中州证券

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

RENEWAL OF SECURITIES AND FINANCIAL PRODUCTS TRANSACTIONS AND SERVICES FRAMEWORK AGREEMENTS WITH HENAN INVESTMENT GROUP AND EQUITY EXCHANGE CO.

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

References are made to the announcements of the Company dated 27 March 2019 and 27 August 2019, respectively, in relation to, among others, (a) the continuing connected transactions entered into between the Company and Henan Investment Group under the Securities and Financial Products Transactions and Services Framework Agreement with Henan Investment Group; and (b) the continuing connected transactions entered into between the Company and Equity Exchange Co. under the Securities and Financial Products Transactions and Services Framework Agreement with Equity Exchange Co.

As the term of each of (a) the existing Securities and Financial Products Transactions and Services Framework Agreement with Henan Investment Group; and (b) the existing Securities and Financial Products Transactions and Services Framework Agreement with Equity Exchange Co., as well as the applicable annual caps for the continuing connected transactions thereunder, are due to expire on 31 December 2021, on 30 December 2021, the Company renewed each of the aforesaid framework agreements, each for a further term of three years commencing from 1 January 2022 and ending on 31 December 2024, and set the relevant annual caps for the continuing connected transactions contemplated thereunder for the next three 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 holds approximately 20.99% of the issued share capital of the Company, thus it is a connected person of the Company. Therefore, the transactions proposed to be conducted between the Group and Henan Investment Group and its associates under the renewed Securities and Financial Products Transactions and Services Framework Agreement with Henan Investment Group constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

Since Henan Investment Group holds 10% equity interests in Equity Exchange Co., a subsidiary of the Company, Equity Exchange Co. is thus a connected subsidiary of the Company. Therefore, the transactions proposed to be conducted between the Group and Equity Exchange Co. under the renewed Securities and Financial Products Transactions and Services Framework Agreement with Equity Exchange Co. constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

When calculating the size of the continuing connected transactions of the Company under the renewed Securities and Financial Products Transactions and Services Framework Agreements with both of Henan Investment Group and Equity Exchange Co., the Company has aggregated the annual caps for the continuing connected transactions under both of the aforesaid agreements pursuant to Rule 14A.81 of the Hong Kong Listing Rules.

As the highest of the applicable percentage ratios in respect of the annual caps for the continuing connected transactions contemplated under the renewed Securities and Financial Products Transactions and Services Framework Agreement with Henan Investment Group and the renewed Securities and Financial Products Transactions and Services Framework Agreement with Equity Exchange Co. for the next three years ending 31 December 2024, after the aforesaid aggregation, is more than 0.1% but less than 5%, such continuing connected transactions are only subject to the reporting, announcement and annual review requirements, but are exempted from the circular and independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

I. RENEWAL OF THE SECURITIES AND FINANCIAL PRODUCTS TRANSACTIONS AND SERVICES FRAMEWORK AGREEMENT WITH HENAN INVESTMENT GROUP

1. Background

References are made to the announcements of the Company dated 27 March 2019 and 27 August 2019, respectively, in relation to, among others, the continuing connected transactions entered into between the Company and Henan Investment Group under the Securities and Financial Products Transactions and Services Framework Agreement with Henan Investment Group.

As disclosed in the above-mentioned announcements, the Group has been, in the ordinary and usual course of its businesses, engaged in continuing transactions with Henan Investment Group and its associates including, securities and financial products transactions and provision of securities and financial services. As Henan Investment Group and its associates are connected persons of the Company and transactions between the Group and Henan Investment Group and its associates are continuing connected transactions of the Group, the Company and Henan Investment Group entered into the Securities and Financial Products Transactions and Services Framework Agreement with Henan Investment Group on 27 March 2019, so as to regulate such continuing connected transactions of the Company more effectively.

As the term of the existing Securities and Financial Products Transactions and Services Framework Agreement with Henan Investment Group as well as the relevant annual caps thereunder are due to expire on 31 December 2021, on 30 December 2021, the Company and Henan Investment Group renewed the Securities and Financial Products Transactions and Services Framework Agreement with Henan Investment Group for a further term of three years commencing from 1 January 2022 and ending on 31 December 2024, and set the annual caps for the continuing connected transactions thereunder for the next three financial years ending 31 December 2024.

