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(A joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name "东方证券股份有限公司" and carrying on business in Hong Kong as "東方證券" (in Chinese) and "DFZQ" (in English))

(Stock Code: 03958)

CONNECTED TRANSACTION

ANNOUNCEMENT OF THE PROGRESS OF THE ACQUISITION OF PART OF EQUITY INTERESTS OF CITI ORIENT

THE PROGRESS OF THE ACQUISITION OF PART OF EQUITY INTERESTS OF CITI ORIENT

Reference are made to the announcement of the Company dated December 16, 2018 in relation to receipt of the Notice of Intention not to Extend the Joint Venture Term by Citigroup Asia, and the announcement of the Company dated January 8, 2019 in relation to the acquisition of part of equity interests of Citi Orient. On May 30, 2019, the Company and Citigroup Asia entered into the Transfer Agreement, in which the Citigroup Asia was the transferor and the Company was the transferee, with the equity transfer consideration RMB475,583,890.59 (calculated according to the audited net assets of Citi Orient amounted to RMB1,426,751.7 thousand as at December 31, 2018, multiplied by 33.33% of the equity proportion). On May 30, 2019, the Company, Citi Orient, Citigroup, Inc. and Citigroup Asia entered into the Termination Agreement to regulate termination of the shareholders' agreements, the articles of association and relevant documents of Citi Orient. As at the date of this announcement, Citi Orient is a subsidiary of the Company and the Company holds 66.67% equity interests of it. Upon the completion of the Acquisition, Citi Orient will be a wholly-owned subsidiary of the Company.

IMPLICATIONS OF THE HONG KONG LISTING RULES

As at the date of this announcement, Citi Orient is a subsidiary of the Company and the Company holds 66.67% equity interests of it. Citigroup Asia holds 33.33% equity interests of Citi Orient and accordingly is a substantial shareholder of Citi Orient. Therefore, pursuant to Rule 14A.07(1) of the Hong Kong Listing Rules, Citigroup Asia is a connected person of the Company at the subsidiary level, and the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

Pursuant to Rule 14A.101 of the Hong Kong Listing Rules, as (1) Citigroup Asia is a connected person of the Company at the subsidiary level; (2) the Board has approved the Acquisition on January 8, 2019; and (3) the Directors (including the independent non-executive Directors) are of the view that the terms of the Acquisition are fair and reasonable, on normal commercial terms or better for the Company and has been entered into in the ordinary and usual course of business of the Company, and the Acquisition is in the interests of the Company and its Shareholders as a whole, accordingly, the Acquisition is subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As each of the applicable percentage ratio (as defined in Rule 14.07 of the Hong Kong Listing Rules) of the Acquisition is higher than 0.1% but less than 5%, pursuant to Chapter 14A of the Hong Kong Listing Rules, the Acquisition is subject to reporting and announcement requirements but are exempt from the approval requirements of independent shareholders.

As the Acquisition is subject to the review or approval from relevant securities regulatory authorities and the supervision department such as Ministry of Commerce in the PRC, as well as the completion of related matters such as equity transfer, investors are advised to pay attention to investment risks.

OVERVIEW

Reference are made to the announcement of the Company dated December 16, 2018 in relation to receipt of the Notice of Intention not to Extend the Joint Venture Term by Citigroup Asia, and the announcement of the Company dated January 8, 2019 in relation to the acquisition of part of equity interests of Citi Orient. On May 30, 2019, the Company and Citigroup Asia entered into the Transfer Agreement, in which the Citigroup Asia was the transferor and the Company was the transferee, with the equity transfer consideration RMB475,583,890.59 (calculated according to the audited net assets of Citi Orient amounted to RMB1,426,751.7 thousand as at December 31, 2018, multiplied by 33.33% of the equity proportion). On May 30, 2019, the Company, Citi Orient, Citigroup, Inc. and Citigroup Asia entered into the Termination Agreement to regulate termination of the shareholders' agreements, the articles of association and relevant documents of Citi Orient. As at the date of this announcement, Citi Orient is a subsidiary of the Company and the Company holds 66.67% equity interests of it. Upon the completion of the Acquisition, Citi Orient will be a wholly-owned subsidiary of the Company.

TRANSFER AGREEMENT

On May 30, 2019, the Company and Citigroup Asia entered into the Transfer Agreement, in which the Citigroup Asia was the transferor and the Company was the transferee. The Transferor shall transfer 33.33% of the equity interests of Citi Orient to the Transferee subject to the terms and conditions of the Transfer Agreement, and the Transferee shall transfer the equity from the Transferor subject to the terms and conditions of the Transfer Agreement.

