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国联证券股份有限公司
GUOLIAN SECURITIES CO., LTD.

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

(Stock Code: 01456)

CONNECTED TRANSACTION ESTABLISHMENT OF PARTNERSHIP

Reference is made to the announcement of the Company dated 18 March 2021. The Board announces that, Guolian Capital, a wholly-owned subsidiary of the Company, and Wuxi Rural Revitalization Fund and other investors had entered into the Partnership Agreement on 18 October 2021.

The total size of the Partnership is RMB1,000,000,000, of which RMB85,000,000 is contributed by Guolian Capital and RMB50,000,000 is contributed by Wuxi Rural Revitalization Fund.

As Guolian Group directly and indirectly holds 48.60% of the shares of the Company, it is a Controlling Shareholder as defined under the Listing Rules, and is therefore a Connected Person of the Company. Guolian Group, Wuxi Guolian Financial Investment Group Co., Ltd.* (無錫國聯金融投資集團有限公司) and Wuxi Guolian Industrial Investment Co., Ltd.* (無錫國聯產業投資有限公司), both controlled by Guolian Group, hold as to 60%, 29.6% and 0.4% of the shares of Wuxi Rural Revitalization Fund respectively, and therefore, Wuxi Rural Revitalization Fund is a Connected Person of the Company under Chapter 14A of the Listing Rules, and the establishment of the Partnership constitutes a Connected Transaction of the Company under Chapter 14A of the Listing Rules. To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, each of the other parties to the Partnership Agreement other than Wuxi Rural Revitalization Fund and their respective ultimate beneficial owners are third parties independent of the Company and its associates (as defined under the Listing Rules).

As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the capital contribution amount regarding the establishment of the Partnership are more than 0.1% but less than 5%, the establishment of the Partnership is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but can be exempted from the independent Shareholders' approval requirements.

PARTNERSHIP AGREEMENT

The principal terms of the Partnership Agreement are summarized as follows:

Date of Entering into the Partnership Agreement: 18 October 2021

Purpose of the Partnership: Invest in the time-honoured enterprises, or enterprises that can promote the development of Chinese traditional culture and establishment of well-known brands mainly in Jiangsu Province and nationwide, with an aim to bring good returns to investors

Business Scope of the Partnership: Equity investment, venture capital (subject to enterprise registration)

Parties and capital contribution amounts:			Method of capital contribution	Subscribed capital contribution (In RMB'0,000)	Contribution ratio (%)
Nature	Name				
General partners	Guolian Capital Co., Ltd.* (國聯通寶資本投資有限責任公司)		Cash	8,500	8.5
	Zhongxin Hongchuang (Wuxi) Private Fund Management Co., Ltd.* ¹ (中新泓創(無錫)私募基金管理有限公司)		Cash	21,500	21.5
Limited partners	Jiangsu Provincial Government Investment Fund (Limited Partnership)* (江蘇省政府投資基金(有限合夥))		Cash	30,000	30
	Jiangsu Guyunhe Investment Group Co., Ltd. * (江蘇古運河投資集團有限公司)		Cash	15,000	15
	Yancheng Chengnan New District Development and Construction Investment Co., Ltd. * (鹽城市城南新區開發建設投資有限公司)		Cash	10,000	10
	Wuxi Rural Development and Revitalization Investment Fund (Limited Partnership)* (無錫市鄉村發展振興投資基金(有限合夥))		Cash	5,000	5
	Wuxi Lingshan Cultural Tourism Group Co., Ltd. * (無錫靈山文化旅遊集團有限公司)		Cash	5,000	5
	Wuxi Food Science and Technology Park Development Co., Ltd. * (無錫食品科技園發展有限公司)		Cash	5,000	5

The paid-up capital contributions made by the partners to the Partnership shall be paid in instalments in the same proportion according to their subscribed capital contributions. The paid-up capital contribution of each instalment made by the partners to the Partnership shall be executed in an orderly manner according to the principle that the general partners precede limited partners and that the capital contribution is synchronized between the limited partners. The initial capital contribution ratio of the partners is 50% of the total capital contribution subscribed by the Partnership.

¹ Reference is made to the announcement of the Company dated 18 March 2021. Upon further negotiation among the parties to the agreement, the subscribed capital contribution of Zhongxin Hongchuang (Wuxi) Private Fund Management Co., Ltd. (formerly known as “Zhongxin Hongchuang (Wuxi) Investment Management Co., Ltd.”) changed from RMB5 million to RMB215 million. The total size of the Partnership remains unchanged.

