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Central China Securities Co., Ltd.

(a joint stock company incorporated in 2002 in Henan Province, the People's Republic of China with limited liability under the Chinese corporate name "中原证券股份有限公司" and carrying on business in Hong Kong as "中州证券")

(Stock Code: 01375)

DISCLOSEABLE AND CONNECTED TRANSACTION THE ACQUISITION OF THE 40.935% EQUITY INTEREST IN CENTRAL CHINA FUTURES

THE ACQUISITION

Reference is made to the announcement of the Company dated 28 October 2022 in relation to the proposed exercise of the shareholder's right of first refusal to participate in the public tender of Henan Railway Construction & Investment to transfer the 40.935% equity interest in Central China Futures held by it.

The Board hereby announces that, the Company has participated and successfully won the bid for the public tender transfer. The Company has entered into the Acquisition Agreement with Henan Railway Construction & Investment, pursuant to which Henan Railway Construction & Investment agrees to sell and the Company agrees to acquire 40.935% equity interest in Central China Futures at a consideration of RMB225,551,850. Upon the completion of the Acquisition, the Company will hold 92.292% equity interest in Central China Futures.

LISTING RULES IMPLICATION

As the highest of the applicable percentage ratios of the Acquisition exceeds 5% but all of the applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Central China Futures, a significant subsidiary of the Company, is held as to 40.935% by Henan Railway Construction & Investment, and therefore, Henan Railway Construction & Investment is a connected person of the Company at the subsidiary level. As such, according to Chapter 14A of the Listing Rules, the Acquisition constitutes a connected transaction of the Company.

Given that (i) Henan Railway Construction & Investment is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Acquisition; and (iii) the independent non-executive Directors have confirmed that the Acquisition is on normal commercial terms, its terms are fair and reasonable, and is in the interest of the Company and the Shareholders as a whole. As such, the Acquisition is subject to the reporting and announcement requirements but is exempt from the circular and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

I. THE ACQUISITION

Reference is made to the announcement of the Company dated 28 October 2022 in relation to the proposed exercise of the shareholder's right of first refusal to participate in the public tender of Henan Railway Construction & Investment to transfer the 40.935% equity interest in Central China Futures held by it.

The Board hereby announces that, the Company has participated and successfully won the bid for the public tender transfer. The Company has entered into the Acquisition Agreement with Henan Railway Construction & Investment, pursuant to which Henan Railway Construction & Investment agrees to sell and the Company agrees to acquire the 40.935% equity interest in Central China Futures at a consideration of RMB225,551,850. Upon the completion of the Acquisition, the Company will hold 92.292% equity interest in Central China Futures.

The principal terms of the Acquisition Agreement are as follows:

Date

The Company and Henan Railway Construction & Investment entered into the Equity Transfer Agreement and the MOU on 27 December 2022 and 28 December 2022, respectively.

Parties

- (i) Henan Railway Construction & Investment (as the transferor); and
- (ii) the Company (as the transferee)

Subject Matter

Henan Railway Construction & Investment agrees to sell and the Company agrees to acquire the 40.935% equity interest in Central China Futures held by Henan Railway Construction & Investment.

Consideration and Payment

The Company acquires 40.935% equity interest in Central China Futures at a consideration of RMB225,551,850, representing the tender price of the 40.935% equity interest in Central China Futures. The consideration is determined with reference to the appraised value of the entire shareholder's interest of Central China Futures of RMB551,000,000 as of 31 December 2021, which was prepared by China United Assets Appraisal Group, the valuer, based on the market approach.

The consideration shall be paid in three instalments as follows:

- (i) 51% of the consideration (i.e. RMB115,031,443.50) shall be settled by 31 December 2022, among which RMB30,000,000 shall be paid by the deposit of RMB30,000,000 paid by the Company to Zhongyuan Property (the transaction platform for the public tender transfer);
- (i) 25% of the consideration (i.e. RMB56,387,962.50) shall be settled by 31 March 2023; and
- (iii) 24% of the consideration (i.e. RMB54,132,444.00) shall be settled by 30 June 2023.

The consideration will be funded by the internal resource of the Company.

Completion

Within 15 working days from the day on which Henan Railway Construction & Investment received all the transfer consideration, the Company shall deliver to Henan Railway Construction & Investment all necessary documents and information to be delivered or executed for the relevant authorities and market regulatory authorities to carry out the registration procedures for the change in equity interests under the Acquisition Agreement. Henan Railway Construction & Investment agrees to proactively facilitate the registration procedures for the change in equity interests.

