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海通证券股份有限公司  
HAITONG SECURITIES CO., LTD.\*

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 6837)**

## **ANNOUNCEMENT ON CONTINUING CONNECTED TRANSACTIONS SECURITIES AND FINANCIAL PRODUCTS TRANSACTIONS AND SERVICES FRAMEWORK AGREEMENT**

### **CONTINUING CONNECTED TRANSACTIONS FRAMEWORK AGREEMENT**

References are made to the circular of 2020 extraordinary general meeting of the Company dated 25 March 2020 (the “**Circular**”), the poll result announcement of the 2020 extraordinary general meeting dated 15 April 2020 in relation to (among other things) the proposed adjustments to the non-public issuance of A Shares under the general mandate (the “**Non-public Issuance of A Shares**”), the announcement of the Company dated 9 June 2020 in relation to the approval by the CSRC on the Non-public Issuance of A Shares, and the announcement of the Company dated 6 August 2020 in relation to the issuance results of the Non-public Issuance of A Shares and changes in share capital. On 6 August 2020, the Company has completed the Non-public Issuance of A Shares, and Guosheng Group has subscribed for 781,250,000 A Shares in the Non-public Issuance of A Shares, upon which and as at the date of this announcement, the equity interest directly and indirectly held by Guosheng Group increased from 4.99993% to 10.38202%. Therefore, Guosheng Group and its associates constitute connected persons of the Company under the Hong Kong Listing Rules.

The Group has conducted and expect to continue to conduct the securities and financial products transactions (the “**Securities and Financial Products Transactions**”) with Guosheng Group and its associates in the ordinary course of business. In addition, the Group and Guosheng Group and its associates provide and expect to continue to provide securities and financial services (the “**Securities and Financial Services**”) to each other in the course of ordinary business. Therefore, the Company and Guosheng Group entered into Continuing Connected Transactions Framework Agreement on 6 August 2020 for a term commencing from 6 August 2020 to 31 December 2022. Pursuant to the Continuing Connected Transactions Framework Agreement, the Group and Guosheng Group and its associates will conduct the Securities and Financial Products Transactions and the Securities and Financial Services in the course of ordinary business.

## IMPLICATION OF THE HONG KONG LISTING RULES

As of the date of this announcement, Guosheng Group has subscribed for 781,250,000 A Shares of the Company under the Non-public Issuance of A Shares and directly and indirectly holds in aggregate 10.38202% equity interest of the Company. Therefore, Guosheng Group and its associates constitute connected persons of the Company under Chapter 14A of the Hong Kong Listing Rules, and the transactions contemplated under the Continuing Connected Transactions Framework Agreement between the Company and Guosheng Group constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

The highest applicable percentage ratio in respect of the transactions under the Continuing Connected Transactions Framework Agreement is higher than 0.1% but less than 5%. Accordingly, such continuing connected transactions are subject to the reporting, announcement and annual review requirements but exempted from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

References are made to the circular of 2020 extraordinary general meeting of the Company dated 25 March 2020 (the “**Circular**”), the poll result announcement of the 2020 extraordinary general meeting dated 15 April 2020 in relation to (among other things) the proposed adjustments to the non-public issuance of A Shares under the general mandate (the “**Non-public Issuance of A Shares**”), the announcement of the Company dated 9 June 2020 in relation to the approval by the CSRC on the Non-public Issuance of A Shares, and the announcement of the Company dated 6 August 2020 in relation to the issuance results of the Non-public Issuance of A Shares and changes in share capital. On 6 August 2020, the Company has completed the Non-public Issuance of A Shares, and Guosheng Group has subscribed for 781,250,000 A Shares in the Non-public Issuance of A Shares, upon which and as at the date of this announcement, the equity interest directly and indirectly held by Guosheng Group increased from 4.99993% to 10.38202%. Therefore, Guosheng Group and its associates constitute connected persons of the Company under the Hong Kong Listing Rules.

