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恒 投 證 券

HENGTOU SECURITIES

(A joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name “恒泰证券股份有限公司” and carrying on business in Hong Kong as “恒投證券” (in Chinese) and “HENGTOU SECURITIES” (in English))

(the “Company”)
(Stock Code: 01476)

ANNOUNCEMENT

DISCLOSEABLE AND CONNECTED TRANSACTIONS

GUARANTEE AND COUNTER-GUARANTEE

GUARANTEE AND COUNTER-GUARANTEE

The Board is pleased to announce that, in relation to the Implementation Settlement Agreement:

- (1) Finance Street Investment (as guarantor) and New China Fund (as guaranteed) intend to enter into the Guarantee Agreement, pursuant to which Finance Street Investment agreed to provide joint liability guarantee in favour of ICBC Beijing branch in respect of 58.6207% of the Indebtedness due by New China Fund; and
- (2) Finance Street Investment (as guarantor), the Company (as counter-guarantor) and New China Fund (as debtor) intend to enter into the Counter-guarantee Agreement, pursuant to which the Company agreed to mortgage or pledge certain assets of the Company to Finance Street Investment as security in relation to the Guaranteed Amount guaranteed by Finance Street Investment in accordance with the Implementation Settlement Agreement, the Guarantee Agreement and the Guarantee Letter.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Finance Street Investment is indirectly interested in 29.99% of the issued share capital of the Company and therefore a substantial shareholder of the Company and hence a connected person of the Company. Accordingly, each of the Transactions (namely, the Guarantee and the Counter-Guarantee) constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) is more than 5%, and the Guaranteed Amount under the Guarantee and the Counter-Guarantee Value respectively is above HK\$10 million, each of the Guarantee and the Counter-Guarantee constitutes a disclosable and connected transaction, and is subject to (1) the reporting and announcement requirements under Chapter 14 and Chapter 14A of the Listing Rules; and (2) the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In compliance with the Listing Rules, the Independent Board Committee has been established to consider the terms of the Transactions and to advise the Independent Shareholders as to whether they are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and to give its recommendation as to the voting in respect of the resolution to be proposed at the EGM for approving, after taking into account the recommendation of the Independent Financial Adviser. In this connection, Gram Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the Transactions.

EGM

A EGM will be held to seek the Independent Shareholders' approval of the Transactions. A circular containing, among other things, details of the Transactions, the recommendation from the Independent Board Committee to the Independent Shareholders, the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and a notice of the EGM, is expected to be despatched to the Shareholders on or around 21 August 2023.

BACKGROUND

As disclosed in the Company's 2022 annual report, from April 2018 to October 2018, a total of 30 Dongxu series of special account products were successively established with New China Fund as the manager, ICBC Beijing branch as the custodian and 4 companies including Beijing Ali Minxin Investment Co., Ltd.* (北京阿里民信投資有限公司) as the principals. Dongxu series of special account products are mainly used to purchase the exchange bonds issued by Dongxu Group Co., Ltd. (東旭集團有限公司) or Dongxu Optoelectronic Technology Co., Ltd. (東旭光電科技股份有限公司) (“**Dongxu Bonds**”) and then incorporate the funds through in-market pledged repo transactions. Since 22 November 2019, due to the decrease in the pledge rate of Dongxu Bonds, the special account products of Dongxu series have gradually experienced insufficient inventory, and the principal no longer has additional funds to supplement the inventory of the special account products of Dongxu series, resulting in overdraft of the special account products of Dongxu series. The head office of the Industrial and Commercial Bank of China, as a clearing participant, advanced clearing funds of approximately RMB1,169 million funds (the “**Advance Settlement**”) to China Securities Depository and Clearing Corporation Limited.

On 11 October 2021, based on the agreement on dispute resolution in the product management contract of 30 special account products of Dongxu series, ICBC Beijing branch submitted four arbitration applications for the four principals to Beijing Arbitration Commission for compensation from its manager, New China Fund, for the Advance Settlement and interest losses, and for the arbitration fees and preservation fees of the abovementioned four arbitration cases. On 6 December 2022, the ruling of the Beijing Arbitration Commission was delivered, which required New China Fund to pay the Advance Settlement and interests of the Advance Settlement, arbitration fees and preservation fees to ICBC Beijing branch. On 10 March 2023, New China Fund and ICBC Beijing branch entered into and submitted an interim implementation settlement agreement to the Beijing Financial Court. Beijing Financial Court ruled to terminate the enforcement proceedings on 14 March 2023.

Pursuant to the Implementation Settlement Agreement, New China Fund shall repay the Indebtedness to ICBC Beijing branch from 1 January 2024 to 31 August 2030.