Other Terms

In the event of matters required to be voted by the shareholders, Henan Railway Construction & Investment shall agree to delegate the voting rights of the shares corresponding to the consideration received to the Company to exercise the shareholders' voting rights and to assist the Company in the procedures of producing such power of attorney.

Liability for Breach of Contracts

1. Any party who proposes to terminate the agreement without any reason shall pay 30% of the transfer consideration to other party as one-off liquidated damages and shall be liable for any losses suffered by the other party.
2. Where Henan Railway Construction & Investment fails to perform and complete relevant approval and equity transfer registration obligations according to the agreement, the Company shall be entitled to terminate the agreement and require Henan Railway Construction & Investment to pay 30% of the transfer consideration to the Company as liquidated damages.
3. Any undisclosed or omitted matters regarding the assets and liabilities of the Central China Futures which may cause material and adverse impacts to the Central China Futures or the equity transfer price, the Company shall have the right to terminate the agreement and require Henan Railway Construction & Investment to pay 30% of the transfer consideration as liquidated damages. If the Company does not intend to terminate the agreement, it shall have the right to require Henan Railway Construction & Investment to compensate it regarding to relevant matters. The compensation amount shall be equal to the relevant portion of the amount of losses incurred by the above undisclosed or omitted assets and liabilities of the Central China Futures corresponding to the equity interest transferred.

II. FINANCIAL INFORMATION OF CENTRAL CHINA FUTURES

Central China Futures is a limited liability company established in the PRC. As at the date of this announcement, Central China Futures is held as to 51.357% by the Company, 40.935% by Henan Railway Construction & Investment and 7.708% by Henan Yuliang Grain Group Co., Ltd.* (河南省豫糧糧食集團有限公司). Central China Futures principally engages in commodity futures brokerage, financial futures brokerage, futures investment advisory business and assets management. Henan Railway Construction & Investment acquired 40.935% equity interest in Central China Futures in 2015 through making a capital increase of RMB156,700,000.

The unaudited net asset book value of Central China Futures as at 30 June 2022 amounted to RMB441,757,300. The following table demonstrates the financial information of Central China Futures for the two years ended 31 December 2021 prepared in accordance with the China Accounting Standards for Business Enterprises:

| | Year ended 31 December 2020 | Year ended 31 December 2021 |
|------------------------------|--|--|
| | <i>(RMB ten thousand)</i> | <i>(RMB ten thousand)</i> |
| | (Audited) | (Audited) |
| Net profit before tax | 2,427.54 | 2,455.20 |
| Net profit after tax | 1,812.16 | 1,989.48 |

III. REASONS AND BENEFITS OF THE ACQUISITION

Upon the completion of the Acquisition, the Company will hold 92.292% equity interest in Central China Futures. Participating in the Acquisition will further facilitate the Company's strategic layout for full licenses securities, improve business synergy between the Company and Central China Futures, as well as decision efficiency and profit returns, and will not have a significant impact on the normal operation of the Company.

The Directors (including the independent non-executive Directors) believe that, although the Acquisition is not conducted in the ordinary and usual course of business of the Company, the Acquisition is on normal commercial terms, is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

IV. GENERAL INFORMATION OF THE PARTIES

The Company

The Company is a leading securities firm in Henan Province with a full-service business platform and strategic presence in the PRC. It is principally engaged in the brokerage, investment banking, investment management and proprietary trading businesses. The largest substantial Shareholder of the Company is Henan Investment Group. Henan Investment Group is a wholly state-owned enterprise, which is a provincial government investment and financial entity established under the approval of the Henan Provincial Government for promoting economic development in the Henan Province in order to conform with the investment and financing systems reform requirements in the PRC. Henan Investment Group's de facto controller is the Department of Finance of Henan Province.

Henan Railway Construction & Investment

Henan Railway Construction & Investment is a limited liability company established in the PRC, which is owned as to 100% by Henan Government. Henan Railway Construction & Investment is principally engaged in construction survey, construction design, public train transportation, urban delivery and transportation services (excluding hazardous goods) and other businesses. As at the date of this announcement, Henan Railway Construction & Investment holds 47,230,915 A Shares of the Company, representing 1.02% of the total share capital of the Company.

