by the Board and such transactions did not exceed the annual cap.

## HISTORICAL FIGURES<sup>1</sup>, EXISTING AND NEW ANNUAL CAPS AND BASIS OF DETERMINATION

*In RMB millions*

	Historical Figures for 2021	Historical Figures for 2022	Historical Figures for Seven Months Ended 31 July 2023	
<b>Securities and Financial Product Transactions<sup>2, 6</sup></b>				
Inflow <sup>4</sup>	2,804.24	5,747.57	2,013.13	
Outflow <sup>5</sup>	6,055.27	6,110.69	4,199.51	
<b>Financial Services<sup>3, 7</sup></b>				
Revenue to be generated by the Group	178.00	166.30	79.20	
Fees payable by the Group	21.79	36.47	6.91	
	Existing Annual Caps for 2023	New Annual Caps for 2023	New Annual Caps for 2024	New Annual Caps for 2025
<b>Securities and Financial Product Transactions<sup>2, 6</sup></b>				
Inflow <sup>4</sup>	5,389.97	6,324.01	13,983.86	17,088.34
Outflow <sup>5</sup>	5,508.55	12,733.26	20,684.59	23,956.51
<b>Financial Services<sup>3, 7</sup></b>				
Revenue to be generated by the Group	256.32	256.32	241.67	272.47
Fees payable by the Group	43.94	43.94	49.70	58.52

### Notes:

- As HuaAn Funds has become a subsidiary of the Company on 4 November 2022, the historical transactions between the Group and HuaAn Funds Group were not connected transactions under the Listing Rules before such date.
- Securities and Financial Product Transactions are divided into two categories, namely products with fixed-income features and other products and financing transactions. Products with fixed-income features include bonds, funds, trusts, wealth management products, asset management plans, asset-backed securities products, convertible bonds, structured products, interest rate and credit risk derivatives and other fixed-income products; other financial products and financing transactions include equity products or transactions (including stocks, equity interests and other products with equity features), financing transactions (including secured or unsecured financing transactions) and other securities and financial products and derivatives (including lending and borrowing and repurchase, swaps, futures, forward contracts, commodity products and foreign exchange).
- Financial Services include services provided by the Group to HuaAn Funds Group including services for selling financial products, brokerage, rental of booths, entrusted asset management, and asset custody; services provided by HuaAn Funds Group to the Group including agency services for selling financial products, and entrusted asset management.
- For this category, “inflow” refers to the total cash inflow in connection with the Group’s sales of securities and financial product transactions to HuaAn Funds Group, the Group’s redemption of securities and financial products issued by HuaAn Funds Group to which the Group has subscribed or the Group’s borrowings from and lendings to HuaAn Funds Group.

5. For this category, “outflow” refers to the total cash outflow in connection with the Group’s purchase of securities and financial product transactions from HuaAn Funds Group, the redemption by HuaAn Funds Group of securities and financial products issued by the Group to which HuaAn Funds and its subsidiaries have subscribed or the Group’s borrowings from and lendings to HuaAn Funds and its subsidiaries.
6. Given that the parties generally flexibly allocate fixed-income products and other financial products according to the financial market conditions and their fund management needs, products with fixed-income features and other products and financing transactions are not distinguished in estimating the inflow and outflow limits for securities and financial products.
7. All the revenue to be generated and fees payable by the Group in connection with the inflow and outflow arising from the Securities and Financial Product Transactions have been included into the revenue to be generated and fees payable relating to the provision of Financial Services.

## **Basis for Determining the Revised and Proposed Annual Caps for 2023 to 2025**

### ***Securities and Financial Product Transactions***

In estimating the New Annual Caps of the total inflow and outflow amount of the Securities and Financial Product Transactions, we have considered, among other things, the following key factors:

- (a) Historical amount of the outflows and inflows in Securities and Financial Product Transactions between the Group and HuaAn Funds Group for the years ended 31 December 2020, 2021, 2022 and the seven months ended 31 July 2023.
- (b) The utilization rates of the Existing Annual Caps for the outflows and inflows in Securities and Financial Product Transactions are relatively high, being 130.69% and 64.03% on an annualized basis for the year ending 31 December 2023, based on the historical amount for the seven months ended 31 July 2023.
- (c) HuaAn Funds has a complete product line with its fund products under management performing well, which are adaptive to meet the business needs of the Group. The Company may invest certain HuaAn Funds products as part of its investment portfolio. Meanwhile, in the year 2023 as the first full financial year that HuaAn Funds became a subsidiary of the Company, the Company intends to support the development of HuaAn Funds according to the principle of “one company, one policy”. The Company expects to deepen the business cooperation with HuaAn Funds to archive synergy, in particular:
  - (i) in respect of the fixed income business, the Company may purchase more financial products with fixed-income features from HuaAn Funds, which will result in inflow increased to RMB1,644 million and outflow increased to RMB3,800 million for the year ending 31 December 2023, taking into consideration (a) the historical transaction amount in this regard; and (b) the expected increasing proportion of transaction amount with HuaAn Funds of the Group’s total transaction amount in this regard, driven by the deepening business cooperation with HuaAn Funds;
  - (ii) in respect of the derivatives and institutional client business, as HuaAn Funds ranks at the forefront of the asset management industry with a wide range of product types that meet the Group’s requirement, and in light of various institutional clients’ needs for asset allocation, the Group intends to use its self-operated funds to subscribe for approximately RMB4,653 million, and redeem approximately RMB654 million, financial products of HuaAn Funds, for the year ending 31 December 2023, respectively;

- (iii) From 2023, in order to meet its need for liquidity management, Guotai Junan Zhengyu Investment Co., Ltd., the wholly-owned subsidiary of the Company, start to use its idle fund to subscribe for the facility of money market funds issued by HuaAn Funds to optimize its liquidity allocation, which will result in additional inflow of RMB1,300 million and outflow of RMB1,500 million under the Securities and Financial Product Transactions for the year ending 31 December 2023, respectively;
- (d) From 2023 to 2025, the New Annual Caps for Securities and Financial Product Transactions represent a year-on-year growth of approximately 62% and 16% in respect of outflows and approximately 121% and 22% in respect of inflows, primarily due to:
  - (i) the Group's needs for HuaAn Funds' products along with the Group's overall operation and development in related business. From 2020 to 2022, the inflow of Securities and Financial Products Transactions increased from RMB502.57 million to RMB5,747.57 million, and the outflow of Securities and Financial Products Transactions increased from RMB616.07 million to RMB6,110.69 million;
  - (ii) HuaAn Funds' business experienced rapid growth in the past a few years and is expected to continue to grow steadily in 2024 and 2025; As of 31 December 2022, HuaAn Funds has been providing services to more than 100 million clients with a total of 224 mutual funds of RMB552.3 billion under management;
  - (iii) the Group will further deepen the cooperation with HuaAn Funds and speed up the growth rate of the scale of new products issued by HuaAn Funds in the context of deepening reform in the investment side of the capital market.

## **Financial Services**

In estimating the New Annual Caps of the amount of the Financial Services, we have considered, among other things, the following key factors:

- (a) Historical transaction amount of the Financial Services between the Group and HuaAn Funds Group for the years ended 31 December 2020, 2021 and 2022 and the seven months ended 31 July 2023.
- (b) Comprehensive consideration of the progress of current service projects of the Financial Services, rates of different services and changes thereof, and the future needs for Financial Services of HuaAn Funds Group.
- (c) Considering comprehensive factors including the reform of mutual fund rates and the declined sales of non-monetary funds, the revenue from financial services for 2024 is expected to decrease by approximately 6% as compared to Existing Annual Cap (revenue to be generated by the Group) for 2023; and the revenue from financial services for 2025 is expected to increase by approximately 13% as compared to the estimated amount for 2024 after considering that the Company will provide support to the business of HuaAn Funds, including agency sale of funds, seat leasing, custody and market making from 2024 to 2025, and in light of various factors such as changes in conditions of the capital markets.
- (d) Meanwhile, with continuous improvement in the Company's comprehensive financial services platform with increasing synergies, HuaAn Funds may enter into further cooperation with the Group across various business segments, providing various customers with customized asset management services. It is expected that, the financial services fees in 2024 will increase by approximately 13% as compared to the Existing Annual Cap (fees payable by the Group) for 2023, and the financial services fees are expected to increase by approximately 18% as compared to the estimated amount for 2024.

## **REASONS FOR AND BENEFITS OF REVISION OF THE ANNUAL CAPS AND ENTERING INTO THE REVISED FRAMEWORK AGREEMENT**

HuaAn Funds is one of the first five fund management companies established in the PRC as approved by the China Securities Regulatory Commission, mainly engaged in the mutual fund and specific asset management businesses. Meanwhile, the Group provides wealth management services to its individual and institutional clients, which primarily offer financial products developed by the Group. The Group also distributes financial products developed by other financial institutions, including HuaAn Funds, to offer a more diversified and comprehensive products portfolio to its clients.

