

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



GF SECURITIES CO., LTD.

廣發證券股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1776)

CONNECTED TRANSACTION – FORMATION OF PARTNERSHIP FUND

FORMATION OF PARTNERSHIP FUND

The Board is pleased to announce that on December 18, 2020, GF Xinde and GF Qianhe (wholly-owned subsidiaries of the Company) entered into the Partnership Agreement with Jilin Aodong (one of the substantial shareholders of the Company) and independent third parties, in relation to the joint promotion and formation of the Partnership Fund. The Partnership Fund will be established in the form of limited partnership. The total capital contribution amount of the Partnership Fund is RMB500 million, of which the proposed capital contribution by GF Xinde (as the general partner) will be RMB100 million, representing a capital contribution ratio of 20% of the subscription size of the Partnership Fund. The proposed capital contribution by GF Qianhe (as a limited partner) will be RMB150 million, representing a capital contribution ratio of 30% of the subscription size of the Partnership Fund. The proposed capital contribution by Jinlin Aodong (as a limited partner) will be RMB50 million, representing a capital contribution ratio of 10% of the subscription size of the Partnership Fund. The proposed capital contribution by other limited partners, i.e., Technology Guidance Fund Partnership, Technology Financial Holding, Zhuzhou SDIC and Xiangjiang Zhongying, will be RMB100 million, RMB50 million, RMB30 million and RMB20 million, respectively. The above-mentioned investors all contribute to the capital in cash and the sources of funds are all from their own funds.

The Partnership Fund will primarily invest in pharmaceuticals, biotechnology, in vitro diagnostics, medical devices, precision medicine, medical services, health care and other life and health-related segments. Upon its establishment, the Partnership Fund will be managed by GF Xinde as the manager and the management fees will be paid to GF Xinde as agreed in the Partnership Agreement.

Listing Rules Implications

Given that (1) GF Xinde and GF Qianhe both are wholly-owned subsidiaries of the Company; and (2) Jilin Aodong is a substantial shareholder of the Company, Jilin Aodong is a connected person of the Company for the purpose of the Listing Rules, the transaction of forming the Partnership Fund constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) exceed 0.1% but are less than 5%, the transaction of forming the Partnership Fund shall be subject to the reporting and announcement requirements, but exempt from the circular, independent financial advice and shareholders' approval requirements as set out in Chapter 14A of the Listing Rules.

BACKGROUND

The Board is pleased to announce that on December 18, 2020, GF Xinde and GF Qianhe (wholly-owned subsidiaries of the Company) entered into the Partnership Agreement with Jilin Aodong (one of the substantial shareholders of the Company) and independent third parties, in relation to the joint promotion and formation of the Partnership Fund.

PARTNERSHIP AGREEMENT

Date

December 18, 2020

Parties

- GF Xinde (as the general partner)
- GF Qianhe (as a limited partner)
- Jilin Aodong (as a limited partner)
- Technology Guidance Fund Partnership (a third party independent of the Company, as a limited partner)
- Technology Financial Holding (a third party independent of the Company, as a limited partner)
- Zhuzhou SDIC (a third party independent of the Company, as a limited partner)
- Xiangjiang Zhongying (a third party independent of the Company, as a limited partner)

Details of cooperation

The parties to the Partnership Agreement have agreed to the joint promotion and formation of the Partnership Fund. The Partnership Fund will be established in the form of limited partnership. The total capital contribution amount of the Partnership Fund is RMB500 million.

Investment direction

The Partnership Fund will primarily invest in pharmaceuticals, biotechnology, in vitro diagnostics, medical devices, precision medicine, medical services, health care and other life and health-related segments.

Organizational form and domicile

The Partnership Fund will be established in the form of limited partnership in Guangzhou City, Guangdong Province pursuant to the Partnership Enterprise Law of the PRC.

Scale

The total capital contribution amount of the Partnership Fund is RMB500 million, of which the proposed capital contribution by GF Xinde (as the general partner) will be RMB100 million, representing a capital contribution ratio of 20% of the subscription size of the Partnership Fund. The proposed capital contribution by GF Qianhe (as a limited partner) will be RMB150 million, representing a capital contribution ratio of 30% of the subscription size of the Partnership Fund. The proposed capital contribution by Jilin Aodong (as a limited partner) will be RMB50 million, representing a capital contribution ratio of 10% of the subscription size of the Partnership Fund. The proposed capital contribution by other limited partners, i.e., Technology Guidance Fund Partnership, Technology Financial Holding, Zhuzhou SDIC and Xiangjiang Zhongying, will be RMB100 million, RMB50 million, RMB30 million and RMB20 million, respectively. The above-mentioned investors all contribute to the capital in cash and the sources of funds are all from their own funds.