V. LISTING RULES IMPLICATION

As the highest of the applicable percentage ratios of the Acquisition exceeds 5% but all of the applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Central China Futures, a significant subsidiary of the Company, is held as to 40.935% by Henan Railway Construction & Investment, and therefore, Henan Railway Construction & Investment is a connected person of the Company at the subsidiary level. As such, according to Chapter 14A of the Listing Rules, the Acquisition constitutes a connected transaction of the Company.

Given that (i) Henan Railway Construction & Investment is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Acquisition; and (iii) the independent non-executive Directors have confirmed that the Acquisition is on normal commercial terms, its terms are fair and reasonable, and is in the interest of the Company and the Shareholders as a whole. As such, the Acquisition is subject to the reporting and announcement requirements but is exempt from the circular and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

No Director has any interest in the Acquisition and is required to abstain from voting on the relevant Board resolutions.

VI. DEFINITIONS

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

| | |
|-------------------------|---|
| “A Shares” | domestic listed ordinary shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed and traded on the Shanghai Stock Exchange |
| “Acquisition” | the acquisition by the Company of the 40.935% equity interest in Central China Futures from Henan Railway Construction & Investment pursuant to the Acquisition Agreement |
| “Acquisition Agreement” | the Equity Transfer Agreement and the MOU |
| “Board” | the board of Directors |
| “Central China Futures” | Central China Futures Co., Ltd. (中原期貨股份有限公司), a limited liability company established in the PRC and a non wholly-owned subsidiary of the Company as at the date of this announcement |
| “Company” | Central China Securities Co., Ltd. (中原證券股份有限公司) (carrying on business in Hong Kong as “中州證券”, a joint stock company incorporated on 8 November 2002 in Henan Province, the PRC with limited liability, the H Shares and A Shares of which are listed on the Main Board of the Stock Exchange (stock code: 01375) and the Shanghai Stock Exchange (stock code: 601375) respectively) |
| “connected person” | has the same meaning as ascribed to it under the Listing Rules |
| “connected transaction” | has the same meaning as ascribed to it under the Listing Rules |
| “Director(s)” | the director(s) of the Company |

| | |
|---|--|
| “Equity Transfer Agreement” | the equity transfer agreement dated 27 December 2022 entered into between the Company and Henan Railway Construction & Investment in relation to the acquisition of 40.935% equity interest in Central China Futures |
| “H Shares” | overseas listed foreign ordinary shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Main Board of the Stock Exchange |
| “Henan Government” | Henan Provincial People’s Government |
| “Henan Investment Group” | Henan Investment Group Co., Ltd.* (河南投資集團有限公司), a limited liability company incorporated in the PRC and the largest substantial Shareholder of the Company |
| “Henan Railway Construction & Investment” | Henan Railway Construction & Investment Group Co., Ltd.* (河南省鐵路建設投資集團有限公司), a limited liability company established in the PRC |
| “Hong Kong” | Hong Kong Special Administrative Region of the PRC |
| “Listing Rules” | The Rules Governing the Listing of Securities on the Stock Exchange |
| “MOU” | the memorandum of understanding dated 28 December 2022 entered into between the Company and Henan Railway Construction & Investment in relation to the acquisition of 40.935% equity interest in Central China Futures |
| “PRC” or “China” | the People’s Republic of China |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Shareholders” | the shareholders of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “subsidiary” | has the same meaning as ascribed to it under the Listing Rules |

| | |
|---------------------------|--|
| “substantial shareholder” | has the same meaning as ascribed to it under the Listing Rules |
| “Zhongyuan Property” | Henan Zhongyuan Property Rights Exchange Co., Ltd.* (河南中原產權交易有限公司), a limited liability company established in the PRC |
| “%” | per cent. |

By order of the Board of
Central China Securities Co., Ltd.
Jian Mingjun
Chairman

Henan, the PRC
28 December 2022

As at the date of this announcement, the Board comprises executive Director Mr. JIAN Mingjun, non-executive Directors Mr. LI Xingjia, Ms. ZHANG Qiuyun, Mr. TANG Jin, Mr. TIAN Shengchun, Mr. ZHANG Xiaoqi and Mr. LU Benson Cheng, and independent non-executive Directors Ms. ZHANG Dongming, Mr. CHEN Zhiyong, Mr. TSANG Sung and Mr. HE Jun.

* *For identification purposes only*