The subscribed capital contribution amount is determined by the parties after arm's length negotiation with reference to the strategy and the estimated capital requirements of the Partnership. The subscribed capital contribution amount of Guolian Capital will be financed by the internal resources of the Group.

Name of Partnership: Jiangsu Time-honoured Industrial Investment Fund (Limited Partnership)* (江蘇老字號產業投資基金(有限合夥))

Duration period of the Partnership: 7 years (of which the investment period is 4 years, and the withdrawal period is 3 years, which can be extended for not more than 2 years by the resolution of the partners' meetings)

Fund manager: Guolian Capital

Executive partner: Zhongxin Hongchuang (Wuxi) Private Fund Management Co., Ltd.

The authorities and responsibilities of the executive partner are as follows:

- (1) No external debt or external guarantee shall be provided in the name of the Partnership;
- (2) For the debt liability of the investment projects of the Partnership, the executive partner should have a clear definition when making the investment decision, and formulate appropriate financial arrangements to avoid the debt liability;
- (3) The executive partner may, in accordance with the business objectives of the Partnership and the market conditions, select various investment instruments that comply with the requirements of laws;

- (4) After the Partnership has withdrawn from the investment projects or disposed of in other ways, the net income shall be distributed as stipulated in Chapter 13 of the Partnership Agreement, and no reinvestment shall be made (except for the funds temporarily recovered due to the adjustment of the investment structure of the same project and the funds recovered from the SPV sub-fund without actual investment);
- (5) Other authorities and responsibilities as agreed in the Partnership Agreement.

Management fee
income:

The total amount of management fees payable by the Partnership to the executive partner and fund manager shall be implemented in accordance with the following schemes (except those adjusted in accordance with the Partnership Agreement):

1. During the investment period of the Partnership, the management fee shall be 2% per year of the total subscribed capital contribution of the Partnership;
2. During the withdrawal period of the Partnership, the management fee shall be 2% per year of the balance of the original investment cost of the Partnership before withdrawal;
3. No management fee shall be charged for the extension period and liquidation period of the Partnership;
4. Where the Partnership invests in other funds, the total management fees of the parent and child funds shall not exceed 2.5% per year of the total paid-up capital contribution of the parent fund;
5. Where the Partnership invests in other funds, no repeated management fees shall be paid.

Profit distribution and debt obligation: The distribution among all the partners of the Partnership is based on the principles of principal first before income, and limited partners first before general partners. The specific distribution sequence is as follows:

- (1) Distribution of the principal of the paid-up capital contribution of more than RMB5 million made by the limited partners and the fund manager: among them, the distribution ratio of limited partners shall be calculated based on their paid-up capital contribution, and the distribution ratio of the fund manager shall be calculated based on its paid-up capital contribution minus RMB5 million, until each limited partner has recovered its cumulative paid-up capital contribution to the Partnership, and the fund manager has recovered its paid-up capital contribution exceeding RMB5 million (Hereafter referred to as “the First Round of Distribution”);
- (2) Distribution of the principal of the general partners: if there is still distributable income after the above distribution, it shall continue to be distributed to the general partners until the fund manager has recovered its remaining paid-up capital contribution of RMB5 million and the executive partner has recovered its cumulative paid-up capital contribution to the Partnership (Hereafter referred to as “the Second Round of Distribution”);
- (3) Distribution of the threshold income corresponding to the paid-up capital contribution of more than RMB5 million made by the limited partners and the fund manager: if there is still distributable income after the above two rounds of distribution, it shall continue to be distributed to the limited partners and the fund manager until the total distribution income received by each limited partner and the fund manager reaches the amount calculated at the annualized rate of return (simple interest) of 6% based on the first round of distribution amount (Hereafter referred to as “the Third Round of Distribution”);

- (4) Distribution of the threshold income of the general partners: if there is still distributable income after the above three rounds of distribution, it shall continue to be distributed to the general partners until the total distribution income received by them has reached the amount calculated at the annualized rate of return (simple interest) of 6% based on the second round of distribution amount (Hereafter referred to as “the Fourth Round of Distribution”);
- (5) If after the above (1), (2), (3) and (4) rounds of distribution, there is still distributable income available, then it is excess income. For the portion of excess income not exceeding 200% of the principal (total paid-up capital contribution), 20% shall be distributed to general partners, and 80% shall be distributed to limited partners and the fund manager according to the proportion of their paid-up capital contribution. For the portion of excess income exceeding 200% of the principal (total paid-up capital contribution), 30% shall be distributed to general partners, and 70% shall be distributed to limited partners and the fund manager in proportion to their paid-up capital contribution.