Term of the Partnership Fund

The term of the Partnership Fund will be 20 years. Among them, the term as a private equity fund will be 7 years, and the first 4 years beginning from the date on which the Partnership Fund is filed with the Asset Management Association of China shall be the investment period (the “**Investment Period**”). The 3 years beginning from the expiry date of the Investment Period shall be the divestment period (the “**Divestment Period**”) of the Partnership Fund. With the unanimous written consent of the partners representing more than two-thirds of the total actual paid-in capital contribution of the Partnership Fund, the term of the Partnership Fund may be extended twice, each time for 1 year.

Management of the Partnership Fund

According to the Partnership Agreement, GF Xinde, as the general partner, will act as the executive partner to manage the investment and operation of the Partnership Fund.

Exit methods

The exit methods are mainly exit by way of listing and exit by way of mergers and acquisitions, supplemented by exit by way of transfer in the primary market and exit by way of repurchase.

Management fees

The management fees of the Partnership Fund will be paid to GF Xinde annually as agreed below:

- during the Investment Period, the annual management fee is calculated at 2% per year based on the total actual capital contribution of the Partnership Fund;
- during the Divestment Period, the annual management fee is calculated at 2% per year on the capital contribution of the non-divested projects in the Partnership Fund;
- during the extension period of the exit of the Partnership Fund, no management fee will be charged in principle, unless otherwise agreed by the partners; and
- during the liquidation period of the partnership fund, no management fee will be charged.

Income distribution and loss sharing

- after deducting the withholding partnership fees that the Partnership Fund should bear and bears all unpaid partnership fees payable by the partnership, the income will be distributed first to all partners in proportion to their paid-in capital contribution ratio in the Partnership Fund, until each partner recovers the funds corresponding to its paid-in capital contribution in the partnership through the accumulated tax-included distributable cash it obtained, and obtains the tax-included amount calculated at 8% per annum (simple interest) based on the weighted average paid-in capital contribution balance in the partnership. If there is a balance, 20% of such balance will be distributed to the manager, GF Xinde, as a performance compensation. The remaining 80% of such balance will be distributed to each partner in proportion to their paid-in capital contribution ratio in the Partnership Fund;
- loss incurred by the Partnership Fund will be shared by all partners in proportion to their capital contribution while the loss in excess of the total actual capital contribution of the Partnership Fund shall be borne in accordance with the law; and

- when the Partnership Fund is to be liquidated, the manager shall make reasonable efforts to realize the investment of the Partnership Fund in order to avoid non-cash distribution. However, if such realization is not feasible or the manager determines on its own discretion that non-cash distribution is more favorable to the interests of all partners, the manager is entitled to decide to distribute in a non-cash manner. If a non-cash distribution is made, the manager shall make reasonable efforts to ensure that the relevant partners are provided with title proofs of the assets that have been distributed (if such registered title proofs are available), and perform all the necessary transfer and registration procedures.

REASONS FOR AND BENEFITS OF ENTERING INTO THE PARTNERSHIP AGREEMENT

The Partnership Fund will primarily invest in early and growing medical companies with products and technology projects with huge market potential and significant technical barriers, which allows the Company to make full use of its strengths in market-oriented operation, merger and acquisition, reorganization and financial innovation, in order to create value for partners and realize positive interaction between industrial resources and financial capital. The completion of this transaction will benefit the further optimization of the Company's business structure, which will have a positive impact on improving the profitability of the Company.

The terms of the Partnership Agreement were negotiated on an arm's length basis. As Mr. Li Xiulin, a Director of the Company, also serves as the chairman of Jilin Aodong, he has abstained from voting on the board resolution on the formation of the Partnership Fund. Other than the above, none of the Directors have any material interest in the Partnership Fund. The Directors (including the independent non-executive Directors) are of the view that the terms of Partnership Agreement are based on normal commercial terms, which are fair and reasonable, and in the interests of the Company and its shareholders as a whole.

The independent non-executive Directors of the Company have also granted prior approval and given independent opinions on this transaction in accordance with applicable laws, regulations and rules of the relevant stock exchange:

1. The independent non-executive Directors of the Company have issued prior approval opinions, agreeing to submit the relevant proposals of this transaction to the Board for consideration; and
2. The independent non-executive Directors of the Company consider that:
 - a. the establishment of a fund for investment through such connected transaction by fully leveraging the Company's expertise in market-oriented operation, merger and acquisition, reorganization and financial innovation will create value for its partners and realize positive interactions between industrial resources and financial capital; thus facilitating the Company to further optimize its business structure and causing positive effect on boosting the profit level of the Company.
 - b. the terms of such connected transaction are reasonable with fair pricing, and the independence of the operating activities of the Company are not affected.
 - c. the review and decision-making procedures for such connected transaction have complied with the requirements under the laws, administrative regulations, departmental rules and other normative legal documents.

