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GUOTAI JUNAN SECURITIES CO., LTD.
國泰君安證券股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 02611)

CONTINUING CONNECTED TRANSACTION

**THE NEW FRAMEWORK AGREEMENT FOR SECURITIES AND
FINANCIAL PRODUCTS AND SERVICES**

NEW FRAMEWORK AGREEMENT

We refer to the disclosure in relation to the Original Framework Agreement dated 21 March 2017 entered into between the Company and International Group, for a term commencing from the 11 April 2017 to 31 December 2019 under the section headed “Connected Transactions” in the prospectus of the Company dated 28 March 2017 in relation to the global offering of its H shares and the announcements dated 24 August 2018 and 31 October 2018 in relation to the supplemental agreement to the Original Framework Agreement entered into between the Company and International Group. Since the Original Framework Agreement will expire on 31 December 2019 and the transactions contemplated thereunder will continue to be entered into on a recurring basis, the Board announces that on 30 December 2019, the Company and International Group entered into the New Framework Agreement for a term commencing from 1 January 2020 to 31 December 2022.

Pursuant to the New Framework Agreement, the Company and International Group agreed to conduct securities and financial transactions with each other and/or their respective associates, and provide securities and financial products as well as financial services to each other and/or their respective associates, in our and their respective ordinary course of business based on normal commercial terms and market practices at prevailing market prices or rates.

LISTING RULES IMPLICATIONS

As of the date of this announcement, International Group is interested directly and indirectly in 31.95% of the Company in aggregate. Accordingly, International Group and its associates are connected persons of the Company. The entering into of the New Framework Agreement with International Group and the transactions contemplated thereunder therefore constitute continuing connected transactions of the Company under Chapter 14 A of the Listing Rules.

The highest applicable percentage ratio in respect of the transactions under the New Framework Agreement is above 0.1% but less than 5%. The entering of the New Framework Agreement, therefore, shall be subject to the reporting, announcement and annual review requirement, but exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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Summary of Principal Terms of the New Framework Agreement

Date:	30 December 2019
Term	From 1 January 2020 to 31 December 2022
Parties:	(i) International Group; and (ii) the Company.

Scope of Continuing Connected Transactions

1. Securities and Financial Product Transactions

The Company conduct Securities and Financial Product Transactions with International Group and/or its associates in our ordinary course of business from time to time.

The Company purchases the most suitable securities and financial products provided by different suppliers (including International Group and its associates, which are our connected persons, and Independent Third Parties) based on our internal evaluation system and procedures with reference to various factors including the cost, market condition and our risk exposure, business needs and development requirements.

International Group and/or its associates also purchase securities and financial products from the Company (such as collective asset management schemes) in their ordinary course of business from time to time, taking into account their business needs and the suitability of the products we offered. Further, as part of the transactions on securities and financial products, we conduct financing transactions with International Group and/or its associates from time to time.

According to the New Framework Agreement, we expect that the securities and financial product transactions between us and International Group and/or its associates include (but not limited to) the following:

- **products with fixed income features** – including bonds, funds, trust, wealth management products, asset management schemes, asset-backed securities products, bond borrowing and lending, structured products, futures, other financial products with fixed income features, interest rates and credit risk derivative products and other fixed income products;
- **equity products** – including equity-related products (including stocks, equity interest, stocks listed on the National Equities Exchange and Quotations and other products with features of equity), funds, trusts, wealth management products, asset management products and equity derivatives (including swaps, futures, options, etc.) and other equity products;
- **financing transactions** – including (but not limited to) financing transactions with or without guarantees (including lending and borrowing, repurchase, inter-bank deposit, income right, asset securitization, mutual debt certificate, short-term financing bond, income certificate, subordinated bond and corporate bond); and
- **other relevant securities and financial product transactions permitted by the regulatory authorities** – including futures, commodity exchange, foreign exchange, etc.,

together, the “**Securities and Financial Product Transactions**”.

2. **Financial Services**

In addition to the Securities and Financial Product Transactions, the Company and International Group and/or their respective associates also provide to each other with Financial Services in our and their respective ordinary course of business.