2. Securities and Financial Products Transactions

Scope of the securities and financial products transactions

The Group has been entering into securities and financial products transactions with Henan Investment Group and its associates in the normal course of its business and upon normal commercial terms.

The scope of the securities and financial products transactions under the renewed Securities and Financial Products Transactions and Services Framework Agreement with Henan Investment Group is as below, which is the same as the scope of the securities and financial products transactions under the existing Securities and Financial Products Transactions and Services Framework Agreement with Henan Investment Group:

(i) Securities products with fixed income features — including, but not limited to, bonds, funds, trusts, wealth management products, asset management plans, assets securitized products, bond lending and borrowing, 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 market-making activities on the New Third Board), funds, trusts, wealth management products, asset management products and equity derivatives such as swaps, futures and options, etc.;

(iii) Financing transactions — financing transactions among financial institutions with or without guarantees/pledges including, but not limited to, capital lending and borrowing, repurchase, asset securitization, pledged loans, holding of debt certificates for each other including (but not limited to) short-term financing bonds, beneficiary certificates, subordinated debts and corporate bonds, etc.; and

(iv) Other related securities and financial products permitted by the regulatory authorities — including, but not limited to, futures, foreign exchange and commodities trading, etc.

Pricing basis

The securities and financial products transactions will be conducted at the prevailing market prices in the ordinary and usual course of the Group's business. In terms of subscriptions by the Group of the financial products set up by Henan Investment Group and its associates, the subscription price is at the same subscription price as the subscriptions by other investors. Such subscription price is determined by the financial institutions which set up the financial products after considering the fundamentals of the assets/businesses to be invested.

Henan Investment Group and its associates are required to satisfy and comply with the relevant PRC administrative rules, regulations and measures regulating issuance, including pricing determination, of their financial products. The relevant rules and measures would normally require information documents to be prepared and disclosed, which would require due diligence, valuation, auditing of financial information, rating etc. to be conducted or prepared for the purpose of the issuance. In addition, 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 gains (if any) to be derived from subscriptions by the Group of financial products set up by Henan Investment Group and its associates will be recognized as "total net cash inflow to the Group" in respect of the continuing connected transactions contemplated under the renewed Securities and Financial Products Transactions and Services Framework Agreement with Henan Investment Group. Other than the foregoing, for the time being and in the next three years, none of Henan Investment Group or its associates has plan to subscribe for securities and financial products set up by the Group.

Historical transaction amounts

The approximate historical transaction amounts in respect of the securities and financial products transactions between the Group and Henan Investment Group and its associates under the existing Securities and Financial Products Transactions and Services Framework Agreement with Henan Investment Group for each of the two financial years ended 31 December 2020 and the nine months ended 30 September 2021 are set out as follows:

Securities and financial products transactions	**Approximate historical transaction amounts**		
	For the year ended 31 December		**For the nine months ended 30 September**
	2019	**2020**	**2021**
	(RMB million)	*(RMB million)*	*(RMB million)*
Total net cash outflow from the Group	11.00	30.00	20.42
Total net cash inflow to the Group*	23.50	1.80	0.00

*	The figure represents gains derived from subscriptions by the Group of financial products set up by Henan Investment Group and its associates.

Estimation of the annual caps for the three financial years ending 31 December 2024

The Company estimates that the annual caps in respect of the securities and financial products transactions between the Group and Henan Investment Group and its associates under the renewed Securities and Financial Products Transactions and Services Framework Agreement with Henan Investment Group for each of the three financial years ending 31 December 2024 as follows:

Securities and financial products transactions	**Annual caps for the year ending 31 December**		
	2022	**2023**	**2024**
	(RMB million)	*(RMB million)*	*(RMB million)*
Total net cash outflow from the Group	120.00	120.00	120.00
Total net cash inflow to the Group*	10.50	10.50	10.50

* The figure represents gains to be derived from subscriptions by the Group of financial products set up by Henan Investment Group and its associates.

Basis of determination of the annual caps

When estimating the annual caps for the total net cash outflow of the securities and financial products transactions, the Company has made reference to the above historical transaction amounts, and also considered, among other things, the following key factors:

(i) the anticipated subscription by Equity Exchange Co., a subsidiary of the Company, for trust products set up by Zhongyuan Trust, a subsidiary of Henan Investment Group, of approximately RMB40.00 million each year for the next three financial years;

(ii) the anticipated subscription by CCBO, a wholly-owned subsidiary of the Company, for fund products set up by Henan Asset Management Co. Ltd.* (河南資產管理有限公司), a subsidiary of Henan Investment Group of approximately RMB30.00 million each year for the next three financial years; and

(iii) the anticipated subscription by CCBO for fund products set up by other subsidiaries of Henan Investment Group of approximately RMB50.00 million each year for the next three financial years.