Therefore, the independent non-executive Directors of the Company are of the views that such connected transaction has complied with the applicable external laws and regulations as well as the relevant requirements of the internal rules and regulations of the Company, and there is no prejudice against the interests of the Company and other shareholders, particularly the interests of non-connected shareholders and minority shareholders.

LISTING RULES IMPLICATIONS

Given that (1) GF Xinde and GF Qianhe both are wholly-owned subsidiaries of the Company; and (2) Jilin Aodong is one of the substantial shareholder of the Company, Jilin Aodong is a connected person of the Company for the purpose of the Listing Rules, the transaction of forming the Partnership Fund constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) exceed 0.1% but are less than 5%, the transaction of forming the Partnership Fund shall be subject to the reporting and announcement requirements, but exempt from the circular, independent financial advice and shareholders' approval requirements as set out in Chapter 14A of the Listing Rules.

GENERAL INFORMATION

The Company is a provider of comprehensive capital market services with industry-leading innovation capabilities focused on serving China's quality enterprises and affluent individuals. The Company provides a diversified business serving the varying needs of corporations, individuals (especially affluent individuals), institutional investors, financial institutions and government clients. The Company's principal business activities are investment banking, wealth management, trading and institutional business and investment management.

GF Xinde is a wholly-owned subsidiary of the Company and is principally engaged in equity investment and the provision of financial advisory services on equity investment to clients.

GF Qianhe is a wholly-owned subsidiary of the Company and is principally engaged in project investment and investment management.

The largest shareholder of Jilin Aodong is Dunhua Jincheng Industry Co., Ltd. (敦化市金誠實業有限責任公司), and the de facto controllers are Mr. Li Xiulin, Dunhua Jinyuan Investment Co., Ltd. (敦化市金源投資有限責任公司) and 6 shareholders of Dunhua Jincheng Industry Co., Ltd. The principal business of Jilin Aodong includes planting and breeding, business (except for special projects controlled by the state, franchise); machinery repair, warehousing, importing of raw and auxiliary materials, mechanical equipment, instruments, spare parts (except for the 12 imported items which are operated by the specified companies approved by the State) required by the production and scientific research by this enterprise; pharmaceutical industry, pharmaceutical business, pharmaceutical research and development, vehicle rental services, and self-owned real estate operating activities. Jilin Aodong is a connected person of the Company.

The de facto controller of Technology Guidance Fund Partnership is Guangzhou Municipal People's Government. According to the information provided by Technology Guidance Fund Partnership, Guangzhou Financial Holding Group Co., Ltd. (廣州金融控股集團有限公司) owns 99.9714% of the interests in Technology Guidance Fund Partnership. Guangzhou Financial Holding Fund Management Co., Ltd. (廣州金控基金管理有限公司) is the executive partner of Technology Guidance Fund Partnership and owns 0.0286% of the interests in Technology Guidance Fund Partnership. Guangzhou Financial Holding Fund Management Co., Ltd. is 100% owned by Guangzhou Financial Holding Group Co., Ltd., which is in turn 100% owned by Guangzhou Municipal People's Government. The principal business of Technology Guidance Fund Partnership includes venture investment; venture capital; investment with self-owned capital; equity investment. It is a third party independent of the Company.

The de facto controller of Technology Financial Holding is the State-owned Assets Supervision and Administration Commission of Guangzhou Municipal People's Government. According to the information provided by Technology Financial Holding, Technology Financial Holding is 100% owned by Guangzhou Industrial Investment Fund Management Co., Ltd. (廣州產業投資基金管理有限公司), which is in turn 100% owned by Guangzhou Urban Construction Investment Group Co., Ltd. (廣州市城市建設投資集團有限公司). Guangzhou Urban Construction Investment Group Co., Ltd. is 100% owned by the State-owned Assets Supervision and Administration Commission of Guangzhou Municipal People's Government. The principal business of Technology Financial Holding includes corporate management consulting services; corporate management services (except for those involving permitted items of operation); investment with self-owned capital; investment consulting services; venture investment; venture capital; high-tech entrepreneurial services; investment management services. It is a third party independent of the Company.

