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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)**

### **CONTINUING CONNECTED TRANSACTIONS**

#### **REVISION OF THE ANNUAL CAPS OF THE CONTINUING CONNECTED TRANSACTIONS UNDER THE SECURITIES AND FINANCIAL PRODUCTS TRANSACTIONS AND SERVICES FRAMEWORK AGREEMENT WITH EQUITY EXCHANGE CO.**

Reference is made to the announcement of the Company dated 30 December 2021 in relation to, among others, the Framework Agreement entered into between the Company and Equity Exchange Co. and the annual caps for the three financial years ending 31 December 2024 for the transactions contemplated thereunder.

On 30 August 2023, the Board resolved to revise the annual caps of the revenue to be derived from provision of securities and financial services by the Group to Equity Exchange Co. under the Framework Agreement for each year of the two financial years ending 31 December 2024.

#### **HONG KONG LISTING RULES IMPLICATIONS**

As at the date of this announcement, Henan Investment Group is a substantial shareholder of the Company and directly and indirectly holds approximately 22.05% of the total share capital of the Company, thus it is a connected person of the Company. Since Henan Investment Group holds 10% equity interest in Equity Exchange Co., a subsidiary of the Company, Equity Exchange Co. is thus a connected subsidiary of the Company. Therefore, the transactions between the Group and Equity Exchange Co. under the Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios in respect of the Revised Annual Caps is more than 0.1% but all of them are less than 5%, such Revised Annual Caps shall be subject to the reporting, announcement and annual review requirements, but exempted from independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

## **I. BACKGROUND**

Reference is made to the announcement of the Company dated 30 December 2021 in relation to, among others, the Framework Agreement entered into between the Company and Equity Exchange Co. and the annual caps for the three financial years ending 31 December 2024 for the transactions contemplated thereunder.

On 30 August 2023, the Board resolved to revise the annual caps of the revenue to be derived from provision of securities and financial services by the Group to Equity Exchange Co. under the Framework Agreement for each year of the two financial years ending 31 December 2024.

## **II. THE FRAMEWORK AGREEMENT**

The principal terms of the Framework Agreement are summarised as follows:

### **Date:**

30 December 2021

### **Parties:**

- (a) The Company; and
- (b) The Equity Exchange Co.

### **Securities and financial products transactions**

#### ***Scope of the securities and financial products transactions***

The securities and financial products transactions entered into between the Group and Equity Exchange Co. include the following:

- (i) Securities products with fixed income features — including, but not limited to, bonds, funds, trusts, wealth management products, asset management plans, asset securitized products, bond lending, structured products, swaps, futures, forwards, options and other financial products with fixed income features, etc.;

- (ii) Equity-linked products — including, but not limited to, trading and/or subscription of equity (including New OTC market-making activities), funds, trusts, wealth management products, asset management products, private equity funds and equity derivatives such as swaps, futures and options, etc.; and
- (iii) Other related securities and financial products permitted by the regulatory authority — including, but not limited to, futures, foreign exchange and commodities trading, etc.

***Pricing basis of the securities and financial products transactions***

The securities and financial products transactions will be conducted in the ordinary course of business of the Group at prevailing market prices. In terms of subscriptions by Equity Exchange Co. of the financial products set up by the Group, the subscription price is at the same subscription price as the subscriptions by other investors. Such subscription price is determined by the Group after considering the fundamentals of the assets/businesses to be invested.

The Group is required to satisfy and comply with the relevant PRC administrative rules, regulations and measures regulating issuance, including pricing determination, of the financial products. The relevant rules and measures would normally require information documents to be prepared and disclosed, which would require due diligence, valuation, auditing financial information, rating, etc. to be conducted or prepared for the purpose of the issuance. In addition, the issuance price may be required to be set in accordance with the methods prescribed in the relevant rules and regulations and all subscribers for the same financial product will subscribe at the same issuance price.

The proceeds (if any) paid by the Group to Equity Exchange Co. in respect of its subscription of the Group's relevant financial products will be recognized as "total net cash outflow from the Group" in respect of the continuing connected transactions contemplated under the Framework Agreement.

## **Securities and financial services**

### ***Scope of the securities and financial services***

The securities and financial services to be provided by Equity Exchange Co. to the Group include the following:

- (i) Financial advisory services — including, but not limited to, financial advisory services relating to corporate restructuring, reorganization, mergers and acquisition; and
- (ii) Other financial and securities advisory and consulting services, membership services, intermediary services, business training services, money brokerage services and commodities services, etc.