The annual caps for the total net cash inflow of the securities and financial products transactions are determined based on the above annual caps for the total net cash outflow and the estimation by the Company of the yield of relevant securities and financial products (in the range of approximately 5% to 11% per annum).

3. Securities and Financial Services

Scope of the securities and financial services

The securities and financial services to be provided by the Group to Henan Investment Group and its associates under the renewed Securities and Financial Products Transactions and Services Framework Agreement with Henan Investment Group include the following:

(i) Underwriting and sponsorship services — including, but not limited to, sponsorship, underwriting, and continuous supervision and guidance services for equity securities, fixed income products, structured products and other derivative products;

(ii) Other investment banking services — including, but not limited to, financial advisory services relating to corporate restructuring, reorganization, mergers and acquisition;

(iii) Brokerage services — including, but not limited to, securities brokerage and related financial products services as well as futures brokerage services such as treasury bond futures;

(iv) Financial products sales agency services — including, but not limited to, provision of sales agency services for financial products;

(v) Entrusted asset management services — including, but not limited to, assets management services for assets entrusted by customers; and

(vi) Other financial and securities advisory, consulting services and commodities services, etc.

Pricing basis

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

The general pricing principles for service fees or commission or brokerage 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) underwriting and sponsorship services: the service fees shall be determined with reference to, among other things, the prevailing market rates, the proposed total amount of proceeds and fee rates charged by the Group for the provision of similar services to independent third parties;

(ii) other investment banking services: the service fees shall be determined taking into account of factors including the nature and size of transactions, the then 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;

(iii) brokerage services: the commissions shall be determined with reference to, among other things, the commission rates applicable to independent third parties and the estimated scale of the brokerage transactions;

(iv) financial products sales agency services: the service fees shall be determined based on the amount of products for sale or the estimated asset size with reference to the service fee rates applicable to independent third parties;

(v) entrusted asset management services: the service fees shall be determined based on the amount of products for sale or the estimated asset size with reference to the service fee rates applicable to independent third parties; and

(vi) other securities and 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.

Historical transaction amounts

The approximate historical transaction amounts in respect of the provision of securities and financial services by the Group to Henan Investment Group and its associates under the existing Securities and Financial Products Transactions and Services Framework Agreement with Henan Investment Group for each of the two financial years ended 31 December 2020 and the nine months ended 30 September 2021 are set out as follows:

Securities and financial services	Approximate historical transaction amounts		
	For the year ended 31 December		For the nine months ended 30 September
	2019	2020	2021
	(RMB million)	*(RMB million)*	*(RMB million)*
Revenue derived from provision of securities and financial services to Henan Investment Group and its associates	3.54	4.60	0.48

Estimation of the annual caps for the three financial years ending 31 December 2024

Securities and financial services	Annual caps for the year ending 31 December		
	2022	2023	2024
	(RMB million)	*(RMB million)*	*(RMB million)*
Revenue to be derived from provision of securities and financial services to Henan Investment Group and its associates	36.50	36.50	36.50

Basis of determination of the annual caps

When estimating the annual caps for the revenue to be derived from provision of securities and financial services by the Group to Henan Investment Group and its associates, the Company has made reference to the above historical transaction amounts, and also considered, among other things, the following key factors:

(i) the commission and fee income to be received by the Group for provision of sales agency services for trust products to Zhongyuan Trust is anticipated to be not more than RMB15.00 million each year for the next three financial years;

(ii) the fixed and performance-based management fees to be received by the Group for provision of asset management services to Henan Investment Group and its associates is anticipated to be not more than RMB16.00 million each year for the next three financial years;

(iii) the commission and fee income to be received by the Group for provision of securities and futures trading agency services to Henan Investment Group and its associates is anticipated to be not more than RMB1.07 million each year for the next three financial years;

(iv) the commission and brokerage fee to be received by the Group for provision of sponsorship and underwriting services to Henan Ancai Hi-Tech Co., Ltd.* (河南安彩高科股份有限公司), a non wholly-owned subsidiary of Henan Investment Group, is anticipated to be not more than RMB2.13 million each year for the next three financial years; and

(v) the brokerage fee to be received by the Group for provision of underwriting service to Henan Investment Group and its associates is anticipated to be not more than RMB2.30 million each year for the next three financial years.

