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**GUOTAI JUNAN INTERNATIONAL HOLDINGS LIMITED**

**國泰君安國際控股有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 1788)**

**REVISION OF ANNUAL CAPS FOR  
CONTINUING CONNECTED TRANSACTIONS**

**REVISION OF ANNUAL CAPS**

References are made to the announcement dated 19 March 2018 and the circular dated 26 March 2018 of the Company in connection with, among others, the New Master Services Agreement entered into between the Company and GTJA. Pursuant to the New Master Services Agreement, the Company and GTJA conditionally agreed that each of them will, and will procure member(s) of the Group and member(s) of the GTJA Group to, provide various services to member(s) of the GTJA Group or member(s) of the Group (as the case may be) pursuant to the terms set out in the New Master Services Agreement, which is effective for a term of three years from 1 January 2018 to 31 December 2020.

Due to the increasing demand for cross-border financial services and corporate finance advisory services including the Group's participation in GTJA's recent share placement completed on 17 April 2019, the aggregate income attributable to the Group arising from the corporate finance services provided by the Group to the GTJA Group under the New Master Services Agreement amounted to approximately HK\$18.6 million for the five (5) months ended 31 May 2019, representing an utilization rate of approximately 97.9% of the approved annual cap for the year ending 31 December 2019 in respect of such services. Based on the historical transaction figures and the current trend, it is estimated that the annual caps in respect of the corporate finance services provided by the Group to the GTJA Group for the two years ending 31 December 2019 and 31 December 2020 under the New Master Services Agreement are likely to exceed the approved annual caps. On 22 July 2019, the Company and GTJA entered into the Supplemental Agreement to increase such annual caps.

**LISTING RULES IMPLICATIONS**

As at the date of this announcement, GTJA, the ultimate controlling shareholder of the Company, which holds approximately 68.10% interest in the Company through GTJAH, an indirect wholly-owned subsidiary of GTJA, is a connected person of the Company. The transactions contemplated under the Supplemental Agreement are expected to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Group. Accordingly, the Supplemental Agreement between the Company and GTJA and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 under the Listing Rules, if the Company proposes to revise the annual caps for or introduce a material change to a continuing connected transaction, the Company shall re-comply with the provisions of Chapter 14A of the Listing Rules applicable to the relevant continuing connected transaction.

As one or more of the applicable percentage ratios exceeds 5% as calculated in accordance with Rule 14.07 of the Listing Rules, the Supplemental Agreement and the proposed annual caps contemplated thereunder are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Board will seek the approval of the Independent Shareholders to, among other things, approve the Supplemental Agreement and the proposed annual caps contemplated thereunder at the EGM. GTJA and its associates will abstain from voting on the resolution(s) to be passed at the EGM.

A circular containing, among other things, (i) further details of the Supplemental Agreement and the proposed annual caps contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM will be despatched to the Shareholders on or before 12 August 2019.

## **BACKGROUND**

References are made to the announcement of the Company dated 19 March 2018 and the circular of the Company dated 26 March 2018 in connection with, among others, the New Master Services Agreement entered into between the Company and GTJA. Pursuant to the New Master Services Agreement, the Company and GTJA conditionally agreed that each of them will, and will procure member(s) of the Group and member(s) of the GTJA Group to, provide various services to member(s) of the GTJA Group or member(s) of the Group (as the case may be) pursuant to the terms set out in the New Master Services Agreement, which is effective for a term of three years from 1 January 2018 to 31 December 2020.

