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(A joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name 华泰证券股份有限公司 and carrying on business in Hong Kong as HTSC)

(Stock Code: 6886)

## **DISCLOSEABLE TRANSACTION ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF ASSETMARK FINANCIAL HOLDINGS, INC.**

**J.P.Morgan**

**Morgan Stanley**

 **華泰金融控股(香港)有限公司**  
HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED

**Financial Advisors**

### **THE ACQUISITION**

The Board is pleased to announce that on 11 April 2016, the Company and Huatai International Finance, a wholly owned subsidiary of the Company, entered into a Stock Purchase Agreement with AqGen Liberty, on the terms and subject to the conditions of which Huatai International Finance has conditionally agreed to acquire, either directly or through an affiliate, the Target Shares of AssetMark from AqGen Liberty at the Consideration as more particularly described below. Upon Completion, AssetMark will become an indirect subsidiary of the Company. Completion of the Acquisition is subject to the satisfaction or waiver of a number of conditions on or before the End Date.

### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Acquisition exceeds 5% but is less than 25% and none of the applicable percentage ratios is above 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Hong Kong Listing Rules and is subject to the notification and announcement requirements but exempt from Shareholders' approval requirement under the Listing Rules.

## **I. INTRODUCTION**

The Board is pleased to announce that on 11 April 2016, the Company and Huatai International Finance entered into a Stock Purchase Agreement with AqGen Liberty, on the terms and subject to the conditions of which Huatai International Finance has conditionally agreed to acquire, either directly or through an affiliate, the Target Shares of AssetMark from AqGen Liberty at the Consideration as more particularly described below. Upon Completion, AssetMark will become an indirect subsidiary of the Company.

The principal terms of the Stock Purchase Agreement are summarised below.

## **II. THE STOCK PURCHASE AGREEMENT**

### **Date**

11 April 2016

### **Parties**

- (a) AqGen Liberty, the seller
- (b) Huatai International Finance, the buyer
- (c) the Company, as the buyer's parent company

### **Subject Matter**

Huatai International Finance conditionally agreed to acquire, either directly or through an affiliate, and AqGen Liberty conditionally agreed to sell the Target Shares, representing the entire issued share capital of AssetMark. The Company, being the parent company of Huatai International Finance, among other things, has provided undertakings, but not surety, to ensure the prompt and full discharge of Huatai International Finance's obligations under the Stock Purchase Agreement.

### **Consideration**

The Consideration for the Acquisition payable by Huatai International Finance under the Stock Purchase Agreement will be an amount equal to the purchase price of USD780 million, plus or minus, as applicable (i) the amount of working capital of AssetMark at Completion as compared to a target normalised level of working capital of AssetMark; minus (ii) the amount of debt of AssetMark at Completion; minus (iii) the amount of AssetMark's unpaid transaction expenses; and plus or minus, as applicable (iv) the amount of cash at Completion as compared to a target normalised level of cash of AssetMark.

The Consideration was determined by the parties after arm's length negotiations having considered the adjusted financials of the Target Group as well as precedent transactions.

## Payment

The Consideration for the Acquisition will be financed using internal resources of the Company. Pursuant to the Share Purchase Agreement, Huatai International Finance shall pay the Consideration to AqGen Liberty in cash in two stages:

- (a) a deposit of USD23.4 million in cash, representing 3% of the purchase price, into escrow at signing of the Stock Purchase Agreement to serve as security for payment of a reverse break-up fee in such amount if the Stock Purchase Agreement is terminated because the PRC Approvals (as defined below) are not obtained; and
- (b) the remainder of the purchase price payable in cash at Completion.

## Conditions Precedent

Completion is conditional upon the satisfaction (or waiver, where applicable) of the following conditions precedent:

- (a) the parties having obtained all necessary approvals for the Acquisition from the relevant U.S. regulatory authorities, including but not limited to, (i) approval of the Committee on Foreign Investment in the U.S.; (ii) approval of the Financial Industry Regulatory Authority in the U.S. (iii) approvals of relevant financial regulators in the state of Arizona, the U.S.; and (iv) approval pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976;
- (b) the parties having obtained all necessary approvals for the Acquisition from the relevant PRC regulatory authorities (the “**PRC Approvals**”);
- (c) (i) AssetMark’s aggregate assets under management at Completion being equal to at least 85% of its aggregate assets under management as of 4 April 2016, (ii) the board of directors of each of the regulated mutual funds sponsored by AssetMark having recommended to fund shareholders the approval of new investment advisory contracts with AssetMark, and (iii) the aggregate assets under management attributable solely to such regulated mutual funds being equal to at least 66<sup>2</sup>/<sub>3</sub>% of their aggregate assets under management as of 4 April 2016; and
- (d) other usual and customary conditions for a transaction of this nature and scale.

