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**GUOTAI JUNAN INTERNATIONAL HOLDINGS LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 1788)**

**CONTINUING CONNECTED TRANSACTION**

On 4 June 2014, Guotai Junan FH and Guotai Junan Securities entered into two Client Agreements (證券交易客戶協議書) which were amended by a supplemental agreement dated 25 June 2014. Under the agreements, Guotai Junan Securities agreed to provide securities brokerage service to Guotai Junan FH.

Guotai Junan FH is the controlling shareholder of the Company, thus a connected person of the Group under Rule 14A.11 of the Listing Rules. Transactions under the above-mentioned agreements constitute continuing connected transactions of the Company under the Listing Rules.

As the applicable percentage ratios of the above-mentioned continuing connected transactions exceed 0.1% but less than 5%, such transactions are subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules, and are exempt from the independent shareholders' approval requirement under Rule 14A.48 of the Listing Rules.

**Client Agreements between Guotai Junan FH and Guotai Junan Securities**

On 4 June 2014, Guotai Junan FH and Guotai Junan Securities have entered into two Client Agreements (證券客戶協議書) (the “**New Client Agreements**”) for securities trading, pursuant to which Guotai Junan FH opened and maintained two securities trading accounts at Guotai Junan Securities for its equity trading and fixed-income products trading respectively. Guotai Junan Securities agreed to provide securities brokerage services to Guotai Junan FH. The commission income charged by Guotai Junan Securities would be based on the prevailing market rate, i.e. price receivable from independent third parties for similar services under ordinary commercial transactions, and the commission is payable on the settlement day as a market practice.

On 25 June 2014, Guotai Junan FH and Guotai Junan Securities entered into a supplemental agreement in order to regulate, among the other matters, the transaction contemplated under the New Client Agreements. Under the supplemental agreement, Guotai Junan Securities agreed to continue to provide securities brokerage services to Guotai Junan FH and would continue to receive the prescribed commission income from Guotai Junan FH. The expiry date of the New Client Agreements has been amended to 31 December 2015. Upon expiry, the New Client Agreements will, subject to compliance with the relevant requirements under the Listing Rules and agreement of the parties, be renewed for a further term of three (3) years. For each of the two years ending 31 December 2014 and 2015, the estimated annual cap amount of commission income under the New Client Agreements will be HK\$30 million.

The annual caps are calculated based on the estimated securities trading volume of the above-mentioned accounts for the coming two years ending 31 December 2015.

### **Reason for entering into the New Clients Agreements**

As securities and futures dealing and broking are the main business areas of the Group, provision of such brokerage services to Guotai Junan FH is the Group's usual and ordinary business.

The co-operation between the Group and Guotai Junan FH would secure a long-term and reliable business association between the Group and the PRC market and result in convenience, support and marketing benefits for the Group. Accordingly, entering into of the New Client Agreements is in the interests of the Company and the Shareholders as a whole.

### **Directors' View**

The transactions contemplated under the New Client Agreements were approved by the Board. Dr. YIM Fung, Chairman of the Board, is also a director of Guotai Junan FH and was considered to have a material interest in such transactions and therefore abstained from voting on the relevant resolutions of the Board approving the transactions.

The Directors (including the independent non-executive Directors) are of the view that the terms of the New Client Agreements (i) have been negotiated on an arm's length basis; (ii) will be conducted on normal commercial terms, or on terms no less favourable than those available to or from independent third parties under prevailing local market conditions; (iii) are entered into in the ordinary and usual course of business of the Group; (iv) are fair and reasonable and in the interests of the Shareholders as a whole; and (v) that the proposed annual caps for the two years ending 31 December 2014 and 2015 mentioned above are fair and reasonable and in the interests of the Shareholders as a whole.

