



(GDR under the symbol "HTSC")

Connected Transaction – Establishment of A Partnership

ESTABLISHMENT OF THE PARTNERSHIP

The Board is pleased to announce that on January 29, 2021, the Proposal on the Establishment of Industrial Fund by Huatai Purple Gold Investment Co., Ltd., a Wholly-owned Subsidiary of the Company (《關於公司全資子公司華泰紫金投資有限責任公司投資設立產業基金的議案》) has been considered and passed to approve Huatai Purple Gold (the Company's wholly-owned subsidiary, as General Partner) and Jiangsu Investment Management (as General Partner), Nanjing Industrial Fund (as Limited Partner) and Beilian Venture Capital (as Limited Partner) to establish the Partnership to set up the Fund, which mainly focuses on investing in the medical and health industry, including biomedicine, medical equipment, medical services and other fields. Pursuant to the Partnership Agreement, Huatai Purple Gold serves as the Fund Manager, providing investment consulting, investment management and other services to the Partnership, and the Partnership shall pay the fund management fee to Huatai Purple Gold.

HONG KONG LISTING RULES IMPLICATIONS

As at the date of this announcement, Guoxin Group is a substantial shareholder of the Company, holding approximately 14.86% of the entire issued share capital of the Company, and thus is a connected person of the Company under the Hong Kong Listing Rules. Jiangsu Investment Management is a wholly-owned subsidiary of Guoxin Group, and hence Jiangsu Investment Management is an associate of Guoxin Group and a connected person of the Company under the Hong Kong Listing Rules.

Accordingly, the transaction contemplated under the establishment of the Partnership constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest applicable percentage ratio in respect of the capital contribution for the establishment of the Partnership is more than 0.1% but less than 5%, as calculated under Rule 14.07 of the Hong Kong Listing Rules, the establishment of the Partnership is only subject to the reporting and announcement requirements, but exempted from the requirements of circular and independent shareholders' approval under Chapter 14A of the Hong Kong Listing Rules.

As all the applicable percentage ratios in respect of the management fees receivable by Huatai Purple Gold as the Fund Manager of the Partnership are less than 0.1%, as calculated under Rule 14.07 of the Hong Kong Listing Rules, the collection of the management fees is exempted from the requirements of reporting, announcement and independent shareholders' approval under Chapter 14A of the Hong Kong Listing Rules.

I. ESTABLISHMENT OF THE PARTNERSHIP

The Board is pleased to announce that on January 29, 2021, the Proposal on the Establishment of Industrial Fund by Huatai Purple Gold Investment Co., Ltd., a Wholly-owned Subsidiary of the Company (《關於公司全資子公司華泰紫金投資有限責任公司投資設立產業基金的議案》) has been considered and passed to approve Huatai Purple Gold (the Company's wholly-owned subsidiary, as General Partner) and Jiangsu Investment Management (as General Partner), Nanjing Industrial Fund (as Limited Partner) and Beilian Venture Capital (as Limited Partner) to establish the Partnership to set up the Fund, which mainly focuses on investing in the medical and health industry, including biomedicine, medical equipment, medical services and other fields. Pursuant to the Partnership Agreement, Huatai Purple Gold serves as the Fund Manager, providing investment consulting, investment management and other services to the Partnership, and the Partnership shall pay the fund management fee to Huatai Purple Gold.

PRINCIPAL TERMS OF THE PARTNERSHIP AGREEMENT

The rights and obligations of the Partners are governed by the Partnership Agreement, the principal terms of which are summarised as follows:

Parties	<ol style="list-style-type: none">(1) Huatai Purple Gold (a wholly-owned subsidiary of the Company, as General Partner and Executive Partner);(2) Jiangsu Investment Management (as General Partner);(3) Nanjing Industrial Fund (as Limited Partner); and(4) Beilian Venture Capital (as Limited Partner).
Name of the Partnership	Nanjing Huatai Guoxin Medical Investment Partnership (LP) (南京華泰國信醫療投資合夥企業(有限合夥))
Term of the Partnership	The term of the Partnership is seven years from the date of issuance of the first business registration certificate, of which the investment period is three years, upon the expiration of the investment period, the Partnership will enter the exit period. After the term of the Partnership expires, it can be extended for one year with the consent of the Executive Partner.
Fund Manager	Huatai Purple Gold
Purpose and business scope of the Partnership	Investing mainly in the equity of invested enterprises to obtain good returns for Partners from capital gains. Engaging in investment activities with own funds; venture capital (limited to investment in unlisted enterprises); equity investment (except for projects that require endorsement in accordance with the law, carry out business activities independently with the business registration certificate in accordance with the law).

Capital contribution

The total capital contribution by all Partners to the Partnership shall be RMB3,000,000,000, being initial subscription scale for the Fund. The capital contribution to be made by each of the Partners is as follows:

Partner	Type	Capital contribution (RMB)	Percentage (%)
Huatai Purple Gold	General Partner	600,000,000	20
Jiangsu Investment Management	General Partner	1,200,000,000	40
Nanjing Industrial Fund	Limited Partner	600,000,000	20
Beilian Venture Capital	Limited Partner	600,000,000	20
Total:		<u>3,000,000,000</u>	<u>100.00</u>

The capital contribution of the Partnership is paid in three instalments according to the actual needs of the investment business, and the proportion of each instalment of capital contribution to the subscribed capital contribution is 40%, 30%, and 30% respectively. Each Partner shall, in accordance with the capital contribution payment notice issued by the Executive Partner to all Partners, pay each instalment of capital contribution on time and in full.