The Company has been continuously strengthening its cooperation with HuaAn Funds and become an important distribution channel of HuaAn Funds by distributing the mutual fund products to clients of the Group. Owing to the comprehensive and high-quality services provided by HuaAn Funds, considerable returns have been brought to wealth management clients of the Group which strengthened the connection and trust between the Group and its clients. After HuaAn Funds has become a subsidiary of the Company, backed by the business synergies between the Company and HuaAn Funds, both parties are enabled to make full use of their respective products, channels, customers and other advantages to carry out all-round cooperation and mutual empowerment in wealth management, institutional customer services, as well as key products, and key business development, which has enhanced the financial performance of the Group and contributed to the Group's overall competitiveness.

The Directors (excluding the independent non-executive directors) are of the view that the Revised Framework Agreement and the Continuing Connected Transactions contemplated thereunder (including the New Annual Caps) are in the usual and ordinary course of business of the Group and are conducted on an arm's length basis and on normal commercial terms, and the terms of the Revised Framework Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole. The independent non-executive Directors will give their views after considering the advice of the Independent Financial Adviser.

### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, HuaAn Funds is owned as to 51% by the Company and is a subsidiary of the Company. International Group (a substantial shareholder of the Company) holds 33.53% and 80% equity interests in GTJA Investment and Shanghai SITICO, respectively. 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 hold 20% and 5% equity interests in HuaAn Funds, respectively, the associates of International Group are interested in more than 10% in HuaAn Funds. Therefore, HuaAn Funds constitutes a connected subsidiary of the Company as defined under the Listing Rules, and the Revised Framework Agreement and the transactions contemplated thereunder therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, as the Company intends to revise the Existing Annual Caps, the Company shall re-comply with the requirements under Chapter 14A of the Listing Rules in respect of the Continuing Connected Transactions before the Existing Annual Caps are exceeded.

As the highest applicable percentage ratio in respect of the New Annual Caps is more than 5% but less than 25%, the Continuing Connected Transactions shall be subject to the reporting, announcement, annual review, circular (including independent financial adviser's advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

## **THE EGM**

The Company will convene an EGM to obtain the approval from the Independent Shareholders in respect of the Revised Framework Agreement and the proposed transactions contemplated thereunder (including the proposed caps thereto).

International Group, being the controlling shareholder of the Company, together with its associates and Shanghai Industrial, who has a material interest in the Revised Framework Agreement and the proposed transactions contemplated thereunder (including the proposed caps thereto), will abstain from voting at the EGM on the ordinary resolution to approve the Revised Framework Agreement and the New Annual Caps. The relevant resolution to be proposed at the EGM will be voted on by poll in compliance with the Listing Rules. Save as disclosed above and to the best knowledge of the Directors, as at the date of this announcement, no other Shareholder has a material interest in the Revised Framework Agreement the New Annual Caps, and therefore no other Shareholder is required to abstain from voting on that resolution at the EGM.

## **Independent Board Committee and Independent Financial Adviser**

The Independent Board Committee (comprising Mr. DING Wei, Mr. LI Renjie, Mr. BAI Wei, Mr. LEE Conway Kong Wai, Mr. WANG Guogang and Mr. YIM, Chi Hung Henry, all of whom are independent non-executive Directors) has been formed to advise and provide recommendations to the Independent Shareholders in respect of the Revised Framework Agreement and the Continuing Connected Transactions (including the New Annual Caps).

In addition, the Company has appointed Gram Capital as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Revised Framework Agreement and the Continuing Connected Transactions (including the New Annual Caps) are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and whether they are in the interests of the Company and the Shareholders as a whole.

## Despatch of Circular

A circular containing, among other things, (i) a letter from the Board setting out further details of the Continuing Connected Transactions (including the New Annual Caps), (ii) a letter from the Independent Board Committee, (iii) a letter from the Independent Financial Adviser, and (iv) a notice of the EGM, is expected to be despatched to the Shareholders on or before 13 November 2023.

## GENERAL INFORMATION

### The Company

The Company is a joint stock company incorporated in the PRC with limited liability. 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 of the date of this announcement, HuaAn Funds is a non-wholly owned subsidiary of the Company and is held as to 51%, 20%, 12%, 12% and 5% by the Company, GTJA Investment, Shanghai Industrial, Jin Jiang International Investment and Shanghai SITICO, respectively. In addition, the associates of International Group (a substantial shareholder of the Company), GTJA Investment and Shanghai SITICO, hold more than 10% equity interests in HuaAn Funds in aggregate. Therefore, HuaAn Funds constitutes a connected subsidiary of the Company.