Pursuant to the requirements of the shareholders agreement entered into by the Company and Citigroup Asia on June 1, 2011, Citigroup Asia shall transfer its entire 33.33% equity interests of Citi Orient to the Company at a price of the audited net assets of Citi Orient as at December 31, 2018 multiplied by 33.33%, the capital contribution proportion of Citi Orient held by Citigroup Asia. Therefore, the consideration of the equity transfer was RMB475,583,890.59 (calculated according to the audited net assets of Citi Orient amounted to RMB1,426,751.7 thousand as of December 31, 2018, multiplied by 33.33% of the equity proportion). The transferee should pay in accordance with the terms of the Transfer Agreement. The transferee should pay the transaction consideration in one lump sum in US dollars in accordance with the requirements of the Transfer Agreement. Since the valuation reference date of the equity interest was December 31, 2018, the date of transfer of all economic interests and liabilities in relation to the equity interest to the transferee should be January 1, 2019 (the “**Economic Interests Transfer Date**”). From the Economic Interests Transfer Date to the date of delivery, increase or decrease in the value of the equity interest due to the Citi Orient’s business activities should be entitled and borne by the transferee. The Equity Transfer Agreement shall take effect when duly signed by both parties. Delivery of the equity transfer shall meet various conditions precedent as stipulated in the Transfer Agreement, including but not limited to approval of securities regulatory authorities in the PRC.

Please refer to the announcement of the Company dated January 8, 2019 in relation to the acquisition of part of equity interests of Citi Orient for the disclosure of the determination of the transaction price, the reasons and expected benefits of the Acquisition.

TERMINATION AGREEMENT

On May 30, 2019, the Company, Citi Orient, Citigroup, Inc. and Citigroup Asia entered into the Termination Agreement to regulate termination of the shareholders’ agreements, the articles of association and relevant documents of Citi Orient. From the date of transfer, the Company, Citigroup, Inc. and Citigroup Asia agreed to terminate the shareholder agreement and the articles of association entered into on June 1, 2011 in relation to the establishment of Citi Orient; the Company, Citigroup Asia and Citigroup, Inc. agreed to terminate the strategic cooperation framework agreement entered into on June 1, 2011; the Company and Citigroup Asia agreed to terminate the business support and cooperation agreement entered into on June 6, 2012; Citigroup, Inc., the Company, Citi Orient and Citigroup Asia agreed to terminate the license contracts entered into on August 27, 2012 in relation to trademarks and licensing names, except for those terms which are expressly stipulated in the shareholders’ agreement, the articles of association or the relevant documents of Citi Orient to continue to be valid upon termination of the relevant agreements.

IMPLICATIONS OF THE HONG KONG LISTING RULES

As at the date of this announcement, Citi Orient is a subsidiary of the Company and the Company holds 66.67% equity interests of it. Citigroup Asia holds 33.33% equity interests of Citi Orient and accordingly is a substantial shareholder of Citi Orient. Therefore, pursuant to Rule 14A.07(1) of the Hong Kong Listing Rules, Citigroup Asia is a connected person of the Company at the subsidiary level, and the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

Pursuant to Rule 14A.101 of the Hong Kong Listing Rules, as (1) Citigroup Asia is a connected person of the Company at the subsidiary level; (2) the Board has approved the Acquisition on January 8, 2019; and (3) the Directors (including the independent non-executive Directors) are of the view that the terms of the Acquisition are fair and reasonable, on normal commercial terms or better for the Company and has been entered into in the ordinary and usual course of business of the Company, and the Acquisition is in the interests of the Company and its Shareholders as a whole, accordingly, the Acquisition is subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As each of the applicable percentage ratio (as defined in Rule 14.07 of the Hong Kong Listing Rules) of the Acquisition is higher than 0.1% but less than 5%, pursuant to Chapter 14A of the Hong Kong Listing Rules, the Acquisition is subject to reporting and announcement requirements but are exempt from the approval requirements of independent shareholders.

As the Acquisition is subject to the review or approval from relevant securities regulatory authorities and the supervision department such as Ministry of Commerce in the PRC, as well as the completion of related matters such as equity transfer, investors are advised to pay attention to investment risks.

INFORMATION ABOUT CITI ORIENT

Pursuant to the requirements of the shareholders agreement entered into by the Company and Citigroup Asia on June 1, 2011, the registered capital of Citi Orient on the establishment date (i.e. June 4, 2012) was RMB800 million, among which, Citi Orient paid the registered capital at RMB533,333,333, accounting for 2/3 of the registered capital and holding 2/3 of the total equity interests; Citigroup Asia paid the registered capital by US dollars in the amount equivalent to RMB266,666,667, accounting for 1/3 of the registered capital and holding 1/3 of the total equity interests.

As at the date of this announcement, Citi Orient is a subsidiary of the Company and the Company holds 66.67% equity interests of it. Citigroup Asia holds 33.33% equity interests of Citi Orient. Citi Orient is currently engaged in underwriting and acting as sponsor of corporate stocks and debentures, underwriting of corporate bonds and asset backed securities, merger and restructuring, and financial advisory services relating to NEEQ listing and corporate restructuring. The following table sets forth the audited financial information as at December 31, 2018 of Citi Orient:

Unit: RMB in ten thousand

Item	December 31, 2016 (audited)	December 31, 2017 (audited)	December 31, 2018 (audited)
Total assets	224,405.86	217,608.06	182,832.53
Net assets	110,646.91	129,494.65	142,675.17

Item	From January to December 2016 (audited)	From January to December 2017 (audited)	From January to December 2018 (audited)
Operation income	115,510.52	103,938.92	80,273.55
Total profit (before taxation)	34,135.39	24,597.22	17,912.34
Net profit (after taxation)	25,847.30	18,823.59	13,180.51

Note: The above financial data for the year 2016, 2017 and 2018 have been audited and standard unqualified audit reports were issued by KPMG Huazhen LLP (Special General Partnership), which holds qualifications required for securities and futures business.