THE GUARANTEE

Finance Street Investment (as guarantor) and New China Fund (as guaranteed) intend to enter into the Guarantee Agreement, pursuant to which Finance Street Investment agreed to provide joint liability guarantee in favour of ICBC Beijing branch in respect of 58.6207% of the Indebtedness owed by New China Fund. The Guarantee Period is from the date of the Guarantee Letter until final repayment by New China Fund in respect of the Indebtedness.

After the Guarantee Agreement becomes effective, Finance Street Investment shall enter into the Guarantee Letter with ICBC Beijing branch, pursuant to which Finance Street Investment shall provide joint liability guarantee in favour of ICBC Beijing branch in respect of 58.6207% of the Indebtedness. 58.6207% is the shareholding percentage in New China Fund currently indirectly held by Finance Street Investment through the Company. If such shareholding percentage in New China Fund increases due to capital injection or acquisition by a company de-facto controlled, controlled or wholly-owned by Finance Street Investment, the Guaranteed Amount shall be increased to such new shareholding percentage in New China Fund.

Finance Street Investment shall charge New China Fund a guarantee fee of 0.3% per annum (the “**Guarantee Rate**”) over the Guaranteed Amount during the Guarantee Period.

The guarantee fee for each year shall be payable by New China Fund to Finance Street Investment by the end of June each year. If the first or last tranche of the Guarantee Period is less than one calendar year, the guarantee fee shall be payable based on actual period of the relevant tranche of the Guarantee Period.

The Guaranteed Indebtedness is no more than approximately RMB613,407,005, representing approximately 58.6207% of the balance of the Advance Settlement of RMB996,000,000 plus interest of RMB50,400,000 in relation thereto.

The Guarantee Rate was determined after arm’s length negotiation with reference to the market guarantee rate of 1% to 1.2% per annum that would be charged by other independent third parties, after taking into account of (1) the fact that Finance Street Investment is indirectly interested in 29.99% of the issued share capital of the Company and (2) the Counter-Guarantee provided by the Company in favour of Finance Street Investment under the Counter-Guarantee Agreement.

In the event that Finance Street Investment performs its guarantee obligation and makes repayment to ICBC Beijing branch on behalf of New China Fund, Finance Street Investment has the right to demand repayment from New China Fund or the Company.

The Guarantee Agreement shall be entered into as soon as practicable and shall be effective upon approval by the Independent Shareholders at the EGM.

THE COUNTER-GUARANTEE

Finance Street Investment (as guarantor), the Company (as counter-guarantor) and New China Fund (as debtor) intend to enter into the Counter-guarantee Agreement, pursuant to which the Company agreed to mortgage or pledge the following assets of the Company to Finance Street Investment as security in relation to the Guaranteed Amount guaranteed by Finance Street Investment in accordance with the Implementation Settlement Agreement, the Guarantee Agreement and the Guarantee Letter:

1. an immovable property, being a residential property of the Company located at Unit 1, Building 2, Block 6, Dongjing Road, Xicheng District, Beijing, with a gross floor area of 1,658.56 square meters and an appraisal value of approximately RMB130 million;
2. an immovable property, being the Manshi Shangdu Office and Commercial Complex Building of the Company located at Hailar East Street, Xincheng District, Hohhot City, Inner Mongolia Autonomous Region, with a gross floor area of 15,106.98 square meters and an appraisal value of approximately RMB120 million; and
3. 50% equity and derivative interest of Hengtai Changcai (a wholly-owned subsidiary of the Company) with an appraisal value of approximately RMB550 million (being 50% of approximately RMB1,100 million).

The appraisal value of all assets of the Company mortgaged or pledged in favour of Finance Street Investment is approximately RMB800 million, representing 130% of the Guaranteed Amount as at the date of the Guarantee Agreement. The total amount of assets of the Company mortgaged or pledged in favour of Finance Street Investment will decrease gradually as New China Fund repays the Indebtedness to ICBC Beijing branch.

The period of Counter-Guarantee shall be two years from the date when Finance Street Investment actually performs its guarantee obligations.

The Counter-Guarantee Agreement shall be entered into as soon as practicable and shall be effective upon approval by the Independent Shareholders at the EGM.

FINANCIAL IMPACT OF THE GUARANTEE AND THE COUNTER-GUARANTEE

The Guarantee and the Counter-Guarantee will not have any immediate effect on the earnings, assets and liabilities of the Company on the date of the Guarantee Agreement and the date of the Counter-Guarantee Agreement respectively. However, if New China Fund fails to make payment of any Guaranteed Indebtedness, the Company, as the counter-guarantor, will be responsible for the Counter-Guaranteed Amount, and such amount of liabilities will be recorded in the Group's consolidated financial statements.

