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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)**

### **CONNECTED TRANSACTION FUND TRUST AGREEMENT**

#### **FUND TRUST AGREEMENT**

The Company and Zhongyuan Trust entered into a Fund Trust Agreement on 2 November 2017 in relation to the entrustment of Zhongyuan Trust (as the entrusted party) by the Company (as the entrusting party) to provide specific management, utilization and disposal for its fund.

#### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Henan Investment Group holds approximately 20.975% of the issued share capital of the Company and is the largest substantial shareholder of the Company. Meanwhile, Henan Investment Group holds approximately 46.43% equity interests in Zhongyuan Trust and Zhongyuan Trust is a 30%-controlled company of Henan Investment Group. Zhongyuan Trust is an associate of Henan Investment Group pursuant to Rule 14A.13(3) of the Listing Rules. Accordingly, Zhongyuan Trust is a connected person of the Company under Rule 14A.07(4) of the Listing Rules, and the transaction contemplated under the Fund Trust Agreement constitutes a connected transaction of the Group under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) (other than the profit ratio) relevant to the transaction under the Fund Trust Agreement exceed 0.1% but are lower than 5%, entering into the Fund Trust Agreement is subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Reference is made to the announcements of the Company dated 25 September 2017 and 27 October 2017 in relation to the connected transactions pursuant to various fund trust agreements entered into between Central China Blue Ocean Investment Management Company Limited and Zhongyuan Trust. Since one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) (other than the profit ratio) relevant to the total transaction amounts under the fund trust agreements between the Group and Zhongyuan Trust within a twelve-month period (on aggregated basis) are lower than 5%, it is exempt from the circular and independent shareholders' approval requirements.

## **Introduction**

The Company and Zhongyuan Trust entered into a Fund Trust Agreement on 2 November 2017 in relation to the entrustment of Zhongyuan Trust (as the entrusted party) by the Company (as the entrusting party) to provide specific management, utilization and disposal for its fund.

## **Major Terms of the Fund Trust Agreement**

The major terms of the Fund Trust Agreement are set out as follows:

### **Fund Trust Agreement of Hongye Phase 259**

<b>Date</b>	:	2 November 2017
<b>Parties</b>	:	(1) The Company (as the entrusting party); and (2) Zhongyuan Trust (as the entrusted party)
<b>Term of trust</b>	:	Not more than 36 months
<b>Principal of trust</b>	:	RMB100 million, of which the principal of Type C trust amounted to RMB50 million and the principal of Type D trust amounted to RMB50 million
<b>Expected net income yield of trust</b>	:	Expected net income yield of trust was determined according to the market fair price but it was not more than 8.5% p.a.

The trust principal and the expected net income yield of the trusts under the Fund Trust Agreement were determined after arm's length negotiations between the Company and Zhongyuan Trust taking into account (i) the investment subject's financial performance (including its net asset value, profitability and cash flow) and (ii) the size and expected return of investment products available in the market of similar types and structures and involving investment subjects in similar industry types and with financial conditions similar to that of the respective investment subject under the Fund Trust Agreement.

The Company had also undergone its internal decision-making process (involving consultation with independent experts) and exercised its own business judgment, taking into account its business objectives and the allocation of its own funds, on entering into of the Fund Trust Agreement.

**Investment subject of the trust principal** : The principal of trust would be used by Zhongyuan Trust for debt investment in a third party independent of the Company and its connected persons (the “**Investment Subject**”). The arrangements do not constitute any acquisition of the assets of the Investment Subject by the Group, and no equity interest in the Investment Subject will be acquired by the Group as a result of such arrangements and/or the carrying out of the transaction under the Fund Trust Agreement.

The trust principal under the Fund Trust Agreement has been deposited into the designated trust account of Zhongyuan Trust on the date of signing the agreement. Such trust principal would be funded by internal resources of the Company.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE FUND TRUST AGREEMENT**

In order to enhance the operational efficiency of the Company for the current period, from the perspective of risk and revenue, trust product is a relatively more appropriate choice among various financial products. Upon market analysis and comparison of products from several trust companies, Zhongyuan Trust has sound operation and no history of repayment failure. Moreover, the product of this transaction has higher income yield than products offered by other companies. Therefore, Zhongyuan Trust was selected as the entrusted counterparty.