In the event that any of the above conditions shall not have been fulfilled or waived by the applicable party on or before the End Date, Huatai International Finance shall not be bound to proceed with the purchase of the Target Shares and the Stock Purchase Agreement shall terminate upon written notice from either party.

If Completion does not occur because any of the PRC Approvals are not obtained, the USD23.4 million reverse break-up fee will be released from escrow to AqGen Liberty.

## **Completion**

Completion will take place on the closing date, which is the final business day of the month in which all the conditions pursuant to the Acquisition have been satisfied or waived, provided such conditions have been satisfied or waived at least 3 business days prior to such final business day, unless another time, date or place is agreed to in writing by the parties.

## **Other provisions**

Other than the above mentioned, the Stock Purchase Agreement also contains other provisions on indemnity, representations, warranties and undertakings which are usual and customary for a transaction of this nature and scale.

## **III. OTHER TRANSACTION DOCUMENTS**

To retain and continue to incentivise the key management members and employees of AssetMark, Huatai International Finance has entered into equity-based incentive arrangements with AssetMark and certain Key Management Members, pursuant to which these Key Management Members will use part of their sale proceeds from the Acquisition to invest in the shares of the direct or indirect holding company of AssetMark, and will participate in a tenure- and performance-based equity incentive scheme.

## **IV. INFORMATION ON THE TARGET GROUP**

### **General Information**

Founded in 1996 and headquartered in Concord, California, the U.S., AssetMark is an independent full-service turnkey asset management program (“TAMP”), which provides investment and consulting solutions to financial advisors in the U.S. AssetMark’s primary offerings include access to asset management products, third party and proprietary custodial services as well as investment strategist products. By delivering a full suite of services, AssetMark allows its clients to focus on financial advisory services and relationship building. AssetMark has approximately USD28.5 billion of assets on its platform as of 31 March 2016. According to the industry report published by The Trust Advisor in 2015, AssetMark was the third largest TAMP industry participant in the U.S. in terms of estimated market share.

## Financial information on the Target Group

Set out below is a summary of the consolidated audited financial information of the Target Group for the two years ended 31 December 2015, respectively. The Target Group's consolidated financial statements are prepared on the basis of U.S. generally accepted accounting principles.

	<b>For the year ended 31 December 2014</b> <i>(USD million)</i>	<b>For the year ended 31 December 2015</b> <i>(USD million)</i>
Net Revenue <sup>(1)</sup>	141.077	157.817
Net Profit before taxation	10.002	18.178
Net Profit after taxation	6.574	9.853
		<b>As at 31 December 2015</b> <i>(USD million)</i>
Total assets		381.366
Total liabilities		243.301
Net assets		138.065

*Note:*

(1) "Net Revenue" represents total gross revenue net of asset-based expenses.

Based on the unaudited financial information of the Target Group, the Target Group's pre-tax operating income (adjusted net profit excluding net interest expense, tax, depreciation and amortization) for the two years ended 31 December 2015 was USD28.540 million and USD39.792 million, respectively.

## **V. INFORMATION ABOUT THE PARTIES**

### **AqGen Liberty**

AqGen Liberty is a corporation incorporated under the laws of the State of Delaware, the U.S., whose issued share capital is owned by Aquiline Capital Partners, Genstar Capital, Key Management Members and other minority investors. AqGen Liberty is a holding company to hold the investment of Aquiline Capital Partners, Genstar Capital, Key Management Members and other minority investors in AssetMark.

Aquiline Capital Partners is a private equity firm based in New York, the U.S., investing in middle-market businesses across the financial services sector in banking and credit, insurance, investment management and markets, and financial technology and services.

Genstar Capital is a private equity firm based in San Francisco, California, the U.S., that manages funds with total capital commitments of over USD5 billion and targets investments focused on selected sectors within the financial services, software, industrial technology, and healthcare industries.

The Key Management Members include certain key members of the management and employees in AssetMark, who currently hold shares in AqGen Liberty. It is currently expected that all of the executive committee members of AssetMark will continue to serve management positions in AssetMark immediately after the Acquisition.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, AqGen Liberty and its ultimate beneficial shareholders are third parties independent of the Company and its connected persons.

### **Huatai International Finance**

Established in the British Virgin Islands in 2014, Huatai International Finance is a wholly owned subsidiary of the Company and currently has no substantial business activities.