4. Payment Arrangements

According to the renewed Securities and Financial Products Transactions and Services Framework Agreement with Henan Investment Group, payment arrangements for considerations, service fees, commission or brokerage fees shall be specified in the individual service agreement to be signed by members of the Group and Henan Investment Group and its associates under such framework agreement.

5. Implementation Agreements

During the term of the renewed Securities and Financial Products Transactions and Services Framework Agreement with Henan Investment Group, members of the Group and Henan Investment Group and its associates will enter into, from time to time and as necessary, individual implementation agreement for each of the specific transactions contemplated under such framework agreement (including such implementation agreement entered into during the term of the existing Securities and Financial Products Transactions and Services Framework Agreement with Henan Investment Group which has an expiring date within the term of the renewed agreement), provided that any such implementation agreement shall be within the ambit of the renewed Securities and Financial Products Transactions and Services Framework Agreement with Henan Investment Group.

6. Reasons and Benefits of Renewal of the Securities and Financial Products Transactions and Services Framework Agreement with Henan Investment Group

The reasons and benefits are as follows:

The securities and financial products transactions and securities and financial services transactions under the Securities and Financial Products Transactions and Services Framework Agreement with Henan Investment Group has been and will be conducted in the ordinary and usual course of business of the Group. Such transactions will continue to be agreed on arm's length basis with terms that are fair and reasonable to the Group. In order to take full advantage of and allocate proprietary funds in a reasonable manner, preserve and increase the value of the Group's assets as well as promote safety of assets, the Group has entered into and will continue to enter into securities and financial products transactions with financial institutions such as trust companies (including but not limited to Zhongyuan Trust). Such transactions will facilitate to exert the resource advantages of the parties and provide synergies, thereby enhance the income of the Group and improve the interest of the Company and its shareholders as a whole. Meanwhile, as a leading securities company in Henan Province with a full-service business platform, the Company provides various securities and financial services to its clients (including its connected persons and independent third parties). The Group will provide similar pricing and service terms to all clients and will not offer to the clients being connected persons of the Group more favourable terms than those offered to independent third party clients. Due to the historical and future long-term cooperation relationship between the Group and Henan Investment Group and its associates, the Company believes that it is beneficial to the Group to renew the Securities and Financial Products Transactions and Services Framework Agreement with Henan Investment Group as the transactions thereunder have facilitated and will continue to facilitate the overall business operations and growth of the Group's business.

The Directors (excluding Mr. Li Xingjia and Ms. Zhang Qiuyun who are required to abstain from voting on the relevant Board resolution but including the independent non-executive Directors) are of the view that the transactions under the renewed Securities and Financial Products Transactions and Services Framework Agreement with Henan Investment Group will be conducted on normal commercial terms, and the terms and conditions therein as well as the annual caps for the continuing connected transactions contemplated thereunder are fair and reasonable, and are in the interests of the Company and its shareholders as a whole.

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 transactions contemplated under the renewed Securities and Financial Products Transactions and Services Framework Agreement with Henan Investment Group and thus have abstained from voting on the relevant Board resolution. Save as mentioned above, none of the Directors has any material interest in the transactions contemplated under the renewed Securities and Financial Products Transactions and Services Framework Agreement with Henan Investment Group and thus be required to abstain from voting on the relevant Board resolution.

II. RENEWAL OF THE SECURITIES AND FINANCIAL PRODUCTS TRANSACTIONS AND SERVICES FRAMEWORK AGREEMENT WITH EQUITY EXCHANGE CO.

1. Background

References is made to the announcement of the Company dated 27 March 2019 in relation to, among others, the continuing connected transactions entered into between the Company and Equity Exchange Co. under the Securities and Financial Products Transactions and Services Framework Agreement with Equity Exchange Co.

As disclosed in the above-mentioned announcement, the Group has been, in the ordinary and usual course of its businesses, engaged in continuing transactions with Equity Exchange Co. including, securities and financial products transactions and mutual provision of securities and financial services. As Equity Exchange Co. is a connected person of the Company and transactions between the Group and Equity Exchange Co. are continuing connected transactions of the Group, the Company and Equity Exchange Co. entered into the Securities and Financial Products Transactions and Services Framework Agreement with Equity Exchange Co. on 27 March 2019, so as to regulate such continuing connected transactions of the Company more effectively.