The Company and Citi Orient hired Shanghai Zhonghua Assets Appraisal Company Limited (“**Zhonghua Appraisal**”), an asset appraisal institution with qualifications of securities and futures business, to evaluate the entire equity interest of Citi Orient’s shareholders involved in the 33.33% of the equity interest of Citi Orient held by Citigroup Asia proposed to be acquired by the Company on December 31, 2018 (the Valuation Reference Date). On March 29, 2019, Zhonghua Appraisal issued the Hu Zhong Ping Bao Zi [2019] No. 0133 Assets Appraisal Report. After the appraisal, the value of the entire equity interest of the shareholders of Citi Orient on the Valuation Reference Date was RMB1,432,768.5 thousand. The above appraisal has completed the state-owned asset appraisal filing procedure.

The property right of the equity interests of Citi Orient held by Citigroup Asia is clear and free from any mortgages, pledges and any other selling restrictions. It is not involved in any litigation, arbitration or subject to judicial measures such as seizure or freezing of assets, nor subject to any other issues that may affect the transfer of ownership. Upon the completion of the Acquisition, Citi Orient will be a wholly-owned subsidiary of the Company. The Acquisition will not result in a change in the scope of consolidation for the consolidated statements of the Company.

INFORMATION ABOUT CITIGROUP ASIA

As at the date of this announcement, Citi Orient is a subsidiary of the Company and the Company holds 66.67% equity interests of it. Citigroup Asia holds 33.33% equity interests of Citi Orient and accordingly is a substantial shareholder of Citi Orient. Therefore, pursuant to Rule 14A.07(1) of the Hong Kong Listing Rules, Citigroup Asia is a connected person of the Company at the subsidiary level.

Citigroup Asia is an indirect wholly-owned subsidiary of Citigroup Inc. and is the principal legal entity of Citigroup Inc. to carry out securities and banking business in the Asia Pacific region. Citigroup Asia provides brokerage and proprietary trading services for Hong Kong-listed securities, futures and option contracts. Citigroup Asia is also engaged in investment banking, securities underwriting, corporate finance advisory, research and wealth management businesses.

Except for the joint ownership of Citi Orient and the corresponding corporate management and operation arrangements, there exists no other significant relationship between Citigroup Asia and the Company in terms of property rights, businesses, assets, credits and debts or human resources.

INFORMATION ABOUT THE COMPANY

The Company primarily engages in securities sales and trading, investment management, brokerage and securities financing, investment banking, headquarters and other businesses.

DEFINITIONS

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

“Acquisition”	the acquisition by the Company of 33.33% equity interests of Citi Orient held by Citigroup Asia
“Board”	the board of Directors of the Company
“Citi Orient”	Citi Orient Securities Co., Ltd. (東方花旗證券有限公司), a limited liability company established in the PRC. As at the date of this announcement, Citi Orient is a controlling subsidiary of the Company in which the Company holds 66.67% equity interests and Citigroup Asia holds 33.33% equity interests
“Citigroup Asia”	Citigroup Global Markets Asia Limited, a private limited company established in Hong Kong
“Company”	東方證券股份有限公司, a joint stock company established in the PRC, whose H shares are listed on the Hong Kong Stock Exchange (stock code: 03958) and A shares are listed on the Shanghai Stock Exchange (stock code: 600958)
“connected person(s)”	shall have the meaning ascribed to it under the Hong Kong Listing Rules
“Director(s)”	the director(s) of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“NEEQ”	National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company, including holders of H shares and holders of A shares

“Termination Agreement”

The Termination Agreement entered into between the Company, Citi Orient, Citigroup, Inc. and Citigroup Asia on May 30, 2019

“Transfer Agreement”

The Equity Transfer Agreement of 33.33% of the Equity Interest in the Registered Capital of Citi Orient entered into between the Company and Citigroup Asia on May 30, 2019

By order of the Board of Directors

PAN Xinjun

Chairman

Shanghai, PRC

May 30, 2019

As at the date of this announcement, the Board of Directors comprises Mr. PAN Xinjun and Mr. JIN Wenzhong as executive Directors; Mr. LIU Wei, Mr. WU Junhao, Mr. CHEN Bin, Mr. LI Xiang, Ms. XIA Jinghan, Mr. XU Jianguo and Mr. DU Weihua as non-executive Directors; and Mr. XU Guoxiang, Mr. TAO Xiuming, Mr. WEI Anning, Mr. XU Zhiming and Mr. JIN Qinglu as independent non-executive Directors.