## DEFINITIONS

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

<b>“associate(s)”</b>	has the meaning given to it in the Listing Rules
<b>“Board”</b>	the board of directors of the Company
<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) and the H share of which are listed on the Hong Kong Stock Exchange (stock code: 02611)
<b>“connected person(s)”</b>	has the meaning given to it in the Listing Rules
<b>“Continuing Connected Transactions”</b>	the transactions contemplated under the Original Framework Agreement as amended by the Revised Framework Agreement
<b>“Director(s)”</b>	the director(s) of the Company

<b>“EGM”</b>	the Company’s extraordinary general meeting to be held to obtain the approval from the Independent Shareholders in respect of the Revised Framework Agreement and the Continuing Connected Transactions (including the New Annual Caps)
<b>“Existing Annual Caps”</b>	the annual caps as set out in the Original Framework Agreement
<b>“Financial Services”</b>	the financial services contemplated under the Revised Framework Agreement
<b>“Group”, “we” or “us”</b>	the Company and its subsidiaries excluding, in the context of the Original Framework Agreement and the Revised Framework Agreement, HuaAn Funds Group
<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. 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, “ <b>Shanghai State-owned Assets Management</b> ”), 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.
<b>“Hong Kong Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<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 and a fund management company who has become a subsidiary of the Company in November 2022
<b>“HuaAn Funds Group”</b>	HuaAn Funds and its subsidiaries
<b>“Independent Board Committee”</b>	an independent committee of the Board, comprising Mr. DING Wei, Mr. LI Renjie, Mr. BAI Wei, Mr. LEE Conway Kong Wai, Mr. WANG Guogang and Mr. YIM, Chi Hung Henry, all of whom are independent non-executive Directors, to provide recommendations to the Independent Shareholders in respect of the Revised Framework Agreement and the Continuing Connected Transactions (including the New Annual Caps)

<b>“Independent Financial Adviser” or “Gram Capital”</b>	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Revised Framework Agreement and the Continuing Connected Transactions (including the New Annual Caps)
<b>“Independent Shareholders”</b>	the independent shareholders of the Company, and for the purpose of this announcement, to the best knowledge, information and belief of the Directors and having made all reasonable enquiries means shareholders other than International Group and its associates and Shanghai Industrial
<b>“Independent Third Party(ies)”</b>	party(ies) not connected with the Company 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), which is interested directly and indirectly in 33.36% of the total equity interest of the Company in aggregate as at the date of this announcement. The ultimate beneficial owner of International Group is Shanghai SASAC.
<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. As at the date of this announcement, the ultimate beneficial owner of Jin Jiang International Investment is Shanghai SASAC
<b>“Listing Rules”</b>	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
<b>“New Annual Caps”</b>	the proposed annual caps under the Revised Framework Agreement for the Continuing Connected Transactions for the years ending 31 December 2023, 2024 and 2025
<b>“Original Framework Agreement”</b>	the framework agreement for securities and financial products transactions and services entered between the Company and HuaAn Funds on 29 December 2022, with a term commencing from 1 January 2023 to 31 December 2023
<b>“PRC”</b>	the People’s Republic of China
<b>“Revised Framework Agreement”</b>	the amended and restated Original Framework Agreement for securities and financial products transactions and services to be entered into between the Company and HuaAn Funds with a term extended to 31 December 2025
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC

“Securities and Financial Product Transactions”	the securities and financial product transactions contemplated under the Revised Framework Agreement
“SFO”	the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong)
“Shanghai Industrial”	Shanghai Industrial Investment (Group) Co., Ltd (上海工業投資(集團)有限公司), a limited liability company incorporated in the PRC in November 1998. 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 98.7654% and 1.2346% equity interests in Shanghai Industrial, respectively
“Shanghai SASAC”	the Shanghai State-owned Assets Supervision and Administration Commission (上海市國有資產監督管理委員會)
“Shanghai SITICO”	Shanghai SITICO Asset Management Co., Ltd. (上海上國投資資產管理有限公司), a limited liability company incorporated in the PRC in March 2015 and a non-wholly owned subsidiary of International Group. The ultimate beneficial owner of Shanghai SITICO is Shanghai SASAC
“Shareholder(s)”	the holder(s) of the shares of the Company

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

Shanghai, the PRC  
20 October 2023

*As of 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. DING Wei, Mr. LI Renjie, Mr. BAI Wei, Mr. LEE Conway Kong Wai, Mr. WANG Guogang and Mr. YIM, Chi Hung Henry.*