The securities and financial services to be provided by the Group to Equity Exchange Co. include the following:

- (i) Entrusted asset management services — including, but not limited to, assets management services for assets entrusted by customers;
- (ii) Fund management services — including, but not limited to, fund management services and related consulting services; and
- (iii) Other financial and securities advisory, consulting services and commodities services, etc.

### ***Pricing basis of the securities and financial services***

The pricing principles for the mutual provision of the securities and financial services are as follows:

The general pricing principles for service fees charged shall be based on negotiations between the parties with reference to the prevailing market rates and in accordance with the requirements of the applicable laws and regulations of the PRC. More specifically, the pricing policies of services which account for the major part of the securities and financial services transactions are as follows:

- (i) For the financial advisory and membership services to be provided by Equity Exchange Co. to the Group: the service fees shall be determined taking into account of factors including the nature and size of transactions, the market

conditions, average fee level applicable to independent third parties for similar transactions and be determined on the basis of arm's length negotiations between the parties; and

- (ii) For fund management services to be provided by the Group to Equity Exchange Co.: the service fees shall be determined based on the size of funds with reference to the service fee rates applicable to independent third parties.

### III. REVISED ANNUAL CAPS

As mentioned above, on 30 August 2023, the Board resolved to revise the annual caps in respect of the revenue to be derived from provision of securities and financial services by the Group to Equity Exchange Co. under the Framework Agreement for each year of the two financial years ending 31 December 2024.

- 1. The existing annual caps for the three financial years ending 31 December 2024**

Securities and financial services	Annual caps for the year ending 31 December		
	2022 <i>(RMB million)</i>	2023 <i>(RMB million)</i>	2024 <i>(RMB million)</i>
Revenue to be derived from provision of securities and financial services to Equity Exchange Co.	1.60	1.60	1.60

- 2. The actual transaction amount of the revenue to be derived from provision of securities and financial services by the Group to Equity Exchange Co.**

The actual amount of the revenue to be derived from provision of securities and financial services by the Group to Equity Exchange Co. under the Framework Agreement for the financial year ended 31 December 2022 and the six months ended 30 June 2023 is RMB540,500 and RMB536,500, respectively. The Company confirms that from 1 January 2023 to the date of this announcement, the actual transaction amount of the revenue derived from provision of securities and financial services by the Group to Equity Exchange Co. did not exceed the annual cap of RMB1.60 million for the year of 2023 under the Framework Agreement.

### 3. Revised Annual Caps and basis of determination

In January 2023, the China Securities Regulatory Commission (the “CSRC”) issued the revised Regulations on the Operation and Management of Private Placement Asset Management Programs of Securities and Futures Institutions (CSRC Announcement [2023] No. 2) (the “Management Regulations”) (《證券期貨經營機構私募資產管理計劃運作管理規定》), which requires that the performance compensation of private equity fund companies be recorded under the accounting item of fund management fee. This will result in the performance compensation received by the Group from the funds to be recorded under the same accounting item as the fund management fee received by the Group from Equity Exchange Co.. In order to meet this latest requirements under the Management Regulations by aligning the accounting of the annual caps for continuing connected transactions with the bookkeeping requirements under the Management Regulations, and taking into account the actual business situation of the Group, the Board resolved to increase the annual caps for the revenue derived from the provision of securities and financial services by the Group to Equity Exchange Co. for the two financial years ending 31 December 2024. Details of the Revised Annual Caps are as follows:

<b>Securities and Financial Service Transactions</b>	<b>The revised annual cap for the year ending 31 December</b>	
	<b>2023</b>	<b>2024</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>
Revenue derived from provision of securities and financial services to Equity Exchange Co.	41.1272	46.1272

The expenses incurred by Equity Exchange Co. for the provision of securities and financial services to the Group and the annual caps for the securities and financial products transactions between the Group and Equity Exchange Co. under the Framework Agreement for the two financial years ending 31 December 2024 remain unchanged.

In estimating the above Revised Annual Caps, the Company has taken into account (i) the consulting management fee of RMB5 million that the Group intends to charge Equity Exchange Co. for the proposed consulting services; and (ii) the estimated fund management fee upon the implementation of the aforementioned Management Regulations expected to be RMB36.1272 million and RMB41.1272 million for the financial years ending 31 December 2023 and 2024, respectively.