As the term of the existing Securities and Financial Products Transactions and Services Framework Agreement with Equity Exchange Co., as well as the relevant annual caps thereunder are due to expire on 31 December 2021, on 30 December 2021, the Company and Equity Exchange Co. renewed the Securities and Financial Products Transactions and Services Framework Agreement with Equity Exchange Co. for a further term of three years commencing from 1 January 2022 and ending on 31 December 2024, and set the annual caps for the continuing connected transactions thereunder for the next three financial years ending 31 December 2024.

2. Securities and Financial Products Transactions

Scope of the securities and financial products transactions

The securities and financial products transactions to be 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, assets securitized products, bond lending and borrowing, 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 market-making activities on the New Third Board), 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 authorities — including, but not limited to, futures, foreign exchange and commodities trading, etc.

Pricing basis

The securities and financial products transactions will be conducted at the prevailing market prices in the ordinary and usual course of the Group's business. In terms of subscriptions by Equity Exchange Co. 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 of financial information, rating etc. to be conducted or prepared for the purpose of the issuance. In addition, 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 gains (if any) to be derived from subscriptions by Equity Exchange Co. of financial products set up by the Group that need to be paid to Equity Exchange Co. by the Group will be recognized as “total net cash outflow from the Group” in respect of the continuing connected transactions contemplated under the renewed Securities and Financial Products Transactions and Services Framework Agreement with Equity Exchange Co.. Other than the foregoing, the Group expects that there is no other net cash outflow derived from the securities and financial products transactions between the Group and Equity Exchange Co. for the time being and in the next three years.

Historical transaction amounts

The approximate historical transaction amounts in respect of the securities and financial products transactions between the Group and Equity Exchange Co. under the existing Securities and Financial Products Transactions and Services Framework Agreement with Equity Exchange Co. for each of the two financial years ended 31 December 2020 and the nine months ended 30 September 2021 are set out as follows:

Securities and financial products transactions	**Approximate historical transaction amounts**		
	For the year ended 31 December		**For the nine months ended 30 September**
	2019	**2020**	**2021**
	(RMB million)	*(RMB million)*	*(RMB million)*
Total net cash inflow to the Group	20.00	0.00	0.00
Total net cash outflow from the Group*	0.00	0.48	0.00

* The figure represents net cash outflow arising from payment to Equity Exchange Co. of the gains derived from subscriptions by Equity Exchange Co. of financial products set up by the Group.

Estimation of the annual caps for the three financial years ending 31 December 2024

The Company estimates that the annual caps in respect of the securities and financial products transactions between the Group and Equity Exchange Co. under the renewed Securities and Financial Products Transactions and Services Framework Agreement with Equity Exchange Co. for each of the three financial years ending 31 December 2024 as follows:

Securities and financial products transactions	**Annual caps for the year ending 31 December**		
	2022	**2023**	**2024**
	(RMB million)	*(RMB million)*	*(RMB million)*
Total net cash inflow to the Group	125.00	125.00	125.00
Total net cash outflow from the Group *	1.50	1.50	1.50

* The figure represents net cash outflow arising from payment to Equity Exchange Co. of the gains to be derived from subscriptions by Equity Exchange Co. of financial products set up by the Group.

Basis of determination of the annual caps

When estimating the annual caps for the total net cash inflow of the securities and financial products transactions, the Company has made reference to the above historical transaction amounts, and also considered, among other things, the following key factors:

(i) the anticipated subscription by Equity Exchange Co. for asset management products set up by the Company of approximately RMB30.00 million each year for the next three financial years;

(ii) pursuant to the commitments under certain existing agreements, Equity Exchange Co. will make capital contribution to the limited partnership funds set up by it and ZZKY Private Equity, a subsidiary of the Company, of approximately RMB25.00 million in each of the next three years; and

(iii) Equity Exchange Co. intends to set up new limited partnership funds with ZZKY Private Equity and expects to make capital contributions to such new limited partnership funds as a limited partner. Currently, Equity Exchange Co. intends to make such capital contribution of not more than RMB70.00 million in each of the next three years.