The Directors (excluding Mr. Li Xingjia who is required to abstain from voting on the relevant Board resolutions, but including independent non-executive Directors) are of the view that the terms contained in the Fund Trust Agreement are normal commercial terms and are fair and reasonable, and entering into the Fund Trust Agreement is in the interests of the Group and the Shareholders as a whole.

As Mr. Li Xingjia, a non-executive Director, also serves as a director of Henan Investment Group, and Henan Investment Group is a connected person of the Company and holds approximately 46.43% equity interests in Zhongyuan Trust, he is regarded as being interested in the transaction under the Fund Trust Agreement and thus has abstained from voting on the relevant Board resolutions. Save as mentioned above, none of the Directors has any material interest in the transaction under the Fund Trust Agreement and thus is required to abstain from voting on the relevant Board resolutions.

## **INFORMATION ON THE COMPANY AND ZHONGYUAN TRUST**

### **The Company**

The Company, a leading securities company in Henan Province possessing full-license business platform and strategic presence throughout the PRC, principally engages in brokerage, investment banking, investment management and proprietary trading businesses.

## **Zhongyuan Trust**

Zhongyuan Trust is a limited liability company established in the PRC. It is principally engaged in businesses of trust and investment fund and is a connected person of the Company.

To the best knowledge, information and belief of the Directors, having made all reasonable inquiries, as at the date of this announcement, the subject of the trust principal used under the Fund Trust Agreement and each of their respective ultimate beneficial owners are all independent third parties of the Company and the connected persons of the Company.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Henan Investment Group holds approximately 20.975% of the issued share capital of the Company and is the largest substantial shareholder of the Company. Meanwhile, Henan Investment Group holds approximately 46.43% equity interests in Zhongyuan Trust and Zhongyuan Trust is a 30%-controlled company of Henan Investment Group. Zhongyuan Trust is an associate of Henan Investment Group pursuant to Rule 14A.13(3) of the Listing Rules. Accordingly, Zhongyuan Trust is a connected person of the Company under Rule 14A.07(4) of the Listing Rules, and the transaction contemplated under the Fund Trust Agreement constitutes a connected transaction of the Group under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) (other than the profit ratio) relevant to the transaction under the Fund Trust Agreement exceed 0.1% but are lower than 5%, entering into the Fund Trust Agreement is subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Reference is made to the announcements of the Company dated 25 September 2017 and 27 October 2017 in relation to the connected transactions pursuant to various fund trust agreements entered into between Central China Blue Ocean Investment Management Company Limited and Zhongyuan Trust. Since one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) (other than the profit ratio) relevant to the total transaction amounts under the fund trust agreements between the Group and Zhongyuan Trust within a twelve-month period (on aggregated basis) are lower than 5%, it is exempt from the circular and independent shareholders' approval requirements.

## **DEFINITIONS**

In this announcement, unless otherwise stated, the expressions below shall have the following meanings:

“30%-controlled company”	has the same meaning as ascribed to it under the Listing Rules
“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 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 Listing Rules
“connected transaction”	has the same meaning as ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Fund Trust Agreement of Hongye Phase 259” or “Fund Trust Agreement”	Zhongyuan Wealth – Hongye Phase 259 – Collective Investment Trust Agreement of Zhengzhou Meihao Tianjing Estate Project* (《中原财富 – 宏業259期 – 鄭州美好天境置業項目投資集合信託合同》) entered into by the Company and Zhongyuan Trust on 2 November 2017
“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, holding approximately 20.975% of the issued share capital of the Company
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC” or “China”	the People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the same meaning as ascribed to it under the Listing Rules

“Zhongyuan Trust” Zhongyuan Trust Co., Ltd.\* (中原信託有限公司), a company incorporated in the PRC with limited liability, which holds approximately 46.43% equity interests in Henan Investment Group as at the date of this announcement

“%” per cent

By order of the Board  
**Central China Securities Co., Ltd.**  
**JIAN Mingjun**  
*Chairman*

Henan, PRC  
2 November 2017

*As at the date of this announcement, the Board comprises executive Director Mr. JIAN Mingjun, non-executive Directors Mr. LI Xingjia, Mr. WANG Lixin, Mr. ZHANG Qiang, Mr. ZHANG Xiaoqi and Mr. YU Zeyang, and independent non-executive Directors Mr. YUAN Dejun, Mr. YUEN Chi Wai, Mr. NING Jincheng and Mr. YU Xugang.*

\* *For identification purposes only*