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## CONTINUING CONNECTED TRANSACTIONS FRAMEWORK AGREEMENT

Date: 6 August 2020

Term: From 6 August 2020 to 31 December 2022

Parities: (i) Guosheng Group; and  
(ii) the Company

## **SCOPE OF CONTINUING CONNECTED TRANSACTIONS**

### **1. Securities and Financial Products Transactions**

The Group conducts the Securities and Financial Products Transactions with Guosheng Group and its associates during its ordinary course of business. Pursuant to the Continuing Connected Transactions Framework Agreement, it is expected that the Securities and Financial Products Transactions between the Group and Guosheng Group and its associates include the following:

- transactions relating to products with fixed income features – including but not limited to bonds, funds, trusts, wealth management products, asset management schemes, asset securitization products, convertible bonds, bond borrowing and lending, structured products, swaps, futures, forwards, options and others financial products with fixed income features;
- transactions relating to fixed income derivative products – including but not limited to interest rates and credit derivatives;
- transactions relating to equity products – including but not limited to trading and/or subscription of equity (including market-making transactions on the National Equities Exchange and Quotations (the“**NEEQ**”)), funds, trusts, wealth management products, asset management products and equity derivatives (including but not limited to income swaps and convertible debts);
- transactions relating to financing transactions – referring to secured/pledged or unsecured/unpledged financing activities among financial institutions, including but not limited to inter-bank borrowing, repurchase, inter-bank deposits, income rights, asset securitization, legal person account overdrafts, pledged financing, mutual holding of debt certificates (including short-term financing bills, yield certificates, subordinated bonds and corporate bonds etc.);
- other transactions relating to securities and financial products conducted in compliance with laws and regulations – including but not limited to futures, foreign exchange, commodity trading, options, etc.
- other financial products transactions permitted by laws and regulations and normative documents.

### **2. Securities and Financial Services**

The Group and Guosheng Group and its associates provide the Securities and Financial Services to each other in the course of ordinary business. Pursuant to the Continuing Connected Transactions Framework Agreement, Guosheng Group and its associates are expected to provide the entrusted assets management service and other securities and financial services to the Group, while the Group is expected to provide the following Securities and Financial Services to Guosheng Group and its associates:

- underwriting and sponsorship services – including but not limit to sponsorship, underwriting and continuous supervision and guidance services for equity securities, fixed income products, structured products and other derivative products;

- other investment banking services – including but not limit to financial advisory service in corporate restructuring, reorganization and merger and acquisition, and investment advisory service and consultancy service in wealth management products for assets management;
- brokerage service – including but not limit to securities brokerage and future brokerage business such as relevant financial products service and treasury future service;
- financial products sales agency services – including but not limit to provision of agency sale of financial products and precious metal;
- entrusted assets management services – including but not limit to provision of assets management service for entrusted assets from clients;
- public-private partnership (PPP) financial services;
- finance leasing financial services and factoring financial services;
- investment and consultancy services – including but not limit to provision of investment and consultancy service for bond-pledged quotation and repurchase, private industry fund, wealth management in special account, over-the-counter options, principal-protected wealth management products, equity-linked wealth management products and debt-linked wealth management products;
- fund depository and custody services – including but not limit to the management service provided by the Group for fund of non-financial institutional clients of Guosheng Group deposited in specific accounts in relevant banks according to the requirements of relevant PRC laws and regulations, and the provision of relevant fund custody service by the Group for securities and financial products of Guosheng Group;
- other financial and securities advisory and consultancy services, monetary brokerage service and commodity service.

## **PRICING BASIS**

### **1. Pricing Basis of the Securities and Financial Products Transactions**

The Securities and Financial Products Transactions are mainly conducted in national inter-bank bond market (中國銀行間債券市場), stock exchanges of China (中國證券交易所) and open-ended fund market (開放式基金市場). Such transactions are and will continue to be conducted at prevailing market prices or market rates in the ordinary and usual course of the Group's business and with high frequency. In respect of the transactions conducted in the inter-bank bond market, the price shall be determined at the prevailing market price quoted in the inter-bank bond market; in respect of the transactions conducted in the stock exchange market, the price shall be determined at the prevailing market price in the stock exchange market; in respect of the transactions conducted in the open-ended fund market, the price shall be determined based on the unit net value of the relevant fund products on the date of transaction. The above pricing of such transactions is subject to strict PRC regulatory supervision and requirements of the applicable PRC laws and regulations.