The annual caps for the total net cash outflow of the securities and financial products transactions are determined based on the above annual caps for the total net cash inflow and the estimation by the Company of the yield of relevant securities and financial products to be subscribed by Equity Exchange Co. from the Group (in the range of approximately 5% to 10% per annum).

3. 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

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 then 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.

Historical transaction amounts

The approximate historical transaction amounts in respect of the mutual provision of securities and financial services between the Group and Equity Exchange Co. under the existing Securities and Financial Products Transactions and Services Framework Agreement with Equity Exchange Co. for each of the two financial years ended 31 December 2020 and the nine months ended 30 September 2021 are set out as follows:

Securities and financial services	**Approximate historical transaction amounts**		
	For the year ended 31 December		**For the nine months ended 30 September**
	2019	**2020**	**2021**
	(RMB million)	*(RMB million)*	*(RMB million)*
Revenue derived from provision of securities and financial services to Equity Exchange Co.	0.00	1.28	1.13
Expenses incurred by provision of securities and financial services provided to the Group	0.10	2.02	0.72

Estimation of the annual caps for the three financial years ending 31 December 2024

Securities and financial services	Annual caps for the year ending 31 December 2022 *(RMB million)*	2023 *(RMB million)*	2024 *(RMB million)*
Revenue to be derived from provision of securities and financial services to Equity Exchange Co.	1.60	1.60	1.60
Expenses to be incurred by provision of securities and financial services to the Group	5.75	5.75	5.75

Basis of determination of the annual caps

When estimating the annual caps for the revenue to be derived from provision of securities and financial services by the Group to Equity Exchange Co., the Company has made reference to the above historical transaction amounts, and also considered, among other things, the fund management fees payable by the Equity Exchange Co. to ZZKY Private Equity (as the fund manager) in respect of several funds in which it is a limited partner, amounting to approximately RMB1.60 million per annum.

When estimating the annual caps for the expenses to be incurred by the Group for securities and financial services provided by Equity Exchange Co., the Company has made reference to the above historical transaction amounts, and also considered, among other things, the various service fees to be paid by the Group to Equity Exchange Co. in connection with the services proposed to be provided by Equity Exchange Co. including financial advisory service fee of approximately RMB5.00 million per annum, membership service fee, filing, registration and custody, settlement agent fees of approximately RMB0.75 million per annum.

4. Payment Arrangements

According to the renewed Securities and Financial Products Transactions and Services Framework Agreement with Equity Exchange Co., payment arrangements for considerations and service fees shall be specified in the individual service agreement to be signed by members of the Group and Equity Exchange Co. under such framework agreement.

5. Implementation Agreements

During the term of the renewed Securities and Financial Products Transactions and Services Framework Agreement with Equity Exchange Co., members of the Group and Equity Exchange Co. will enter into, from time to time and as necessary, individual implementation agreement for each of the specific transactions contemplated under such framework agreement (including such implementation agreement entered into during the term of the existing Securities and Financial Products Transactions and Services Framework Agreement with Equity Exchange Co. which has an expiring date within the term of the renewed agreement), provided that any such implementation agreement shall be within the ambit of the renewed Securities and Financial Products Transactions and Services Framework Agreement with Equity Exchange Co.

6. Reasons and Benefits of Renewal of the Securities and Financial Products Transactions and Services Framework Agreement with Equity Exchange Co.

The reasons and benefits are as follows:

The securities and financial products transactions under the Securities and Financial Products Transactions and Services Framework Agreement with Equity Exchange Co. are and will be conducted in the ordinary and usual course of business of the Group. Such transactions will continue to be agreed on arm's length basis with terms that are fair and reasonable to the Company. In order to fully exert the resource advantages of the Group and Equity Exchange Co. and provide synergies, as a qualified investor of asset management plan and private equity fund, Equity Exchange Co. can enter into securities and financial products transactions with the Group with terms no less favourable than terms offered to other clients (including connected persons and independent third parties) by the Group. Such transactions will facilitate to enhance the income of the Group so as to improve the interest of the Company and its shareholders as a whole. Meanwhile, in terms of the financial advisory services provided by Equity Exchange Co. to the Company, it will contribute to the increase of the customer resource and provide more cooperative opportunities for the Company's investment banking and investment businesses. As a member of Equity Exchange Co., the Company can conduct regional equity market businesses including recommendation of enterprises for listing which will benefit the increase in the income of the Group. Due to the historical and future long-term cooperation relationship between the Group and Equity Exchange Co., the Company believes that it is beneficial to the Group to renew the Securities and Financial Products Transactions and Services Framework Agreement with Equity Exchange Co. as the transactions thereunder have facilitated and will continue to facilitate the overall business operations and growth of the Group's business.