General partners shall be jointly and severally liable for the debts of the Partnership, and limited partners shall be liable for the debts of the Partnership up to the limit of the capital contribution subscribed by them.

Investment decisions: The fund manager establishes an investment decision-making committee as the decision-making body for the investment business of the Partnership.

The investment decision-making committee is composed of 6 members, and shall include professionals in the fields of law, finance, investment management and industries fit with the main investment direction of the Partnership.

Members of the investment decision-making committee shall be selected or appointed by the fund manager, and determined after review and approval at the meeting of the partners of the Partnership. The chairman of the investment decision-making committee shall be designated by the fund manager.

The fund manager shall formulate the rules of procedure of the investment decision-making committee and implement them after being reviewed and approved at the meeting of partners of the Partnership.

Jiangsu Provincial Government Investment Fund (Limited Partnership)* (江蘇省政府投資基金(有限合夥)) may appoint observers or recommend members of the investment decision-making committee according to the operational needs of the Partnership. Observers shall attend the meetings of the investment decision-making committee. Observers shall have the right to express their opinions on the matters to be considered at the meeting, but shall not have the right to vote.

Any proposal related to the investment matters of the Partnership to be submitted to the investment decision-making committee for consideration under the Partnership Agreement shall first be submitted to Jiangsu Provincial Government Investment Fund (Limited Partnership)* (江蘇省政府投資基金(有限合夥)) for policy compliance review.

REASONS FOR AND BENEFIT OF THE TRANSACTION

The establishment of the Partnership will further expand the asset management scale of Guolian Capital, which is beneficial to Guolian Capital to expand its business, and at the same time facilitate to enhance the Company's strengths in equity investment and fund management businesses, and improve the brand awareness of the Company.

The terms of the Partnership Agreement are made after an arm's length negotiation between the parties thereto. The Directors (including independent non-executive Directors) consider that the terms of the Partnership Agreement are entered into in the ordinary course of business of the Group, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The transaction is beneficial for the development of the private equity fund business of the Company and is in the interest of the Company and its Shareholders as a whole. There is no circumstance that will damage the interests of the Company and its minority Shareholders or will affect the independence of the Company.

IMPLICATIONS OF LISTING RULES

Guolian Capital is a wholly-owned subsidiary of the Company.

As Guolian Group directly and indirectly holds 48.60% of the shares of the Company, it is a Controlling Shareholder as defined under the Listing Rules, and is therefore a Connected Person of the Company. Guolian Group, Wuxi Guolian Financial Investment Group Co., Ltd.* (無錫國聯金融投資集團有限公司) and Wuxi Guolian Industrial Investment Co., Ltd.* (無錫國聯產業投資有限公司), both controlled by Guolian Group, hold as to 60%, 29.6% and 0.4% of the shares of Wuxi Rural Revitalization Fund respectively, and therefore, Wuxi Rural Revitalization Fund is a Connected Person of the Company under Chapter 14A of the Listing Rules, and the establishment of the Partnership constitutes a Connected Transaction of the Company under Chapter 14A of the Listing Rules. To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, each of the other parties to the Partnership Agreement other than Wuxi Rural Revitalization Fund and their respective ultimate beneficial owners are third parties independent of the Company and its associates (as defined under the Listing Rules).

As the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the capital contribution amount regarding the establishment of the Partnership are more than 0.1% but less than 5%, the establishment of the Partnership is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules, but can be exempted from the independent Shareholders' approval requirements.

GENERAL INFORMATION

Information of the Group

The Group is engaged in the following activities: securities brokerage, securities investment consultancy, financial advisory in relation to securities trading and securities investment activities, proprietary securities trading, securities asset management, agency sale of securities investment fund, margin financing and securities lending, introducing broker for futures companies, agency sale of financial products, securities underwriting and sponsorship, direct investment and etc.

Information of Guolian Group

Guolian Group is a wholly state-owned enterprise group established in the PRC. Guolian Group is principally engaged in capital and assets operation; external investment with proprietary funds; trade consultancy; enterprise management service. Its ultimate beneficial owner is the State-owned Assets Supervision and Administration Commission of the Municipal People's Government of Wuxi.