In the ordinary and usual course of the Group's business, the Group may also conduct the Securities and Financial Products Transactions with Guosheng Group and its associates in over-the-counter market, such as the fixed income-type security products. In respect of the securities and financial products subscribed by the Guosheng Group from the Group, the subscription price and other terms shall be as same as the subscriptions by other investors. Such subscription price is determined by the financial institution which launch the securities and financial product (or, by the Group where the product is launched by it), after taking into account the basic situation of the assets/business in which it invests. The Group is required to comply with the relevant PRC administrative regulations, rules and measures governing the issuance (including pricing) of securities and financial products.

In respect of the financing transactions, both parties should conduct the transactions in comply with normal commercial terms and at prevailing market prices or market rates for similar transactions with independent third parties. To ensure that the above transactions with Guosheng Group and its associates are concluded on normal commercial terms and to protect the overall interests of shareholders, the Group has adopted internal approval and supervision procedures for connected transactions. Details are set out in the section "2. Pricing Approval and Supervision of Securities and Financial Products Transactions" below.

## **2. Pricing Approval and Supervision of the Securities and Financial Products Transactions**

To ensure the terms of the Securities and Financial Products Transactions are on normal commercial terms or on terms no less favorable to the Group than terms applicable to independent third parties, the Group has adopted a series of internal approval and monitoring procedures. The major internal policies include the following:

- 1) The Group has established its internal guidelines and policies for conducting transactions of different types of securities and financial products. Such policies and guidelines 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 conducting transactions of different types of securities and financial products.
- 2) In respect of the Securities and Financial Products Transactions provided by the Group to customers (including connected persons and independent third parties), the Group will offer and adopt same pricing terms to all customers, and will not give preferential treatment terms to connected persons.
- 3) To further strengthen the management of connected transactions of the Company and strictly manage the connected transaction risks, the Company designated contact persons for connected transactions in relevant business departments, who shall receive trainings on the requirements relating to connected transactions. The actual transaction amounts, transaction pricing and terms of all types of the Securities and Financial Products Transactions will be recorded and checked by them to ensure that all applicable restrictions (including annual caps) are observed and complied with.

- 4) The relevant connected transaction management departments will collect information from the relevant business departments and subsidiaries of the Company and review the actual transaction amounts of the Securities and Financial Products Transactions on a regular or ad hoc basis to ensure that the annual caps would not be exceeded and remind the business departments and subsidiaries to supervise and control such connected transactions. The legal and compliance department will review relevant agreements as well and grant approvals when appropriate.
- 5) The independent non-executive Directors and the auditors of the Company will review the continuing connected transactions annually and confirm them in annual report in accordance with the Hong Kong Listing Rules.

### **3. Pricing Basis of the Securities and Financial Services**

In addition to the above Securities and Financial Products Transactions between the Group and Guosheng Group and its associates, the Group and Guosheng Group and its associates also provide Securities and Financial Services to each other in the course of ordinary business. The Group charges fees including service fee and commission for provision of securities and financial services (i.e. sponsorship and underwriting service, brokerage service etc.). Guosheng Group and its associates also provide securities and financial services (i.e. entrusted assets management services) to the group and charge for service fee as well.