Services provided by International Group and/or its associates to the Company pursuant to the New Framework Agreement include (but not limited to):

- **financial products agency sale services** – selling financial products of the Company as agents;
- **lending services** -including (but not limited to) providing funds as working capital or for specific purpose of projects financing; and
- **other financial services permitted by the regulatory authorities** – including but not limited to financial and securities advisory and consulting services, commodity related services, etc.

Services provided by the Company to International Group and/or its associates pursuant to the New Framework Agreement include (but not limited to):

- **underwriting and sponsoring services** – including underwriting, sponsorship and continuous supervision services for equity securities, debt securities, structural products and other products;
- **financial consultation services** – including financial advisory services or investment advisory services for enterprise restructuring, M&A and recommendation of unlisted public companies;
- **brokerage services** – brokerage services for financial products, including securities brokerage and futures brokerage;
- **financial products agency sale services** – agency sales of financial products;
- **entrusted asset management services** – asset management services for customers' entrusted assets;
- **custody and outsourcing services** – providing asset custody services and operation outsourcing services; and
- **other advisory and consulting services in relation to finance & securities and other commodity-related services permitted by regulatory authorities, etc.**

together, the “**Financial Services**”.

Pricing Basis

The pricing basis for the Securities and Financial Product Transactions and Financial Services is set out as follows.

1. Securities and Financial Product Transactions

The market rates in respect of each of the Securities and Financial Product Transactions are generally transparent across the market. The commission rates and fees for the Securities and Financial Product Transactions shall be determined based on the prevailing market prices or market rates normally applicable to Independent Third Parties for similar types of transactions at the time of the transactions. Over-the-counter and other transactions of securities and financial products are made at prices negotiated between both parties based on the prevailing applicable market prices or prevailing market rates for that type of securities and financial products. If there is no prevailing applicable market prices or market rates, the prices or the rates of the transactions will be determined by the prices or rates negotiated between the parties based on the principle of arm's length negotiation. The pricings of such transactions are subject to strict regulatory supervision of relevant PRC regulatory authorities and requirements of the applicable PRC laws and regulations.

2. Financial Services

The pricing basis of the Financial Services to be provided by International Group and/or its associates to the Company under the New Framework Agreement is set out as follow:

- **financial products sales agency services** – the pricing for financial products sales agency services shall be determined based on the amount of products for sale with reference to the rates of service fee provided by Independent Third Parties;
- **lending services** – interests shall be determined with reference to relevant interest rates stipulated by the People’s Bank of China for a same period, or market rates considering factors including purposes and terms of financing; and
- **other financial services** – such fees and commission shall be determined based on the nature of the transactions with reference to the prevailing market rates in accordance with the applicable laws and regulations.

The pricing basis of the Financial Services to be provided by the Company to International Group and/or its associates under the New Framework Agreement is set out as follows:

- **underwriting and sponsorship services** – underwriting commissions and sponsor fees shall be determined based on arm’s length negotiation after taking into account various factors including the then prevailing market conditions, size of the proposed issuances and market commission rates of recent issuances of similar nature and size as well as the rates that we charge Independent Third Parties. The securities underwriting and sponsorship market is highly competitive and underwriting commission rates and sponsor fees are generally transparent across the market, which enables us to adopt a market-based pricing approach;
- **financial consultation services** – financial advisory fees and other service fees shall be determined after considering factors including the transaction nature and size and the then prevailing market conditions. The fees of financial consultation services are generally transparent across the market, which enables us to adopt a market-based pricing approach;
- **brokerage services** – commission rates for these services are generally transparent and standardized across the market. Commission rates are determined based on arm’s length negotiation with reference to the prevailing market rates for comparable securities or futures;
- **financial products agency sale services** – service fees shall be determined based on factors including market prices, industry practice and the total amount of financial products under agency sale arrangements with reference to service fee rates charged by us or International Group or its associates for comparable agency sale service provided to independent customers;
- **entrusted asset management services** – fees charged for entrusted asset management services are determined based on arm’s length negotiations with reference to factors including the prevailing market rates, the amount of the products being sold or the size of the assets entrusted and the complexity of the particular service provided. Fees for these services are generally transparent across the market;

- **asset custody and outsourcing services** – fees for these services are determined based on arm’s length negotiations with reference to the prevailing market rates for transactions of similar type and size; and
- **other securities and financial advisory services and commodity services** – fees charged for such services are determined in accordance with applicable laws and regulations, with reference to the prevailing market price and natures of transactions.