#### **IV. REASONS FOR AND BENEFITS OF THE REVISED ANNUAL CAPS**

As mentioned above, the revision of the annual caps for the revenue derived from the provision of securities and financial services by the Group to Equity Exchange Co. for the two financial years ending 31 December 2024 is primarily for the purpose of complying with the latest requirements on the management fees recorded by private fund companies in the Management Regulations, while also taking into account the actual business situation of the Group.

The Directors (excluding Mr. Li XingJia and Ms. Zhang Qiuyun who have abstained from voting on the relevant Board resolution, but including the independent non-executive Directors) are of the view that the continuing connected transactions under the Framework Agreement are entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms thereof and the Revised Annual Caps are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

#### **V. HONG KONG LISTING RULES IMPLICATIONS**

As at the date of this announcement, Henan Investment Group is a substantial shareholder of the Company and directly and indirectly holds approximately 22.05% of the total share capital of the Company, thus it is a connected person of the Company. Since Henan Investment Group holds 10% equity interest in Equity Exchange Co., a subsidiary of the Company, Equity Exchange Co. is thus a connected subsidiary of the Company. Therefore, the transactions between the Group and Equity Exchange Co. under the Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios in respect of the Revised Annual Caps is more than 0.1% but all of them are less than 5%, such Revised Annual Caps shall be subject to the reporting, announcement and annual review requirements, but exempted from independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

As Mr. Li Xingjia, and Ms. Zhang Qiuyun, each being a non-executive Director, also held office in Henan Investment Group, they are regarded as being interested in the Revised Annual Caps and thus have abstained from voting in the relevant Board resolution. Save for Mr. Li Xingjia and Ms. Zhang Qiuyun, none of the Directors has a material interest in the Revised Annual Caps and thus are required to abstain from voting on the relevant Board resolution.



## **VI. INFORMATION ON THE COMPANY AND EQUITY EXCHANGE CO.**

### **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.

### **Equity Exchange Co.**

Equity Exchange Co. is the only regional equity market approved by Henan Provincial Government, and is principally engaged in the provision of services related to registration, custodian, listing, transfer and financing of equities, bonds and other equity assets of non-publicly listed companies under the supervision and guidance of Henan Local Financial Supervision and Administration and Henan Branch of the China Securities Regulatory Commission. As at the date of this announcement, Equity Exchange Co. is a non-wholly owned subsidiary of the Company. The Company holds 36% of equity interest in Equity Exchange Co.



## VII. 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
“associate(s)”	has the same meaning as ascribed to it under the Hong Kong Listing Rules
“Board”	the board of Directors
“Company”	Central China Securities Co., Ltd. (中原证券股份有限公司) (carrying on business in Hong Kong as “中州证券”, 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 Hong Kong Listing Rules
“connected subsidiary”	has the same meaning as ascribed to it under the Hong Kong Listing Rules
“connected transaction”	has the same meaning as ascribed to it under the Hong Kong Listing Rules
“Director(s)”	the director(s) of the Company

“Equity Exchange Co.”	Central China Equity Exchange Co., Ltd. (中原股權交易中心股份有限公司), a joint stock company incorporated in the PRC with limited liability, and as at the date of this announcement, the Company holds 36% of its equity interest and the Company can exercise control at the meetings of its board of directors and at its general meetings; and in accordance with the requirements under the China Accounting Standards for Business Enterprises, as at the date of this announcement, it is defined as a subsidiary of the Company
“Group”	the Company and its subsidiaries
“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 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 which, as at the date of this announcement, is the largest substantial shareholder of the Company, directly and indirectly holds approximately 22.05% of the total share capital of the Company
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC” or “China”	the People’s Republic of China
“Revised Annual Caps”	the annual caps in respect of the revenue to be derived by the Group from the provision of securities and financial services to Equity Exchange Co. under the Framework Agreement for the two financial years ending 31 December 2024
“RMB”	Renminbi, the lawful currency of the PRC

“Securities and Financial Products Transactions and Services Framework Agreement” or “Framework Agreement”	the securities and financial products transactions and services framework agreement entered into between the Company and Equity Exchange Co. on 30 December 2021
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the same meaning as ascribed to it under the Hong Kong Listing Rules
“substantial shareholder”	has the same meaning as ascribed to it under the Hong Kong Listing Rules
“%”	per cent.

By order of the Board of  
**Central China Securities Co., Ltd.**  
**Lu Zhili**  
*Chairman*

Henan, the PRC  
30 August 2023

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

\* *For identification purposes only*