Save as disclosed above, the Directors (excluding the independent non-executive Directors whose opinion will be formed after taking into account the advice from the Independent Financial Adviser) are of the view that the receipt of the Guarantee under the Guarantee Agreement and the provision of the Counter-Guarantee under the Counter-Guarantee Agreement will not have any material effects on the earnings, assets and liabilities of the Group.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

As a public fund company controlled by the Company, New China Fund is of great significance to the Company's strategic development. If New China Fund is unable to pay off its debts and leads to bankruptcy, the Company's strategic development may not be able to be implemented. The Company, as the controlling shareholder of New China Fund, shall earnestly perform its shareholders' obligations and responsibilities and resolve the debt risk of New China Fund in a timely manner.

However, the Company is not included in the ICBC system credit granting system, and therefore the Company is unable to provide joint and several liability guarantee in respect of the Indebtedness.

To resolve the matter, Finance Street Investment provides the Guarantee at the Guarantee Rate, which is below the standard guarantee rate that Finance Street Investment would charge from other independent third parties.

The terms of the Guarantee Agreement, the Counter-Guarantee Agreement and the transactions contemplated thereunder have been arrived at after arm's length negotiations between the parties. Based on the foregoing, the Directors (excluding the independent non-executive Directors whose opinion will be formed after taking into account the advice from the Independent Financial Adviser) considered that the Transactions shall be entered into on normal commercial terms or better and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

According to the internal regulations relating to connected transactions of the Company, a Director who holds a position in a legal entity that can directly or indirectly control the counterparty of the connected transaction shall abstain from voting on the Board resolutions approving such transaction. Mr. Zhu Yanhui, an executive Director, is a director and the deputy general management of Finance Street Investment, Ms. Yu Lei, a non-executive Director, is the chief risk officer of Finance Street Investment, and Mr. Li Ye, a non-executive Director, is the general manager of asset management department and investment director of Finance Street Investments. To avoid any potential conflict of interest, each of Mr. Zhu Yanhui, Ms. Yu Lei and Mr. Li Ye has abstained from voting on the Board resolutions approving the Transactions.

INFORMATION ON THE PARTIES

The Company is principally engaged in the securities brokerage business.

New China Fund is a non-wholly owned subsidiary of the Company and is owned by our Company, New China Trust Co., Ltd. (新華信託股份有限公司) and Hangzhou Yongyuan Network Technology Co., Ltd. (杭州永原網絡科技有限公司) as to approximately 58.6207%, 35.31% and 6.07%, respectively. Other than having interests in New China Fund, New China Trust and Hangzhou Yongyuan were independent third parties. New China Fund is principally engaged in the fund management business.

Hengtai Changcai is a wholly-owned subsidiary of the Company and is principally engaged in the securities underwriting and sponsoring business.

ICBC Beijing branch is principally engaged in the banking business. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, ICBC Beijing branch and the ultimate beneficial owner of ICBC Beijing branch are third parties independent of the Company and connected persons of the Company.

Finance Street Investment is primary engaged in the investment and asset management business. It is a subsidiary of SASAC Xicheng District and a substantial shareholder of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Finance Street Investment is indirectly interested in 29.99% of the issued share capital of the Company and therefore a substantial shareholder of the Company and hence a connected person of the Company. Accordingly, each of the Transactions (namely, the Guarantee and the Counter-Guarantee) constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) is more than 5%, and the Guaranteed Amount under the Guarantee and the Counter-Guarantee Value respectively is above HK\$10 million, each of the Guarantee and the Counter-Guarantee constitutes a disclosable and connected transaction, and is subject to (1) the reporting and announcement requirements under Chapter 14 and Chapter 14A of the Listing Rules; and (2) the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Any Shareholders who have a material interest in the Transactions will be required to abstain from voting on the ordinary resolution in respect of the Transactions at the EGM. As of this announcement, Finance Street Investment, through Beijing Huarong Zonghe Investment Co., Ltd. (北京華融綜合投資有限公司) and Beijing Finance Street Xihuan Properties Co., Ltd. (北京金融街西環置業有限公司), is indirectly interested in 29.99% of the issued share capital of the Company. Accordingly, Beijing Huarong Zonghe Investment Co., Ltd. (北京華融綜合投資有限公司) and Beijing Finance Street Xihuan Properties Co., Ltd. (北京金融街西環置業有限公司) are required to abstain from voting on the ordinary resolution approving the Transactions at the EGM.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

In compliance with the Listing Rules, the Independent Board Committee has been established to consider the terms of the Transactions and to advise the Independent Shareholders as to whether they are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and to give its recommendation as to the voting in respect of the resolution to be proposed at the EGM for approving, after taking into account the recommendation of the Independent Financial Adviser. In this connection, Gram Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the Transactions.