### **The Company**

Incorporated in April 1991 in the PRC, the Company is a leading integrated securities group in China with a substantial customer base, a leading online platform and a highly collaborative full-service business franchise.

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

As one or more of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Acquisition exceeds 5% but is less than 25% and none of the applicable percentage ratios is above 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Hong Kong Listing Rules and is subject to the notification and announcement requirements but exempt from Shareholders' approval requirement under the Listing Rules.

## **VII. REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Group has always been interested to expand its existing business and to increase the Group's revenue stream in order to enhance Shareholders' value. The Company believes that the Acquisition will bring significant strategic value to the Group, which may include:

### **Opportunity to expand investment management service capabilities**

Given AssetMark's over 20 years' proven record of successfully delivering a leading, curated suite of investment solutions to the U.S. advisors, the Company believes that AssetMark's investment capabilities, portfolio construction expertise and thought leadership will enhance the Group's leading position in the Chinese securities industry.

### **Potential to build world-class technology solutions**

The Acquisition will create opportunities to share best practices between the Company and AssetMark, increase investment and expand existing capabilities to build enhanced technology platform solution for the clients of the Company.

The Board (including the independent non-executive Directors) believes that the terms of the Acquisition are fair and reasonable and in the interests of the Shareholders as a whole.

**Shareholders and potential investors in the Company should be aware that Completion is subject to the satisfaction (or waiver, where applicable) of various conditions on or before the End Date and therefore Shareholders and potential investors in the Company should exercise caution when dealing in the securities of the Company.**

## VIII. DEFINITIONS

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

“Acquisition”	the acquisition of the Target Shares of AssetMark by Huatai International Finance on the terms and subject to the conditions of the Stock Purchase Agreement
“Aquiline Capital Partners”	Aquiline Capital Partners LLC, a corporation incorporated under the laws of the State of Delaware, the U.S., which currently is a shareholder of AqGen Liberty
“AqGen Liberty”	AqGen Liberty Holdings LLC, a corporation incorporated under the laws of the State of Delaware, the U.S., which directly holds the entire issued share capital of AssetMark
“AssetMark”	AssetMark Financial Holdings, Inc., a corporation incorporated under the laws of the State of Delaware, the U.S., whose entire issued share capital is directly owned by AqGen Liberty
“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 our predecessor 华泰证券有限责任公司 (Huatai Securities Limited Liability Company) on 7 December 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 “ 华泰六八八六股份有限公司 ” and English name of “Huatai Securities Co., Ltd.”; the H shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited on 1 June 2015 (Stock Code: 6886) and the A shares of which are listed on the Shanghai Stock Exchange on 26 February 2010 (Stock Code: 601688)
“Completion”	completion of the Acquisition pursuant to the terms of the Stock Purchase Agreement
“connected person”	has the meaning ascribed to it in the Listing Rules



“Consideration”	the consideration payable by Huatai International Finance to AqGen Liberty pursuant to the terms of the Stock Purchase Agreement, as more particularly described under the subparagraph titled “Consideration” in the section titled “Stock Purchase Agreement” of this announcement
“End Date”	30 December 2016
“Genstar Capital”	Genstar Capital Management LLC, a limited liability company formed under the laws of the State of Delaware, the U.S., which currently is a shareholder of AqGen Liberty
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HKD”	the lawful currency of Hong Kong
“Huatai International Finance”	Huatai International Finance Limited, a company established under the laws of the British Virgin Islands and a wholly owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Key Management Members”	key members of the management and employees of AssetMark, who currently hold shares of AqGen Liberty
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Shareholders”	the shareholders of the Company
“Stock Purchase Agreement”	the stock purchase agreement dated 11 April 2016 entered into among the Company, Huatai International Finance and AqGen Liberty in relation to the sale and purchase of the Target Shares of AssetMark
“Target Group”	AssetMark and its subsidiaries
“Target Shares”	100 ordinary shares of AssetMark, representing the entire issued share capital of AssetMark

“U.S.” the United States of America

“USD” the lawful currency of the U.S.

By order of the Board of Directors

**Jiang Jian**

*Company Secretary*

Jiangsu, PRC, 11 April 2016

*As of the date of this announcement, the Board comprises Mr. ZHOU Yi as an executive Director; Mr. SUN Lu, Mr. WANG Shuhua, Ms. PU Baoying, Mr. SUN Hongning, Mr. ZHOU Yong, Mr. CAI Biao and Ms. XU Min as non-executive Directors; and Mr. BAI Wei, Mr. LIU Hongzhong, Mr. LEE Chi Ming, Mr. CHEN Chuanming and Mr. YANG Xiongsheng as independent non-executive Directors.*

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