Information of Guolian Capital

Guolian Capital is principally engaged in investment management. Guolian Capital is a wholly-owned subsidiary of the Company.

Information of Zhongxin Hongchuang (Wuxi) Private Fund Management Co., Ltd.

Zhongxin Hongchuang (Wuxi) Private Fund Management Co., Ltd. is principally engaged in equity investment, investment management, asset management and other activities, and its ultimate beneficial owner is Yang Dongsheng (楊東升).

Information of Jiangsu Provincial Government Investment Fund (Limited Partnership)

Jiangsu Provincial Government Investment Fund (Limited Partnership) is principally engaged in fund management business, etc., and its ultimate beneficial owner is the Department of Finance of Jiangsu Province.

Information of Jiangsu Guyunhe Investment Group Co., Ltd.

Jiangsu Guyunhe Investment Group Co., Ltd. is principally engaged in foreign investment and economic information consulting services, etc., and its ultimate beneficial owner is the State-owned Asset Supervision and Administration Office of the People's Government of Liangxi District, Wuxi.

Information of Yancheng Chengnan New District Development and Construction Investment Co., Ltd.

Yancheng Chengnan New District Development and Construction Investment Co., Ltd. is principally engaged in real estate development and operation and urban infrastructure investment, operation and management businesses, etc., and its ultimate beneficial owner is Yancheng Municipal People's Government.

Information of Wuxi Rural Revitalization Fund

Wuxi Rural Revitalization Fund is principally engaged in investing in rural revitalization industries with proprietary funds, and its ultimate beneficial owner is the State-owned Assets Supervision and Administration Commission of the Municipal People's Government of Wuxi.

Information of Wuxi Lingshan Cultural Tourism Group Co., Ltd.

Wuxi Lingshan Cultural Tourism Group Co., Ltd. is principally engaged in the development business of tourist resources in scenic spots, etc., and its ultimate beneficial owner is the Lingshan Scenic Area Management Center of Wuxi.

Information of Wuxi Food Science and Technology Park Development Co., Ltd.

Wuxi Food Science and Technology Park Development Co., Ltd. is principally engaged in food technology development and technology transfer businesses, etc., and its ultimate beneficial owner is the State-owned Assets Management Center of Liangxi District, Wuxi.

DEFINITION

“Board”	the board of Directors of the Company
“Company”	Guolian Securities Co., Ltd. (國聯證券股份有限公司), a joint stock company established in the PRC with limited liability, whose H Shares are listed on the Stock Exchange and A Shares are listed on the main board of Shanghai Stock Exchange
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

“Guolian Capital”	Guolian Capital Co., Ltd. (國聯通寶資本投資有限責任公司), a company incorporated in the PRC with limited liability, and a wholly-owned subsidiary of the Company
“Wuxi Rural Revitalization Fund”	Wuxi Rural Development and Revitalization Investment Fund (Limited Partnership) (無錫市鄉村發展振興投資基金(有限合夥)), a limited partnership incorporated in the PRC
“Guolian Group”	Wuxi Guolian Development (Group) Co., Ltd. (無錫市國聯發展(集團)有限公司), a wholly state-owned limited liability company established in the PRC, the Controlling Shareholder of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Partnership”	Jiangsu Time-honoured Industrial Investment Fund (Limited Partnership) (江蘇老字號產業投資基金(有限合夥)), a partnership to be established in accordance with the Partnership Agreement
“Partnership Agreement”	the Jiangsu Time-honoured Industrial Investment Fund (Limited Partnership) Partnership Agreement (《江蘇老字號產業投資基金(有限合夥)合夥協議》) entered into between Guolian Capital and Wuxi Rural Revitalization Fund and other investors on 18 October 2021 for jointly promoting the establishment of the Partnership

“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“Shareholder(s)”	holder(s) of the Share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By order of the Board
Guolian Securities Co., Ltd.
Yao Zhiyong
Chairman

Wuxi, Jiangsu Province, the PRC
18 October 2021

As of the date of this announcement, the executive Director of the Company is Mr. Ge Xiaobo; the non-executive Directors of the Company are Mr. Yao Zhiyong, Mr. Hua Weirong, Mr. Zhou Weiping, Mr. Liu Hailin and Mr. Zhang Weigang; and the independent non-executive Directors of the Company are Mr. Lu Yuanzhu, Mr. Wu Xingyu and Mr. Chu, Howard Ho Hwa.