EGM

A EGM will be held to seek the Independent Shareholders' approval of the Transactions. A circular containing, among other things, details of the Transactions, the recommendation from the Independent Board Committee to the Independent Shareholders, the advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and a notice of the EGM, is expected to be despatched to the Shareholders on or around 21 August 2023.

DEFINITIONS

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

“Board”	the board of Directors of the Company
“Company”	a joint stock company incorporated in the People’s Republic of China with limited liability under the Chinese corporate name “恒泰证券股份有限公司” and carrying on business in Hong Kong as “恒投證券” (in Chinese) and “HENGTOU SECURITIES” (in English)
“Counter-Guarantee”	the counter-guarantee provided by the Company in favour of Finance Street Investment under the Counter-Guarantee Agreement
“Counter-Guarantee Agreement”	the counter-guarantee agreement to be entered into among Finance Street Investment (as guarantor), the Company (as counter-guarantor) and New China Fund (as debtor)
“Counter-Guarantee Value”	the appraisal value of assets mortgaged or pledged by the Company in favour of Finance Street Investment under the Counter-Guarantee Agreement
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary share(s) issued by the Company with a nominal value of RMB1.00 each in the share capital of the Company, which are subscribed for or credited as fully paid in Renminbi
“EGM”	the extraordinary general meeting of the Company to be held to approve the Transactions

“Finance Street Investment”	Beijing Finance Street Investment (Group) Co., Ltd. (北京金融街投資(集團)有限公司), formerly known as Beijing Finance Street Construction Group Co., Ltd. (北京金融街建設集團), a subsidiary of SASAC Xicheng District and a substantial shareholder of the Company
“Group”	the Company and its subsidiaries
“Guarantee”	the joint liability guarantee provided by Finance Street Investment in favour of ICBC Beijing branch in respect of the Guaranteed Amount under the Guarantee Agreement and the Guarantee Letter
“Guarantee Agreement”	the guarantee agreement to be entered into between Finance Street Investment (as guarantor) and New China Fund (as guaranteed) in relation to the Implementation Settlement Agreement
“Guarantee Letter”	the guarantee letter to be entered into by Finance Street Investment in favour of ICBC Beijing branch in relation to the Implementation Settlement Agreement
“Guarantee Period”	from the date of the Guarantee Letter until final repayment by New China Fund in respect of the Indebtedness
“Guaranteed Amount”	58.6207% (or such higher percentage as adjusted pursuant to the Guarantee Agreement) of the Indebtedness
“H Share(s)”	ordinary share(s) issued by the Company with a nominal value of RMB1.00 each in the share capital of the Company, which are subscribed for and traded in HK\$ and listed on the Stock Exchange
“Hengtai Changcai”	Hengtai Changcai Securities Co., Ltd. (恒泰長財證券有限公司), 100% equity interest of which is held by the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“ICBC Beijing branch”	Industrial and Commercial Bank of China Beijing Branch
“Implementation Settlement Agreement”	the implementation settlement agreement to be entered into between New China Fund and ICBC Beijing branch

“Indebtedness”	the outstanding amount (including principal and interests accrued thereon) due by New China Fund to ICBC Beijing branch from time to time under the Implementation Settlement Agreement
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely, Dr. Lam Sek Kong, Mr. Xie Deren and Mr. Dai Genyou, established to make recommendation to the Independent Shareholders in respect of the Transactions
“Independent Financial Adviser”	Gram Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Transactions
“Independent Shareholders”	the Shareholders who are not prohibited or required to abstain from voting on the resolution approving the Transactions at the EGM
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New China Fund”	New China Fund Management Co., Ltd. (新華基金管理股份有限公司), 58.6207% equity interest of which is held by the Company
“PRC”	the People’s Republic of China, 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

“SASAC Xicheng District”	The State-owned Assets Supervision and Administration Commission of Xicheng District People’s Government of Beijing Municipality (北京市西城區人民政府國有資產監督管理委員會), which directly and indirectly holds 100% equity interest in Finance Street Investment
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the Domestic Share(s) and the H Share(s)
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meanings ascribed to it under the Listing Rules
“Transactions”	the Guarantee, the Counter-Guarantee and the transactions contemplated thereunder

By order of the Board
Zhu Yanhui
Chairman

Beijing, the PRC
13 August 2023

As at the date of this announcement, the Board comprises Mr. Zhu Yanhui and Mr. Wu Yigang as executive Directors; Mr. Yu Lei, Mr. Wang Linjing, Ms. Yu Lei and Mr. Li Ye as non-executive Directors; Dr. Lam Sek Kong, Mr. Xie Deren and Mr. Dai Genyou as independent non-executive Directors.