The Directors (excluding Mr. Li Xingjia and Ms. Zhang Qiuyun who are required to abstain from voting on the relevant Board resolution but including the independent non-executive Directors) are of the view that the transactions under the renewed Securities and Financial Products Transactions and Services Framework Agreement with Equity Exchange Co. will be conducted on normal commercial terms, and the terms and conditions therein as well as the annual caps for the continuing connected transactions contemplated thereunder are fair and reasonable, and are in the interests of the Company and its shareholders as a whole.

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 transactions contemplated under the renewed Securities and Financial Products Transactions and Services Framework Agreement with Equity Exchange Co. and thus have abstained from voting on the relevant Board resolution. Save as mentioned above, none of the Directors has any material interest in the transactions contemplated under the renewed Securities and Financial Products Transactions and Services Framework Agreement with Equity Exchange Co. and thus be required to abstain from voting on the relevant Board resolution.

III. PRICING APPROVAL AND SUPERVISION

Securities and Financial Products Transactions

The Group has adopted a series of internal approval and supervision procedures to regulate the securities and financial products transactions between the Group and Henan Investment Group and its associates, and between the Group and Equity Exchange Co. To ensure the terms of the securities and financial products transactions are on normal commercial terms or on terms no less favourable to the Group than terms applicable to independent third parties, the Group has implemented internal approval and monitoring procedures, including the following:

The Group has established its internal guidelines and policies for conduct of different types of securities and financial products as well as the internal procedures and systems for approval and supervision of such transactions. Such policies and guidelines would set out the requirements for pre-trading pricing enquiries, applicable interest rates, the procedures for price determination, approval authority and procedures, record keeping, supervision and review procedures for different types of transactions and businesses.

In addition, trainings will be provided to traders/dealers on the requirements relating to connected transactions and all connected transactions, once identified and conducted, will be recorded by the relevant department, which will check to ensure that all applicable restrictions are observed and complied with. The relevant business department of the Company is responsible for reviewing whether the actual transaction amounts would exceed the annual caps and alert relevant business lines if close to the annual caps. The legal department, compliance department, Board Office, financial department and other specific operational and administrative departments will also collect data from all business lines and review the actual amounts of different types of securities and financial products transactions on a regular or irregular basis to ensure that the annual caps would not be exceeded and remind the business departments on the control of such connected transactions. The legal and compliance departments will also review relevant agreements and grant approval, where appropriate.

Securities and Financial Services

The Group has adopted a series of internal pricing policies and approval procedures to regulate the provision of securities and financial services to Henan Investment Group and its associates, and the mutual provision of securities and financial services between the Group and Equity Exchange Co. The major internal policies include the following:

(i) The terms (including pricing terms) in respect of the securities and financial services contemplated under the renewed Securities and Financial Products Transactions and Services Framework Agreements with Henan Investment Group and Equity Exchange Co. shall be comparable 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.

(ii) For services provided by the Group to Henan Investment Group and its associates, and to Equity Exchange Co., the Company will offer similar pricing terms to Henan Investment Group and its associates and to Equity Exchange Co. as those to other independent third parties and no preferential terms shall be provided to clients who are connected persons of the Company. Prior to entering into a securities and financial service transaction, the relevant business 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 Group and whether the price is fair and reasonable, after taking into consideration individual factors such as the content and scope of the services provided and will grant approval, where appropriate. For securities and financial services provided to the Group by the Equity Exchange Co., the Company has been applying pricing approval and monitoring procedures similar to those described above to ensure that the terms relating to the services are no less favorable than those applicable to independent third parties. Before the Group acquires securities and financial services, the relevant business departments will consider all available market information, examine whether it is feasible to procure the services, evaluate and compare the level of fees/prices and the quality of services, and go through the corresponding internal decision-making and approval process based on factors such as the content of the services and the relevant prices.

(iii) The legal department and the compliance department of the Group will review relevant agreements and grant approval, where appropriate.

In addition, the conduct of continuing connected transactions is also subject to annual review by all independent non-executive Directors and the supervisory committee of the Company.