MEASURES TO REGULATE THE CONTINUING CONNECTED TRANSACTIONS

The Group has adopted a series of internal pricing policies and approval procedures to regulate the mutual provision of securities and financial products and services among the Company and International Group and its associates. The major internal policies include the following:

- The terms (including pricing terms) in respect of the securities and financial services contemplated under the New Framework Agreement shall be similar to those offered by/ to an Independent Third Party for comparable services, and shall be subject to the same internal selection, approval and supervision procedures and pricing policies applicable to an Independent Third Party.
- For Securities and Financial Product Transactions and Financial Services provided by the Company to International Group and its associates, the Company will offer similar pricing terms to International Group as those to other independent third parties and no preferential terms shall be provided to International Group and its associates. Prior to conducting such transactions, the relevant departments of the Company would conduct inspection and due diligence, and assess whether the pricing is in compliance with relevant policy and procedures of the Company and whether the price is fair and reasonable and after considering above factors, grant approval, where appropriate.
- For Securities and Financial Product Transactions and Financial Services provided by International Group and its associates to the Company, the Company will select suppliers and determine the relevant terms of the transactions through inquiry and negotiation process. The Company will also gather information on its suppliers and their levels of fees and prices and compare the fees/prices and quality of services before selection. A prior assessment will be conducted by the responsible officer to assess whether the proposed prices by suppliers are fair and reasonable before submission for consideration and approval to the head of the relevant department. In such case, any offer from International Group or its associates needs to pass through the selection process and other suppliers passed such selection process could be appointed. As the Company will consider the various updated market information available and because of the uniqueness of financial transactions, there is not specific internal requirement as to the number of suppliers that will be selected for a particular type of service.
- The internal audit department of the Company will review relevant agreements and grant approval, where appropriate.
- The Company has formulated internal guidelines in accordance with Listing Rules, stipulating relevant approval procedures for connected transactions.

The conduct of continuing connected transactions is also subject to annual review by all independent non-executive Directors, the audit committee of the Company and the Board. The auditors of the Company will conduct an annual review of the Group's continuing connected transactions and provide confirmations on that such transactions are conducted on normal commercial terms and in the interests of the Company and Shareholders as a whole.

HISTORICAL FIGURES, ANNUAL CAPS AND BASIS OF DETERMINATION

Original Annual Caps and Historical Figures

In RMB millions

	Original annual cap for 2017	Historical figures for 2017	Original annual cap for 2018	Historical figures for 2018	Original annual cap for 2019	Historical figures for eleven months ended November 2019
Securities and Financial Product Transactions						
<i>Inflow</i>						
Products with fixed income features ¹	3,262.6	951.4	3,915.1	2,206.7	4,306.6	3,066.8
Other products and financial transactions ²	24.1	–	26.5	23.4	29.1	24.2
Total	3,286.7	951.4	3,941.6	2,230.1	4,335.7	3,090.9
<i>Outflow</i>						
Products with fixed income features ³	4,942.4	2,169.1	5,930.8	1,173.6	6,523.9	2,459.9
Other products and financial transactions ⁴	20.6	–	22.6	–	24.9	–
Total	4,963.0	2,169.1	5,953.4	1,173.6	6,548.8	2,459.9

¹ For this category, “Inflow” means our total cash inflow arising from the sales of products with fixed income features to International Group and its associates.

² For this category, “Inflow” means our total cash inflow arising from the securities and financial products transactions other than transactions of products with fixed income features.

³ For this category, “Outflow” means our total cash outflow arising from the purchase of products with fixed income features from International Group and its associates.

⁴ For this category, “Outflow” means our total cash outflow arising from the securities and financial product transactions other than transactions of products with fixed income features.