The pricing basis of Securities and Financial Services provided by the Group to Guosheng Group and its associates under the Continuing Connected Transactions Framework Agreement is as follows:

- 1) underwriting and sponsorship services: competition in securities underwriting and sponsorship service market is fierce, and the commission fees and rates are typically transparent and standardized across the market. Service fee shall be determined on arm's length negotiation with reference to, among other things, the prevailing market prices, total amount of funds to be raised and commission rate charged to the independent third party by the Group for provision of similar services.
- 2) other investment banking service: service fee shall be determined on arm's length negotiation between parties after considering factors including the nature and size of transaction, current market conditions and the average fee of similar transactions applicable to independent third parties.
- 3) brokerage service: commission rate is generally transparent and standardized across the market. Commission fee shall be determined based on arm's length negotiation with reference to the prevailing market commission rates of securities and futures transactions of similar types and size.
- 4) financial products agency sale service: commission charged for financial products agency sale service shall be determined with reference to the prevailing market rates, type of products sold by agency and the rate of service fee the Group charged to independent third party clients for similar agency sale service.



- 5) entrusted assets management service: the market rate of such service is generally transparent across the market. The fee charged for entrusted asset management services shall be determined on arm's length negotiation with reference to factors including the prevailing market rates, amount of products collected or size of entrusted assets as well as the complexity of the particular service provided.
- 6) PPP financial services: service fee charges for provision of PPP financial services by the Group to Guosheng Group and its associates shall be determined on arm's length negotiation with reference to the market rate of PPP projects of similar types and size, and taking into account the financing size agreed upon between the party seeking financing and the social capital party to the PPP project.
- 7) finance leasing financial service and factoring financial service: the rate of such services has become generally transparent and standardized across the market. The leasing interest rate we charged Guosheng Group and its associates shall be based on then funding and management costs plus reasonable profit on arm's length negotiation with reference to factors including the risk of the financial lease project and market competition.
- 8) investment and consultancy service: service fee of the investment and consultancy service shall be determined on arm's length negotiation with reference to prevailing market rates of transactions of similar types and size.
- 9) depository and custody services: depository and custody service fees shall be determined on arm's length negotiation between parties with reference to the prevailing market prices and fees charged to independent third party for provision of such services.
- 10) other securities and financial advisory and consultancy services, currency brokerage services as well as commodity services: fees and commissions are determined based on applicable laws and regulations, with reference to the prevailing market prices and the nature of transactions.

The pricing basis of Securities and Financial Services provided by the Guosheng Group and its associates to the Group under the Continuing Connected Transactions Framework Agreement is as follows: (i) in respect of the entrusted assets management service, given the market rate of such service is generally transparent across the market, the fees shall be determined on arm's length negotiation with reference to factors including the prevailing market rates, size of products and entrusted assets; and (ii) in respect of the other securities and financial services, fees shall be determined based on applicable laws and regulations and with reference to the prevailing market prices and the nature of transactions. To ensure that the above transactions with Guosheng Group and its associates are concluded on normal commercial terms and to protect the overall interests of shareholders, the Group has adopted internal approval and supervision procedures for connected transactions. Details are set out in the section "4. Pricing Approval and Supervision of Securities and Financial Services" below.

#### **4. Pricing Approval and Supervision of the Securities and Financial Services**

The Group has adopted a series of internal pricing policies and approval procedures to regulate the mutual provision of the Securities and Financial Services between the Group and the Guosheng Group and its associates. The main internal policies include the following:

- 1) The terms (including pricing terms) in respect of the Securities and Financial Services under the Continuing Connected Transactions Framework Agreement 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.
- 2) In respect of the Securities and Financial Services to be provided by the Group to Guosheng Group and its associates, the Company will provide Guosheng Group and its associates with pricing terms similar to other independent third parties and shall not provide Guosheng Group and its associates with preferential treatment. Prior to conducting such transactions, the relevant departments of the Company will conduct investigation and due diligence review, and assess whether the prices offered to them comply with the Group's relevant policies and are fair and reasonable after taking into account the above factors, and grant approval for such transactions where appropriate.
- 3) In respect of the Securities and Financial Services provided by Guosheng Group and its associates to the Group, the Company will select service providers and determine the relevant terms of the transaction through inquiry and negotiation procedures. The Company will also collect information about its service providers before selection, as well as their fees and price levels, and compare the charges, prices and quality of services before selection. A prior assessment will be conducted by the responsible officer to assess whether the proposed prices by service providers are fair and reasonable before submission for consideration and approval to the head of the relevant department. As the Company will consider the various updated market information available and because of the uniqueness of financial transactions, there is no specific internal requirement as to the number of service providers that will be selected for a particular type of service.
- 4) To further strengthen the management of connected transactions of the Company and strictly manage the connected transaction risks, the Company designated contact persons for connected transactions in relevant business departments, who shall receive trainings on the requirements relating to connected transactions. The actual transaction amounts, transaction pricing and terms of all types of the Securities and Financial Services will be recorded and checked by them to ensure that all applicable restrictions (including annual caps) are observed and complied with.
- 5) The relevant connected transaction management departments will collect information from the relevant business departments and subsidiaries of the Company and review the actual transaction amounts of the Securities and Financial Services on a regular or ad hoc basis to ensure that the annual caps would not be exceeded and remind the business departments and subsidiaries to supervise and control such connected transactions. The legal and compliance department will review relevant agreements as well and grant approvals when appropriate.



- 6) The independent non-executive Directors and the auditors of the Company will review the continuing connected transactions annually and confirm them in annual report in accordance with the Hong Kong Listing Rules.

## HISTORICAL FIGURES, ANNUAL CAP AND DETERMINATION BASIS

### 1. Securities and Financial Products Transactions

For the two years ended 31 December 2019 and the six months ended 30 June 2020, the historical figures of the Securities and Financial Products Transactions provided by the Group to Guosheng Group and its associates are as follows:

Securities and Financial Products Transactions	Historical figures (RMB in million)		
	For the year ended 31 December 2018	For the year ended 31 December 2019	For the six months ended 30 June 2020
Inflow <sup>(1)</sup>	— <sup>(3)</sup>	— <sup>(4)</sup>	— <sup>(5)</sup>
Outflow <sup>(2)</sup>	— <sup>(3)</sup>	810 <sup>(4)</sup>	— <sup>(5)</sup>

- (1) “Inflow” refers to the total amount of cash inflows arising from the Securities and Financial Products Transactions, including the sale of fixed income products and equity products, the interest received from derivatives related to fixed income products and borrowing/repurchase through financing transactions.
- (2) “Outflow” refers to the total amount of cash outflows arising from the Securities and Financial Products Transactions, including the purchase of fixed income products and equity products, the interest paid for derivatives related to fixed income products and borrowing/repurchase through financing transactions.
- (3) The Securities and Financial Products Transactions between the Group and Guosheng Group and its associates commenced from 2019, there was no inflow nor outflow amount incurred in 2018.
- (4) There was no inflow amount incurred in 2019; the outflow refers to the total amount of cash outflows arising from the underwriting services provided by the Group to Guosheng Group and its associates in 2019, and the corresponding underwriting fees received from such services have been included in the following historical revenue derived from provision of Securities and Financial Services by the Group to Guosheng Group and its associates in 2019.
- (5) There was no inflow or outflow amount incurred from Securities and Financial Products Transactions with Guosheng Group as at 30 June 2020 given relevant transactions are under negotiation and are expected to be conducted in the second half of 2020.

By the nature of Securities and Financial Products Transactions as illustrated below, the Company considers that it is impracticable to set a maximum aggregate annual value for each category of such Securities and Financial Products Transactions:

- 1) Each of the Securities and Financial Products Transactions are entered into at prevailing market prices in the ordinary and usual course of the Group's business with high frequency. Such transactions are market driven and are entered into depending on various factors including, among others, the bidding price and timing of the bids. The value of each transaction is determined by the market and varies from time to time and from year to year depending on various external factors that are out of our control, including the prevailing economic conditions in mainland China and Hong Kong and the fluctuations in the financial markets. Reference to the historical amount of the transaction volume may not be a fair indication as to the expected aggregate value of the transactions in the next three financial years.
- 2) Most of these transactions are entered into in a very short time frame and are highly market sensitive. If an annual cap is set for each type of the Securities and Financial Products Transactions, it may cause significant delay to such transactions and undue disruption to the existing business and potential growth of the Group, which is detrimental to the Company and its shareholders as a whole and would restrict its overall competitiveness in a highly competitive securities industry. Therefore, it is impracticable for the Group to strictly comply with the rules to set an annual cap for each type of these transactions.
- 3) The Company or its subsidiaries play a relatively passive role in some Securities and Financial Products Transactions entered into with Guosheng Group and its associates. Therefore, it is difficult for the Company or its subsidiaries to estimate the expected annual value of such transactions with accuracy. For example, Guosheng Group and its associates make independent judgments based on their own business demands and through their own internal control measures as to whether and which products they will purchase, as well as the timing and amount of their purchase. The Company and its subsidiaries have no control over the above decisions;
- 4) All Securities and Financial Products Transactions will continue to be conducted at the then prevailing market prices or market rates in the open market and in the ordinary course of the Group's business.

In light of the abovementioned reasons, the Company considers that it is more practicable to set annual caps for the total inflow and outflow of the Securities and Financial Products Transactions instead.

For the three years ending 31 December 2022, annual caps for the Securities and Financial Products Transactions between the Group and Guosheng Group and its associates are as follows:

Securities and Financial Products Transactions	Annual caps (RMB in million)		
	For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
Inflow <sup>(1)</sup>	2,100	2,900	2,900
Outflow <sup>(2)</sup>	3,500	5,400	5,400

- (1) “Inflow” refers to the total amount of cash inflows arising from the Securities and Financial Products Transactions, including the sale of fixed income products and equity products, the interest to be received from derivatives related to fixed income products and borrowing/repurchase through financing transactions.
- (2) “Outflow” refers to the total amount of cash outflows arising from the Securities and Financial Products Transactions, including the purchase of fixed income products and equity products, the interest to be paid for derivatives related to fixed income products and borrowing/repurchase through financing transactions.

In estimating the annual caps of the inflows and outflows of the Securities and Financial Products Transactions, the Company considered, among others, the following factors:

- 1) The total historical amount of cash inflow and outflow from Securities and Financial Products Transactions provided by the Group to Guosheng Group and its associates for the year ended 31 December 2019.
- 2) Pursuant to the strategic cooperation agreement entered into between the Company and Guosheng Group in March 2020, and in light of such strategic cooperation relationship, the Company has considered the following major business cooperation and scale of transactions which the Group and Guosheng Group and its associates have conducted and contemplated, mainly including: (i) fixed income securities products (e.g. structured notes, etc.) to be provided by the Group to Guosheng Group; (ii) financing transactions (e.g. pledge financing, etc.) to be provided by the Group to Guosheng Group; (iii) equity products transactions (e.g. income swap, etc.) to be provided by the Group to Guosheng Group; and (iv) the maximum estimated underwriting amount may be incurred by the Company as underwriters when providing bond underwriting services to Guosheng Group and its associates in the ordinary course of the Group’s business.
- 3) Considering that the business of the Group, Guosheng Group and its associates is expected to grow continuously and become more diversified. Along with such growth and development, the scope of controlled enterprises of Guosheng Group may enlarge and the Company may open new branches or have more controlled entities. Therefore, the cooperation opportunities between the Group and Guosheng Group and its associates are likely to further increase.

- 4) In addition, considering that the continuous development of China's financial market and the continuous issuance of new securities and financial products, it is expected that China's financial market will continue to develop and new securities and financial products will continue to be issued. As a result, the Group's securities and financial products available to Guosheng Group and its associates will be further expanded. Therefore, the total inflow and outflow amounts are expected to increase in the three years ending 31 December 2022.