## **SUPPLEMENTAL AGREEMENT**

Due to the increasing demand for cross-border financial services and corporate finance advisory services including the Group's participation in GTJA's recent share placement completed on 17 April 2019, the aggregate income attributable to the Group arising from the corporate finance services provided by the Group to the GTJA Group under the New Master Services Agreement amounted to approximately HK\$18.6 million for the five (5) months ended 31 May 2019, representing an utilization rate of approximately 97.9% of the approved annual cap for the year ending 31 December 2019 in respect of such services. Based on the historical transaction figures and the current trend, it is estimated that the annual caps in respect of the corporate finance services provided by the Group to the GTJA Group, including but not limited to advising on compliance with the Listing Rules and the Takeovers Code, the offering of securities and corporate restructuring and other advisory services in compliance with applicable laws and regulations, for the two years ending 31 December 2019 and 2020 under the New Master Services Agreement are likely to exceed the approved annual caps. Accordingly, on 22 July 2019, the Company and GTJA entered into the Supplemental Agreement to revise the approved annual caps as follows:

<b>In respect of the income attributable to the Group arising from corporate finance services provided to member(s) of the GTJA Group</b>	<b>For the financial year ending 31 December 2019</b>	<b>For the financial year ending 31 December 2020</b>
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
Existing approved annual caps	<u>19</u>	<u>21</u>
Proposed annual caps	<u>133</u>	<u>233</u>

The Supplemental Agreement and the proposed annual caps contemplated thereunder are conditional upon the Independent Shareholders' approval at the EGM.

Save for the amendments set out above, all other terms and conditions of the New Master Services Agreement shall remain in full force and effect. The approved annual caps for the other categories of services under the New Master Services Agreement, namely brokerage services, investment management and advisory services, consulting services and the approved annual caps in respect of the principal-to-principal investment and finance transactions between the Group and the GTJA Group remain unchanged. The term of the New Master Services Agreement will also remain unchanged i.e. it will expire on 31 December 2020.

#### **BASIS OF THE PROPOSED ANNUAL CAPS**

The proposed annual caps in respect of the corporate finance services provided by the Group to the member(s) of the GTJA Group for the two financial years ending 31 December 2019 and 2020 have been determined by reference to the following factors:

- (a) the historical transaction amounts in respect of the corporate finance services provided by the Group to the GTJA Group;
- (b) the estimated annualized amount for related transactions;
- (c) the national policies such as the implementation of the interconnection and belt and road policies and their impact on cross-border transactions and business;
- (d) the business growth and customer demand expectations; and
- (e) the global market status and forecast.

#### **HISTORICAL TRANSACTION FIGURES**

For the financial year ended 31 December 2018, there was no income recorded from corporate finance services provided by the Group to the GTJA Group. For the five (5) months ended 31 May 2019, the aggregate income attributable to the Group arising from the corporate finance services provided by the Group to the GTJA Group under the New Master Services Agreement amounted to approximately HK\$18.6 million, which has not exceeded the approved annual cap of HK\$19 million. Based on the historical transaction figures and the current trend, it is estimated that the annual caps in respect of the corporate finance services provided by the Group to the GTJA Group for the two years ending 31 December 2019 and 2020 under the New Master Services Agreement are likely to exceed the approved annual caps. The historical transaction figures and the annual caps in respect of the income attributable to the Group arising from corporate finance services provided to member(s) of the GTJA Group for the year ended 31 December 2018 and five (5) months ended 31 May 2019 are shown in the table below:

	<b>For the financial year ended 31 December 2018</b> <i>(HK\$ million)</i>	<b>For the five (5) months ended 31 May 2019</b> <i>(HK\$ million)</i>
Historical transaction figures in respect of the income attributable to the Group arising from corporate finance services provided to member(s) of the GTJA Group	0	18.6
Existing approved annual caps	17	19

## **REASONS FOR AND BENEFITS OF THE PROPOSED ANNUAL CAPS**

With the proceeding of economic globalization and capital market reform, the PRC capital market has entered a new stage of opening-up (such as the launch of science and technology innovation board) which provides securities companies with a broader platform for further development. It is estimated that the demand for cross-border financial services and corporate finance advisory services will continue to grow rapidly. By entering into the Supplemental Agreement, the Group can further expand the corporate finance services provided to the GTJA Group and increase revenues generated from the services which can in turn maximize returns to the Shareholders. The transactions contemplated under the Supplemental Agreement are expected to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Group. The Board considers that securing a long-term business relationship with the GTJA Group who has reputable business associated with profound experience in the financial and securities industry in the PRC is beneficial to the Group. The increased co-operation would expect to bring considerable and stable contribution to the Group's revenue and profit in the long run.