	Original annual cap for 2017	Historical figures for 2017	Original annual cap for 2018	Historical figures for 2018	Original annual cap for 2019	Historical figures for eleven months ended November 2019
Financial services						
Revenue to be generated by the Group	36.88	32.39	57.33	7.45	187.78	8.50
Fees payable by the Group	58.71	0.67	58.83	3.16	58.94	0.71

Proposed Annual Caps

In RMB millions

	Annual cap for 2020	Annual cap for 2021	Annual cap for 2022
Securities and Financial Product Transactions			
Inflow ⁵	5,609.1	6,170.0	6,787.1
Outflow ⁶	5,580.8	6,138.9	6,752.8
Financial services⁷			
Revenue to be generated by the Group	137.78	144.67	151.90
Fees payable by the Group	59.05	62.00	65.10

⁵ For this category, “Inflow” means our total cash inflow arising from the sales of securities and financial products to International Group and its associates.

⁶ For this category, “Outflow” means our total cash outflow arising from the purchase of securities and financial products from International Group and its associates.

⁷ All the revenue and fees payable by the Group generated from the inflow and outflow arising from the Securities and Financial Product Transactions have been included into the revenue and fees payable generated from the provision of Financial Services.

Basis for Determining the Proposed Annual Caps

Basis for determining the proposed annual caps for the Securities and Financial Product Transactions

In estimating the annual caps of the total inflow and outflow amount of the Securities and Financial Product Transactions, we have considered, among other things, the following key factors:

- **No division by categories of products and transactions.** Given that International Group and its associates generally acquire fixed income products and other financial products flexibly according to the situation of financial market and their own needs of fund management with no specific proportion allocated to each type of product or transaction, the proposed annual caps for the inflow and outflow under the Securities and Financial Products Transactions will no longer be divided for products with fixed income features and other products and financial transactions.
- **Expansion of the parties and their businesses.** The businesses of the Company, International Group and its associates are expected to continue growing. As a state-owned capital operation platform of State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government, the scope of controlled enterprises of International Group may also increase. In addition, the Company may open new branches or have more controlled entities. Accordingly, opportunities for cooperation among the Group and International Group and its associates will increase.
- **Expected increase in demand.** International Group and its associates seek financial products and transactions suitable for its asset allocation and management in the open market, including the Group's financial products and transactions. In the past three years, restricted by the annual caps under the Original Framework Agreement, the Group was unable to fully meet the demands of International Group and its associates for our products. Considering factors such as actual needs of International Group and its associates in the past, the rapid increase of varieties of financial products and transactions of the Group in recent years (such as overseas derivative product transactions, domestic OTC options, income certificates and Bond Connect), the strong competitiveness of various financial products provided by the Group in the market (especially products of Guotai Junan Securities Asset Management Co., Ltd., a wholly-owned subsidiary of the Company), the Company expects that demands for such products from International Group and its associates will continue to increase in the next three years; and
- **Subscriptions that have been made by International Group and its associates.** Accordingly, the proposed annual cap for Securities and Financial Products Transactions in 2020 increases by 30% compared with the annual cap in 2019, and that in 2021 and 2022 increases by 10% respectively compared with the annual cap in the previous year. Meanwhile, the proposed annual cap for outflow under Securities and Financial Product Transactions in 2020 decreases by about 15% compared with the annual cap for outflow in 2019, and it is estimated that in 2021 and 2022, it will increase by 10% respectively compared with that in the previous year.

Basis for determining the proposed annual caps for the Financial Services

The businesses of the Company, International Group and its associates are expected to continue growing. As a state-owned capital operation platform of State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government, the scope of controlled enterprises of International Group may also increase. In addition, the Company may open new branches or have more subsidiaries. Accordingly, opportunities for cooperation between the Group and International Group and its associates will increase.

Considering the amount of revenue from Financial Services in the past three years and the progress of projects of International Group and its associates that the Group current provides services for, rates and changes of different services and the future needs for Financial Services of International Group and its associates currently understood by the Company, the proposed annual cap of revenue to be generated by the Group in 2020 from Financial Services decreases by about 27% compared with that in 2019, and it is estimated that it will increase by 5% respectively in 2021 and 2022 compared with that in the previous year.

Considering the fees paid by the Group for Financial Services from International Group and its associates in the past three years, rates and changes of different services, expected growth of services and other factors, the proposed annual cap of fees to be paid by the Group for Financial Services in 2020 will remain the same as the annual cap in 2019, and it is estimated that it will increase by 5% respectively in 2021 and 2022 compared with that in the previous year.