For the purposes of project investment for the Partnership, the Fund Manager will notify each Partner that each instalment of capital contributions other than the first instalment shall satisfy the following conditions:

- (1) The funds used for project investment in the accumulated paid-in capital contributions have reached over 75% of the accumulated paid-in capital contributions, except that the balance of the paid-in capital contribution is insufficient to cover the capital contribution of proposed investment project;
- (2) The investment period of the Partnership has not yet ended.

The subscribed capital contribution is determined by the parties on an arm's length basis with reference to the Partnership's strategies and expected capital needs. The capital contribution to be made by Huatai Purple Gold will be funded by the Group's internal resources.

Management

Huatai Purple Gold is the Fund Manager. The total management fee paid by the Partners to the Fund Manager shall be the total amount of the management fee that all Partners shall share in accordance with the provisions of the Partnership Agreement. Unless the Fund Manager agrees to reduce or waive, for each Partner, the annual management fee to be apportioned is calculated as follows:

- (1) From the date of establishment of the Partnership to the expiry of the thirty-sixth month from the date of establishment of the Partnership, the billing base of the management fee that each Partner shall share is the amount of subscribed capital contribution and the rate of 1% per year;
- (2) From the day after the expiry of thirty-sixth month from the date of establishment of the Partnership, to the expiry of eighty-fourth month from the date of establishment of the Partnership, the billing base of the management fee that each Partner shall share is the original investment cost of the Partnership that has invested but has not yet withdrawn from the investment project, and the rate of 1% per year.

The Fund Manager shall be responsible for establishing an Investment Decision Committee consisting of five members. Huatai Purple Gold and Jiangsu Investment Management each have the right to appoint two committee members, and Nanjing Industrial Fund has the right to appoint one committee member. The investment decision of the Partnership shall be approved by more than 1/2 of the members of the Investment Decision Committee.

Profit and loss sharing

The distributable cash income derived from an investment project shall be divided among all Partners participating in the investment project according to the ratio of investment cost sharing, and allocated in the following order:

- (1) Return the accumulated paid-in capital contributions of Partners: return 100% of the accumulated paid-up capital contributions of each Partner by the time-point of allocation (including but not limited to all fund expenses incurred by the time-point), until all Partners recover their paid-in capital contributions;
- (2) Pay priority return to Partners: after returning the accumulated paid-in capital contributions of each Partner by the time-point of allocation, 100% will be allocated to the Partners until the paid-up capital contributions of each Partner achieves an internal rate of return of 8% (calculated from the date of receipt of each payment notice to the time-point of allocation);
- (3) 80/20 allocation: 80% of the balance after the above allocation is allocated among the Partners according to the ratio of paid-in capital contribution, and the remaining 20% attributes to the General Partners (**“Performance Sharing for General Partners”**).

If the distributable cash from the disposal of an investment project is insufficient to pay the above (1) or (2) in full, it shall be allocated among the Partners in accordance with the ratio of investment cost sharing.

The Performance Sharing for General Partners shall be shared by the General Partners, and the specific issues such as sharing ratio shall be agreed by the General Partners through entering into a separate agreement.

The main rights and obligations of Huatai Purple Gold and Jiangsu Investment Management in the Partnership Agreement will take effect upon the approval of the Board of the Company and fulfilment of the approval or decision-making procedures by Jiangsu Investment Management.

II. REASONS FOR AND BENEFITS OF THE ESTABLISHMENT OF THE PARTNERSHIP

The Group is committed to exploring potential investment opportunities to bring benefits and obtain better returns to shareholders. The Directors believe that the establishment of the Partnership is a good investment opportunity for the Group to diversify its investment portfolio and bring stable revenue to the Group. Guoxin Group is a large state-owned enterprise in Jiangsu Province. As an important vehicle for implementing Guoxin Group's strategic emerging industry investment, Jiangsu Investment Management contributed to participate in Fund operations. In the decision-making of major matters of the Fund, it can rely on the expertise and experience accumulation of Jiangsu Investment Management and Huatai Purple Gold to complement each other, grasp the investment trend, master investment nodes, make reasonable and accurate investment judgments, and ensure the stable and efficient operation of the Fund. The Directors believe that the development of the relevant projects is complementary to the Company's investment strategy layout in emerging businesses.

The Directors (excluding Mr. Ding Feng who is required to abstain from voting on the relevant Board resolution(s), but including the independent non-executive Directors) consider that the establishment of the Partnership is in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of transaction are fair and reasonable and in the interests of the Company and its shareholders as a whole.