The Board (excluding the independent non-executive Directors whose views will be given after considering the advice to be given by the Independent Financial Adviser) are of the view that the terms of the Supplemental Agreement regarding the proposed annual caps for corporate finance services provided by the Group to the GTJA Group are fair and reasonable and on normal commercial terms and that the entering into of the Supplemental Agreement is in the best interest of the Company and the Shareholders as a whole.

No Director has material interest in the Supplemental Agreement and the proposed annual caps contemplated thereunder, however as each of Dr. YIM Fung, Ms. QI Haiying, Dr. XIE Lebin and Mr. LIU Yiyong is also a director/an officer of certain members of the GTJA Group, they have voluntarily abstained from voting on the relevant Board resolution(s) approving the Supplemental Agreement.

## **PRICING BASIS AND INTERNAL CONTROL**

As set out in the announcement dated 19 March 2018 and the circular dated 26 March 2018 of the Company, with respect to the services provided under the terms of the New Master Services Agreement and prices of the services thereunder, they are determined on normal commercial terms in the ordinary course of business.

With respect to the corporate finance transactions, the relevant business departments shall make reference to the fees for comparable transactions of independent third parties in the market and ensure that the pricing is negotiated on an arm's length basis.

Pursuant to the internal control measures and policies of the Company, before the Group enters into any of the transactions, the responsible business department must ensure that (i) the price of the transaction is the same as, or within the price range of, comparable transactions carried out by independent third parties in the market (where such transactions are available as references) and the pricing policies of the New Master Services Agreement (as amended by the Supplemental Agreement); and (ii) if there is any change to the Group's pricing policy or mechanism, that the revised pricing policy or mechanism is in line with market practice. Further, the relevant business departments are required to consult and obtain pre-execution approvals from the relevant departments for each continuing connected transaction (except for transactions under a brokerage account).

The Group would regularly monitor transactions between the Group and the GTJA Group as to whether such transactions fall within the scope of the New Master Services Agreement (as amended by the Supplemental Agreement), whether the relevant annual caps have nearly been fully utilised, and issuing warnings to the responsible business departments where necessary. The Group will also conduct sampling inspections on the effectiveness of the internal control procedures based on the audit plan.

The Company's external auditor, Company's audit committee and the independent non-executive Directors will conduct annual review on the operation of the continuing connected transactions and ensure that the transactions are in compliance with the Listing Rules.

## **GENERAL INFORMATION OF THE PARTIES**

The Company is an investment holding company. The operations of the Group are based in Hong Kong and its services include: (i) brokerage; (ii) corporate finance; (iii) asset management services; (iv) loans and financing; and (v) financial products, market making and investments.

GTJA is a joint stock limited company established in the PRC which is listed on the Main Board of the Stock Exchange (stock code: 2611) and Shanghai Stock Exchange (stock code: 601211). The GTJA Group is principally engaged in securities and futures brokerage, proprietary trading, securities underwriting and sponsoring, asset management, direct investment, fund management, securities investment consultancy, securities dealing and securities investment related financial advisory, margin financing and securities lending, sales of securities investment funds and financial products, provision of intermediary services to futures companies, market making, establishing private investment fund subsidiary and alternative investment subsidiary to engage in business related to private investment funds and alternative investment and other businesses in the PRC as approved by the China Securities Regulatory Commission, as well as the provision of securities products and services overseas.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, GTJA, the ultimate controlling shareholder of the Company, which holds approximately 68.10% interest in the Company through GTJAH, an indirect wholly-owned subsidiary of GTJA, is a connected person of the Company. The transactions contemplated under the Supplemental Agreement are expected to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Group. Accordingly, the Supplemental Agreement between the Company and GTJA and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 under the Listing Rules, if the Company proposes to revise the annual caps for or introduce a material change to a continuing connected transaction, the Company shall re-comply with the provisions of Chapter 14A of the Listing Rules applicable to the relevant continuing connected transaction.