The de facto controller of Zhuzhou SDIC is the State-owned Assets Supervision and Administration Commission of the Zhuzhou Municipal People's Government. According to the information provided by Zhuzhou SDIC, Zhuzhou SDIC is 96.00% and 4.00% owned by Zhuzhou State-owned Assets Investment Holding Group Co., Ltd. (株洲市國有資產投資控股集團有限公司) and Zhuzhou Institute of Industry and Finance Co., Ltd. (株洲市產業與金融研究所有限公司), respectively. Zhuzhou State-owned Assets Investment Holding Group Co., Ltd. is 100% owned by the State-owned Assets Supervision and Administration Commission of the Zhuzhou Municipal People's Government. The principal business of Zhuzhou SDIC is equity investment with self-owned capital; investment project management activities; asset management company activities; venture capital business. It is a third party independent of the Company.

The de facto controller of Xiangjiang Zhongying is the State-owned Assets Supervision and Administration Commission of Changsha Municipal People's Government. According to the information provided by Xiangjiang Zhongying, Xiangjiang Zhongying is 100% owned by Hunan Xiangjiang New Area Development Group Co., Ltd. (湖南湘江新區發展集團有限公司), which is in turn 100% owned by the State-owned Assets Supervision and Administration Commission of Changsha Municipal People's Government. The principal business of Xiangjiang Zhongying includes venture capital; venture capital consulting business; venture investment; equity investment; asset management (excluding wealth management on behalf of clients); high-tech industry investment; engineering project management services; supply chain management and services; wholesale of building materials; import and export of goods or technologies (except for those prohibited or required administrative approval by the State). It is a third party independent of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Board”	the board of Directors of the Company
“Company”	GF Securities Co., Ltd., a joint stock company incorporated in the PRC with limited liability
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Directors”	the directors of the Company
“GF Qianhe”	GF Qianhe Investment Co., Ltd. (廣發乾和投資有限公司), a company with limited liability incorporated in the PRC, a wholly-owned subsidiary of the Company
“GF Xinde”	GF Xinde Investment Management Co., Ltd. (廣發信德投資管理有限公司), a company with limited liability incorporated in the PRC, a wholly-owned subsidiary of the Company
“Jilin Aodong”	Jilin Aodong Pharmaceutical Group Co., Ltd. (吉林敖東藥業集團股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000623), Jilin Aodong held approximately 18.01% in total of the issued share capital of the Company together with its parties acting in concert as of September 30, 2020, one of the substantial shareholders of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Partnership Agreement”	the partnership agreement of Partnership Fund entered into by GF Xinde, GF Qianhe, Jilin Aodong, Technology Guidance Fund Partnership, Technology Financial Holding, Zhuzhou SDIC and Xiangjiang Zhongying on December 18, 2020
“Partnership Fund”	Guangzhou GF Xinde Health Venture Capital Fund Partnership (Limited Partnership) (廣州廣發信德健康創業投資基金合夥企業(有限合夥)) (a temporary name, and the name to be approved by the Administration for Industry and Commerce shall prevail)
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau Special Administrative Region and Taiwan Region

“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Technology Guidance Fund Partnership”	Guangzhou Science and Technology Achievement Industrialization Guidance Fund Partnership (Limited Partnership) (廣州科技成果產業化引導基金合夥企業(有限合夥)), a partnership enterprise (Limited Partnership) registered in the PRC, which is a third party independent of the Company
“Technology Financial Holding”	Guangzhou Technology Financial Innovation Investment Holding Co. Ltd. (廣州科技金融創新投資控股有限公司), a limited company incorporated in the PRC, which is a third party independent of the Company
“Xiangjiang Zhongying”	Hunan Xiangjiang Zhongying Investment Management Co., Ltd. (湖南湘江中盈投資管理有限公司), a limited liability company incorporated in the PRC, which is a third party independent of the Company
“Zhuzhou SDIC”	Zhuzhou SDIC Innovation Venture Capital Co., Ltd. (株洲市國投創新創業投資有限公司), a limited liability company incorporated in the PRC, which is a third party independent of the Company

By order of the Board of Directors
GF Securities Co., Ltd.
Sun Shuming
Chairman

Guangzhou, the PRC
December 18, 2020

As at the date of this notice, the Board of the Company comprises Mr. Sun Shuming, Mr. Qin Li and Ms. Sun Xiaoyan as executive Directors; Mr. Li Xiulin, Mr. Shang Shuzhi and Mr. Guo Jingyi as non-executive Directors; and Mr. Fan Lifu, Mr. Hu Bin, Ms. Leung Shek Ling Olivia and Mr. Li Wenjing as independent non-executive Directors.