IV. HONG KONG LISTING RULES IMPLICATIONS

As at the date of this announcement, Henan Investment Group is a substantial shareholder of the Company and holds approximately 20.99% of the issued share capital of the Company, thus it is a connected person of the Company. Therefore, the transactions proposed to be conducted between the Group and Henan Investment Group and its associates under the renewed Securities and Financial Products Transactions and Services Framework Agreement with Henan Investment Group constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

Since Henan Investment Group holds 10% equity interests in Equity Exchange Co., a subsidiary of the Company, Equity Exchange Co. is thus a connected subsidiary of the Company. Therefore, the transactions proposed to be conducted between the Group and Equity Exchange Co. under the renewed Securities and Financial Products Transactions and Services Framework Agreement with Equity Exchange Co. constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

When calculating the size of the continuing connected transactions of the Company under the renewed Securities and Financial Products Transactions and Services Framework Agreements with both of Henan Investment Group and Equity Exchange Co., the Company has aggregated the annual caps for the continuing connected transactions under both of the aforesaid agreements pursuant to Rule 14A.81 of the Hong Kong Listing Rules.

As the highest of the applicable percentage ratios in respect of the annual caps for the continuing connected transactions contemplated under the renewed Securities and Financial Products Transactions and Services Framework Agreement with Henan Investment Group and the renewed Securities and Financial Products Transactions and Services Framework Agreement with Equity Exchange Co. for the next three years ending 31 December 2024, after the aforesaid aggregation, is more than 0.1% but less than 5%, such continuing connected transactions are only subject to the reporting, announcement and annual review requirements, but are exempted from the circular and independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

V. INFORMATION ON THE COMPANY, HENAN INVESTMENT GROUP 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, which principally engages in, among others, the brokerage, investment banking, investment management and proprietary trading businesses.

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 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. It is the largest substantial shareholder and a connected person of the Company, and its de facto controller is the Department of Finance of Henan Province.

Equity Exchange Co.

Equity Exchange Co. is the only regional equity exchange 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 the Financial Service Office of Henan Provincial Government and Henan Branch of the China Securities Regulatory Commission.

VI. 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
"CCBO"	Central China Blue Ocean Investment Management Company Limited* (中州藍海投資管理有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company as at the date of this announcement
"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 35% 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 regarded 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, holding approximately 20.99% of the issued share capital of the Company
"Henan Provincial Government"	Henan Provincial People's Government (河南省人民政府)
"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
"New Third Board"	the National Equities Exchange and Quotation
"PRC" or "China"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"Securities and Financial Products Transactions and Services Framework Agreement with Equity Exchange Co."	the securities and financial products transactions and services framework agreement entered into between the Company and Equity Exchange Co. on 27 March 2019, which was renewed by the parties on 30 December 2021 for another term of three years expiring on 31 December 2024
"Securities and Financial Products Transactions and Services Framework Agreement with Henan Investment Group"	the securities and financial products transactions and services framework agreement entered into between the Company and Henan Investment Group on 27 March 2019, which was renewed by the parties on 30 December 2021 for another term of three years expiring on 31 December 2024
"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
"Zhongyuan Trust"	Zhongyuan Trust Co., Ltd.* (中原信託有限公司), a limited liability company incorporated in the PRC and a subsidiary of Henan Investment Group as Henan Investment Group holds approximately 58.97% of its equity interest as at the date of this announcement
"ZZKY Private Equity"	Henan Zhongzheng Kaiyuan Private Equity Fund Management Co., Ltd.* (河南中證開元私募基金管理有限公司), formerly known as Henan Zhongzheng Kaiyuan Venture Capital Fund Management Co., Ltd.* (河南中證開元創業投資基金管理有限公司), a limited liability company incorporated in the PRC and a subsidiary of the Company as the Company holds 60% of its equity interest as at the date of this announcement
"%"	per cent.

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

Henan, the PRC
30 December 2021

As at the date of this announcement, the Board comprises executive Director Mr. JIAN Mingjun, non-executive Directors Mr. LI Xingjia, Ms. ZHANG Qiuyun, Mr. TIAN Shengchun, Mr. ZHANG Xiaoqi and Mr. LU Benson Cheng, and independent non-executive Directors Mr. YU Xugang, Ms. ZHANG Dongming, Mr. CHEN Zhiyong and Mr. TSANG Sung.

* *For identification purposes only*