As one or more of the applicable percentage ratios exceeds 5% as calculated in accordance with Rule 14.07 of the Listing Rules, the Supplemental Agreement and the proposed annual caps contemplated thereunder are subject to reporting, announcement and independent shareholders' approval

requirements under Chapter 14A of the Listing Rules. The Board will seek the approval of the Independent Shareholders to, among other things, approve the Supplemental Agreement and the proposed annual caps contemplated thereunder at the EGM. GTJA and its associates will abstain from voting on the resolution(s) to be passed at the EGM.

The Company has established the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the Supplemental Agreement and the proposed annual caps contemplated thereunder are fair and reasonable, and whether the transactions are on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendation of the Independent Financial Adviser. The Company has appointed Altus Capital Limited as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details of the Supplemental Agreement and the proposed annual caps contemplated thereunder; (ii) a letter of recommendations from the Independent Board Committee to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM will be despatched to the Shareholders on or before 12 August 2019.

## DEFINITIONS

“associate”	has the same meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Company”	Guotai Junan International Holdings Limited (Stock Code: 1788), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“connected person”	has the same meaning ascribed to it in the Listing Rules
“controlling shareholder”	has the same meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting to be convened by the Company to consider and if thought fit, approve, among other things, the Supplemental Agreement and the proposed annual caps contemplated thereunder
“Group”	the Company and its subsidiaries from time to time
“GTJA”	Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司), a joint stock company incorporated in the PRC with limited liability, whose A-Shares are listed on the Shanghai Stock Exchange (stock code: 601211) and H-Shares are listed on the Stock Exchange (stock code: 2611)
“GTJA Group”	GTJA and its subsidiaries from time to time
“GTJAH”	Guotai Junan Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, an indirect wholly-owned subsidiary of GTJA, and the controlling shareholder of the Company



“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board (which comprises Dr. FU Tingmei, Dr. SONG Ming, Mr. TSANG Yiu Keung and Professor CHAN Ka Keung Ceajer, all being the independent non-executive Directors) established to advise the Independent Shareholders with regards to the terms of the Supplemental Agreement and the proposed annual caps contemplated thereunder
“Independent Financial Adviser”	Altus Capital Limited, a corporation licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to conduct type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities and the independent financial adviser to the Independent Board Committee and the Independent Shareholders with regards to the terms of the Supplemental Agreement and the proposed annual caps contemplated thereunder
“Independent Shareholders”	the Shareholders, other than GTJA and its associates
“New Master Services Agreement”	the master services agreement entered into between the Company and GTJA on 19 March 2018 in relation to the provision of various services by the Group and member(s) of the GTJA Group to member(s) of the GTJA Group or member(s) of the Group (as the case may be)
“PRC”	the People’s Republic of China, which, for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Shareholder(s)”	holder(s) of share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the Supplemental Agreement entered into between the Company and GTJA on 22 July 2019 to amend certain terms of the New Master Services Agreement
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“%”	per cent

By order of the Board  
**Guotai Junan International Holdings Limited**  
**FENG Zheng Yao Helen**  
*Company Secretary*

Hong Kong, 22 July 2019

*As at the date of this announcement, the Board comprises four executive Directors, being Dr. YIM Fung (Chairman), Mr. WONG Tung Ching, Ms. QI Haiying and Mr. LI Guangjie; two non-executive Directors, being Dr. XIE Lebin and Mr. LIU Yiyong; and four independent non-executive Directors, being Dr. FU Tingmei, Dr. SONG Ming and Mr. TSANG Yiu Keung and Professor CHAN Ka Keung Ceajer.*