## **Listing Rules Implications**

Guotai Junan FH is the controlling shareholder of the Company, indirectly holding 66.27% interest in the Company, thus it is a connected person of the Company under the Listing Rules. The transactions contemplated under the New Client Agreements constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 31 December 2012 in relation to, among other things, the continuing connected transactions contemplated under the three Existing Client Agreements entered into between the Group and Company's controlling shareholders for a term of three years ending 31 December 2015. Under the three Existing Clients Agreements, the Group agreed to provide brokerage services to Guotai Junan and Guotai Junan FH. The aggregate proposed annual caps for the transactions under the three Existing Client Agreements were HK\$17,000,000 for each of the years ending 31 December 2014 and 2015.

As the transactions under the New Client Agreements were all related to the Group's provision of brokerage services to its controlling shareholder, the transactions would need to be aggregated with those of the Existing Client Agreements pursuant to Rules 14A.25 and 14A.26 of the Listing Rules. The proposed aggregate annual caps for the transactions under the Existing Client Agreements and the New Client Agreements will be HK\$47,000,000 for each of the years ending 31 December 2014 and 2015.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the above mentioned proposed aggregate annual caps for the transactions contemplated under the Existing Client Agreements and the New Client Agreements exceed 0.1% but less than 5%, such transactions are subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules, and are exempt from the independent shareholders' approval requirement under Rule 14A.48 of the Listing Rules.

## **GENERAL INFORMATION OF THE PARTIES TO THE TRANSACTION**

### **The Group**

Operations of the Group are based in Hong Kong and its services include: (i) securities, futures and leveraged foreign exchange dealing and broking; (ii) corporate finance; (iii) asset management services; (iv) loans and financing; and (v) investment holding.

### **Guotai Junan**

Guotai Junan is one of the largest securities houses in the PRC. The top three

shareholders of Guotai Junan that are holding 60.97% equity interest in Guotai Junan are all state-owned corporations. Guotai Junan is holding 66.27% interest in the Company.

### **Guotai Junan Futures**

Guotai Junan Futures is a wholly-owned subsidiary of the Company, which provides futures dealing and broking services to customers.

### **Guotai Junan Securities**

Guotai Junan Securities is a wholly-owned subsidiary of the Company, which provides securities dealing and broking services to customers.

### **Guotai Junan FH**

Guotai Junan FH is a wholly-owned subsidiary of Guotai Junan, its principal activity is investment holding.

## **DEFINITIONS**

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

“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 meaning ascribed to it under the Listing Rules;
“Director(s)”	director(s) of the Company for the time being;
“Existing Client Agreements”	A Client Agreement (證券客戶協議書) dated 1 November 2012 between Guotai Junan and Guotai Junan Securities (as amended by a Supplemental Agreement dated 31 December 2012) and two Client Agreements (衍生工具交易客戶協議書) dated 9 August 2012 between Guotai Junan FH and Guotai Junan Futures (as amended by a Supplemental Agreement dated 31 December 2012);
“Group”	the Company and its subsidiaries;
“Guotai Junan”	Guotai Junan Securities Company Limited (國泰君安證券股份有限公司);

“Guotai Junan FH”	Guotai Junan Financial Holdings Limited;
“Guotai Junan Futures”	Guotai Junan Futures (Hong Kong) Limited;
“Guotai Junan Securities”	Guotai Junan Securities (Hong Kong) Limited;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“New Client Agreements”	Two Client Agreements dated 4 June 2014 between Guotai Junan FH and Guotai Junan Securities for equity trading and fixed income product trading
“PRC”	the People’s Republic of China;
“Shareholder(s)”	holder(s) of share(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong; and
“%”	per cent.

By order of the Board  
**Guotai Junan International Holdings Limited**  
**YIM Fung**  
*Chairman*

Hong Kong, 26 June 2014

*As at the date of this announcement, the Board comprises four executive directors, being Dr. YIM Fung (Chairman), Mr. LI Guangjie, Mr. LI Sang Edward and Mr. WONG Tung Ching; and three independent non-executive directors, being Dr. FU Tingmei, Dr. SONG Ming and Mr. TSANG Yiu Keung.*