## 2. Securities and Financial Services

For the two years ended 31 December 2019 and the six months ended 30 June 2020, the historical figures of the Securities and Financial Services provided by the Group to Guosheng Group and its associates are as follows:

<b>Securities and Financial Services</b>	<b>Historical figures (RMB in million)</b>		
	<b>For the year ended 31 December 2018</b>	<b>For the year ended 31 December 2019</b>	<b>For the six months ended 30 June 2020</b>
Revenue derived from provision of Securities and Financial Services by the Group to Guosheng Group and its associates	6.69	4.33	1.91
Expenses incurred for Securities and Financial Services provided by Guosheng Group and its associates to the Group	—	—	—

For the three years ending 31 December 2022, annual caps for the mutual provision of Securities and Financial Services by the Group and Guosheng Group and its associates are as follows:

<b>Securities and Financial Services</b>	<b>Annual caps (RMB in million)</b>		
	<b>For the year ending 31 December 2020</b>	<b>For the year ending 31 December 2021</b>	<b>For the year ending 31 December 2022</b>
Revenue to be derived from provision of Securities and Financial Services by the Group to Guosheng Group and its associates	20	70	70
Expenses to be incurred for Securities and Financial Services provided by Guosheng Group and its associates to the Group	20	20	20

In estimating the annual caps of the revenue to be derived from provision of Securities and Financial Services by the Group to Guosheng Group and its associates, the Company considered, among others, the following factors:

- 1) The historical amount of revenue generated from provision of Securities and Financial Services by the Group to Guosheng Group and its associates for the two years ended 31 December 2019 and the six months ended 30 June 2020.
- 2) In the ordinary course of the Group's business, the Group would participate in potential financing activities of Guosheng Group and its associates, such as equity financing, debt financing and IPO, by providing investment banking services (such as underwriting, sponsorship and supervision services). In the next three years, the Group will continue to provide underwriting services to various bonds issued by Guosheng Group and its associates and provide underwriting and sponsorship services to equity financing of Guosheng Group and its associates. Based on the potential demand for investment banking service of Guosheng Group and its associates, it is expected that there will be an increase in underwriting commissions, sponsoring fees and other service fees to be received by the Group associated with the growth in the issuance of equity and debt financing instruments of Guosheng Group and its associates in 2021 and 2022.
- 3) In view of the Group's expertise in providing research, investment advice and investment management, as well as the increasing cooperation between the Group and Guosheng Group and its associates, and the expansion of the Group's business and launch of new business, the Group expects that the advisory fees and consultancy fees from Guosheng Group and its associates for investment advisory and consultancy services may increase significantly in the next three years.

In estimating the annual caps for expenses to be incurred for Securities and Financial Services provided by Guosheng Group and its associates to the Group, the Company mainly considered that nevertheless Guosheng Group has not provided the Securities and Financial Services to the Group for the two years ended 31 December 2019, due to the strategic cooperation agreement entered into between the Company and Guosheng Group in March 2020 and the strategic cooperation relationship, Guosheng Group and its associates may provide Securities and Financial Services to the Group in the next three years, such as entrusted asset management business.

The Company and Guosheng Group agree that, in accordance with rule 14A.54 of Hong Kong Listing Rules, at any time during the term of the Continuing Connected Transactions Framework Agreement, if the total amount of transactions is likely or expected to exceed the above annual caps, the Company will re-comply with the requirements under the Hong Kong Listing Rules including announcement and the approval of independent shareholders (if applicable).

## **REASONS AND BENEFITS OF SUCH TRANSACTIONS**

The Securities and Financial Products Transactions as well as the Securities and Financial Services contemplated under the Continuing Connected Transactions Framework Agreement will be conducted in the ordinary course of the Group's business. Such transactions will continue to be negotiated on arm's length basis with terms that are fair and reasonable to the Group. Due to the history and future long-term cooperation relationship between the Group and Guosheng Group, the Company believes that such transactions would improve the profitability and strengthen the leading position of the Company in the securities industry.

The Directors (including independent non-executive Directors) are of the view that the Continuing Connected Transactions Framework Agreement and the continuing connected transactions contemplated hereunder are entered into in the ordinary and usual course of the business of the Group and are conducted on normal commercial terms, and the terms and the annual caps for such continuing connected transactions are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole.