In view of Mr. Ding Feng's position in Guoxin Group, he is regarded as being interested in the transaction under the establishment of the Partnership and thus has abstained from voting on the Board resolution(s) approving the transaction. Save as disclosed above, none of the Directors has a material interest in the transaction under the establishment of the Partnership and thus is required to abstain from voting on the relevant Board resolution(s).

III. INFORMATION ON THE COMPANY, THE PARTNERSHIP AND THE PARTNERS

Incorporated in the PRC in April 1991, the Company is a leading technology-driven securities group in the PRC, with a highly collaborative business model, a cutting-edge digital platform and an extensive and engaging customer base.

The Partnership is a limited partnership established under the laws of the PRC. The purpose of the Partnership is to create the Fund to engage in investment business. There is no relevant financial information and previous performance of the new Partnership available for disclosure in this announcement.

Huatai Purple Gold is a wholly-owned subsidiary of the Company. It is principally engaged in private equity investment fund management business.

According to the information available to the Company, Jiangsu Investment Management is a company established in the PRC with limited liability, and primarily engaging in equity investment fund management and equity investment. Jiangsu Investment Management is 100% owned by Guoxin Group, and the ultimate beneficial owner is the People's Government of Jiangsu Province.

Nanjing Industrial Fund is a company established in the PRC with limited liability, primarily engaging in non-securities equity investment, venture capital investment, investment consulting and investment management. Nanjing Industrial Fund is 100% owned by the Nanjing Municipal People's Government.

Beilian Venture Capital is a company established in the PRC with limited liability, the main business of which is venture capital investment (limited to investment in unlisted enterprises). Beilian Venture Capital is 100% owned by Nanjing Jiangbei New Area Industrial Investment Group Co., Ltd.* (南京江北新區產業投資集團有限公司), and the ultimate beneficial owner is Nanjing Jiangbei New Area Administrative Committee.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as disclosed in this announcement, each of Nanjing Industrial Fund, Beilian Venture Capital and each of their respective ultimate beneficial owners are third parties independent of the Company and the connected persons of the Company.

IV. HONG KONG LISTING RULES IMPLICATIONS

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V. DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Beilian Venture Capital”	Nanjing Beilian Venture Capital Co., Ltd.* (南京北聯創業投資有限公司)
“Board”	the board of Directors of the Company
“Company”	a joint stock company incorporated in the PRC with limited liability under the corporate name 华泰证券股份有限公司 (Huatai Securities Co., Ltd.), converted from its predecessor 华泰证券有限责任公司 (Huatai Securities Limited Liability Company) on December 7, 2007, carrying on business in Hong Kong as “HTSC”, and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance under the Chinese approved name of “華泰六八八六股份有限公司” and English name of “Huatai Securities Co., Ltd.”; the H shares of which have been listed on the main board of the Stock Exchange since June 1, 2015 (Stock Code: 6886); the A shares of which have been listed on the Shanghai Stock Exchange since February 26, 2010 (Stock Code:601688); the global depository receipts of which have been listed on the London Stock Exchange plc since June 2019 (Symbol: HTSC), unless the context otherwise requires, including its predecessor
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Director(s)”	the director(s) of the Company
“Fund”	Nanjing Huatai Guoxin Medical Investment Partnership (LP)* (南京華泰國信醫療投資合夥企業(有限合夥))
“Fund Manager”	Huatai Purple Gold, being the manager of the Fund
“General Partner(s)”	Huatai Purple Gold and Jiangsu Investment Management
“Group”	the Company and its subsidiaries
“Guoxin Group”	Jiangsu Guoxin Investment Group Limited (江蘇省國信集團有限公司), holding approximately 14.86% of the entire issued share capital 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

“Huatai Purple Gold”	Huatai Purple Gold Investment Co., Ltd.* (華泰紫金投資有限責任公司)
“Jiangsu Investment Management”	Jiangsu Investment Management Co., Ltd.* (江蘇省投資管理有限責任公司)
“Limited Partner(s)”	Nanjing Industrial Fund and Beilian Venture Capital, being the limited partners of the Partnership
“Nanjing Industrial Fund”	Nanjing Industrial Development Fund Co., Ltd.* (南京市產業發展基金有限公司)
“Partner(s)”	the partners to the Partnership, including the General Partners and the Limited Partners
“Partnership”	Nanjing Huatai Guoxin Medical Investment Partnership (LP)* (南京華泰國信醫療投資合夥企業(有限合夥)), a partnership established under the laws of the PRC
“Partnership Agreement”	the partnership agreement dated December 31, 2020 entered into among Huatai Purple Gold (as the General Partner and the Fund Manager), Jiangsu Investment Management (as the General Partner), Nanjing Industrial Fund (as the Limited Partner) and Beilian Venture Capital (as the Limited Partner) in respect of the establishment of the Partnership and the rights and obligations of the Partners. The main rights and obligations of Huatai Purple Gold and Jiangsu Investment Management agreed in the Partnership Agreement are conditional upon the approval of the Board of the Company and the fulfillment of the approval or decision-making procedures by Jiangsu Investment Management
“PRC”	the People’s Republic of China, excluding, for the purposes of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“subsidiary(ies)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“%”	per cent.

Huatai Securities Co., Ltd.
January 29, 2021