REASONS FOR ENTERING INTO THE NEW FRAMEWORK AGREEMENT

With the business development of the Group and International Group, and the increase of their business cooperation, as well as based on the historical transaction amounts in 2017, 2018 and 2019, it is expected that the Securities and Financial Product Transactions will continue to be conducted between the Group and International Group and its associates, and the Group and International Group and its associates will also continue to provide Financial Services to each other. Considering the Original Framework Agreement will expire on 31 December 2019, the Company would like to enter into the New Framework Agreement with International Group for the benefits of the business development of the Company.

The Directors (including the independent non-executive directors) consider the New Framework Agreement and the transactions contemplated thereunder are entered into in the usual and ordinary course of business of the Group and are conducted on an arm's length basis and on normal commercial terms, and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Ms. Guan Wei, Mr. Zhou Lei and Mr. Zhong Maojun, being Directors, have abstained from voting at the board meeting approving the New Framework Agreement due to the potential conflict of interests as a result of their directorships or positions in International Group and/or its associates pursuant to the Rule 13.44 of the Listing Rules. Save as disclosed above, none of the other Directors has a material interest in the relevant transactions.

LISTING RULES IMPLICATIONS

As of the date of this announcement, International Group is interested directly and indirectly in 31.95% of the Company in aggregate. Accordingly, International Group and its associates are connected persons of the Company. The entering into of the New Framework Agreement with International Group and the transactions contemplated thereunder therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The highest applicable percentage ratio in respect of the transactions under the New Framework Agreement is above 0.1% but less than 5%. The entering of the New Framework Agreement, therefore, shall be subject to the reporting, announcement and annual review requirement, but exempted from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

The Company

The Company is a joint stock company incorporated in the PRC with limited liability. The principal businesses of the Company are securities brokerage, proprietary securities trading, securities underwriting and sponsorship and relevant financial services.

International Group

International Group is a limited liability company incorporated in the PRC and is primarily engaged in financial-oriented investment, capital operation and asset management and other relevant financial business. As at the date of this announcement, International Group is interested directly and indirectly in 31.95% of the total equity interest of the Company in aggregate.

DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this announcement:

“associate(s)”	has the meaning given to it in the Listing Rules
“Board”	the board of directors of the Company
“Company”	Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司), a joint stock limited company incorporated in the PRC in August 1999, the A Shares of which are listed on the Shanghai Stock Exchange (stock code:601211) and the H share of which are listed on the Hong Kong Stock Exchange (stock code: 02611)
“connected person(s)”	has the meaning given to it in the Listing Rules
“Continuing Connected Transactions”	the transactions contemplated under the New Framework Agreement
“Director(s)”	the director(s) of the Company

“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Group,” “we” or “us”	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require)
“Independent Third Party(ies)”	party(ies) not connected with the Company within the meaning of the Listing Rules as far as the Directors are aware after having made all reasonable enquiries
“International Group”	Shanghai International Group Co., Ltd. (上海國際集團有限公司)
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Original Framework Agreement”	the framework agreement for securities and financial products and services entered between the Company and International Group on 21 March 2017, with a term from 11 April 2017 to 31 December 2019, as amended
“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“New Framework Agreement”	the framework agreement for securities and financial products and services entered between the Company and International Group on 30 December 2019

By order of the Board
Guotai Junan Securities Co., Ltd.
WANG Song
Vice Chairman

Shanghai, the PRC
30 December 2019

As at the date of this announcement, the executive directors of the Company are Mr. WANG Song and Mr. YU Jian; the non-executive directors of the Company are Ms. GUAN Wei, Mr. ZHOU Lei, Mr. ZHONG Maojun, Mr. WANG Wenjie, Mr. LIN Facheng, Mr. ZHOU Hao and Mr. AN Hongjun; and the independent non-executive directors of the Company are Mr. XIA Dawei, Mr. SHI Derong, Mr. CHEN Guogang, Mr. LING Tao, Mr. JIN Qingjun and Mr. Lee Conway Kong Wai.