Mr. Tu Xuanxuan, a non-executive Director of the Company, serves in Guosheng Group. Therefore, for the purpose of good corporate governance, he has abstained from voting in the Board meeting on the approval of the Continuing Connected Transactions Framework Agreement and the annual caps on such continuing connected transactions. Save as disclosed above, none of the Directors abstained from voting in the relevant resolutions.

## **IMPLICATIONS OF THE HONG KONG LISTING RULES**

As of the date of this announcement, Guosheng Group has subscribed for 781,250,000 A Shares of the Company under the Non-public Issuance of A Shares and directly and indirectly holds in aggregate 10.38202% equity interest of the Company. Therefore, Guosheng Group and its associates constitute connected persons of the Company under Chapter 14A of the Hong Kong Listing Rules, and the transactions contemplated under the Continuing Connected Transactions Framework Agreement between the Company and Guosheng Group constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

The highest applicable percentage ratio in respect of the transactions under the Continuing Connected Transactions Framework Agreement is higher than 0.1% but less than 5%. Accordingly, such continuing connected transactions are subject to the reporting, announcement and annual review requirements but exempted from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.



## GENERAL INFORMATION

Shanghai Guosheng (Group) Co., Ltd. is a limited company established in the PRC and is principally engaged in non-financial business and to a lesser extent financial business, including investments, assets operation and assets management, industrial research and socio-economic consultation (projects that need to be approved according to law can only be operated after being approved by relevant departments). As at the date of this announcement, Shanghai Guosheng (Group) Co., Ltd. is wholly owned by Shanghai State-owned Assets Supervision and Administration Commission.

The Company is a joint stock limited company established in PRC, mainly engage in wealth management, investment banking, assets management, trading for institutions and finance leasing business.

## DEFINITIONS

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

“A Share(s)”	domestic shares of the Company, with a nominal value of RMB1.00 each, which are listed for trading in Renminbi on the Shanghai Stock Exchange
“associate(s)”	has the meaning ascribed thereto under Hong Kong Listing Rules
“Board” or “Board of Directors”	the board of directors of the Company
“Company”	Haitong Securities Co., Ltd., a joint stock company incorporated in the PRC with limited liability, the H Shares and the A Shares of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange under the stock code of 6837 and the stock code of 600837, respectively
“Continuing Connected Transactions Framework Agreement”	The securities and financial products transactions and securities and financial services framework agreement entered into between the Company and Guosheng Group on 6 August 2020
“connected person”	has the meaning ascribed thereto under Hong Kong Listing Rules
“CSRC”	the China Securities Regulatory Commission
“Director”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Guosheng Group”	Shanghai Guosheng (Group) Co., Ltd.
“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 Company, as amended from time to time
“H Share(s)”	ordinary shares of the Company with a nominal value of RMB1.00 each, which are issued outside the PRC, listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars (stock code: 6837)
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“independent third party”	an individual or a company who or which, as far as the Directors are aware after having made all reasonable enquiries, is not a connected person of the Company
“NEEQ”	National Equities Exchange and Quotations
“PRC” or “China”	the People’s Republic of China, and for the purposes of this announcement only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Shareholder(s)”	the shareholder(s) of the Company
“PPP”	Public-private Partnership
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC

By order of the Board  
**Haitong Securities Co., Ltd.**  
**ZHOU Jie**  
*Chairman*

Shanghai, the PRC  
6 August 2020

*As at the date of this announcement, the executive directors of the Company are Mr. ZHOU Jie, Mr. QU Qiuping and Mr. REN Peng; the non-executive directors of the Company are Mr. TU Xuanxuan, Mr. ZHOU Donghui, Ms. YU Liping and Mr. XU Jianguo; and the independent non-executive directors of the Company are Mr. ZHANG Ming, Mr. LAM Lee G., Mr. ZHU Hongchao and Mr. ZHOU Yu.*

\* For identification purpose only