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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

**(1) PROPOSED GRANT OF GENERAL MANDATE TO AUTHORISE,
ALLOT OR ISSUE A SHARES AND/OR H SHARES
(2) PROJECTED ROUTINE RELATED PARTY TRANSACTIONS/
CONNECTED TRANSACTIONS IN 2021
AND
(3) RECEIPT OF DECISION OF ADMINISTRATIVE REGULATORY
MEASURES FROM SHANGHAI REGULATORY BUREAU OF
CHINA SECURITIES REGULATORY COMMISSION BY
THE COMPANY AND ITS SUBSIDIARY**

The board (the “**Board**”) of directors (the “**Directors**”) of Haitong Securities Co., Ltd. (the “**Company**”) hereby announces that:

**I. PROPOSED GRANT OF GENERAL MANDATE TO AUTHORISE, ALLOT OR ISSUE
A SHARES AND/OR H SHARES**

The Board has resolved to propose a resolution regarding the grant of the general mandate to authorise, allot or issue A shares of the Company (the “**A Shares**”) and/or H shares of the Company (the “**H Shares**”) at the general meeting of the Company. Details of this general mandate are as follows:

In compliance with the regulations stipulated in the Company Law (the “**PRC Company Law**”) of the People's Republic of China (the “**PRC**”), the Securities Law of the PRC (the “**PRC Securities Law**”) and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”) and the articles of association of the Company (the “**Articles of Association**”), and subject to the terms and conditions set out in the following provisions (1), (2) and (3), it is proposed that the general meeting grant an unconditional general mandate to the Board to authorise, allot or issue A Shares and/or H Shares (including warrants, convertible bonds and other securities which carry rights to subscribe for or are convertible into shares) separately or concurrently, and to execute the necessary documents, complete the necessary formalities and take other necessary steps to complete the aforesaid matters:

- (1) the authorisation is valid for the period from the date of passing of this resolution at the general meeting to approve the grant of such authorisation until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company following the passing of this resolution at the general meeting;
- (b) the expiration of the 12-month period following the passing of this resolution at the general meeting; or
- (c) the date on which the authorisation set out in this resolution is revoked or varied by a resolution of the shareholders of the Company at any general meeting.

Should the Board, during the validity period of the authorisation, execute the necessary documents, complete the necessary formalities or take relevant steps which might be required to be performed or carried out upon or after the end of the validity period or continued until the end of the validity period, the validity period of the authorisation will be extended accordingly;

- (2) the respective number of the A Shares and/or H Shares which the Board proposes to authorise, allot or issue, or conditionally or unconditionally agrees to authorise, allot or issue (including warrants, convertible bonds and other securities that carry rights to subscribe for or are convertible into shares, which will be calculated based on the aggregate number of shares potentially convertible by them) shall not exceed 20% of the respective number of the A Shares and/or H Shares of the Company in issue as at the date of passing of this resolution at the general meeting;
- (3) the Board shall exercise the authorisation pursuant to the PRC Company Law, the PRC Securities Law and the Hong Kong Listing Rules and all other applicable laws, regulations and requirements of any other government or regulatory authorities and with the approval by the China Securities Regulatory Commission (the “CSRC”) and/or other relevant governmental authorities in the PRC.

With respect to an issue of shares pursuant to the general mandate set out in this resolution, a proposal is made to the general meeting to authorise the Board to increase the Company’s registered capital corresponding to the number of shares issued under the general mandate, to make amendments to the Articles of Association where applicable and necessary in response to the increase of the Company’s registered capital, and to take any other necessary actions and complete any other necessary procedures.

After the Board has obtained the aforesaid general mandate, a proposal is made to the general meeting to approve the Board to in turn authorise the chairman and the general manager of the Company to jointly or separately sign, execute, amend, complete and submit all agreements, contracts and documents relating to the recognition, allotment or issuance of shares under the general mandate, unless otherwise provided by laws and regulations.

A circular containing, among other things, details of the above resolution, together with the notice of the general meeting, will be despatched to the shareholders of the Company in due course.

II. PROJECTED ROUTINE RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS IN 2021

The Company has been approved by CSRC to engage in securities business and provide trading and intermediary services for securities and other financial products. The transaction counterparties and the target clients may also include related parties/connected persons of the Company. For the purpose of sound management and information disclosure for its related party transactions/connected transactions, the Company, in accordance with the Company Law of the PRC, the Code of Corporate Governance for Listed Companies, Rules Governing the Listing of Stocks on Shanghai Stock Exchange (the “**Shanghai Stock Exchange Listing Rules**”), the Guidelines of the Shanghai Stock Exchange on Related Stock Party Transactions of Listed Companies, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and requirements of other laws and regulations, as well as the articles of association of the Company and the Measures Concerning Related Party Transactions Management, has made projections about its routine related party transactions/connected transactions to be conducted in 2021 based on the need of its routine operations and business development.

(I) Implementation of Routine Related Party Transactions/Connected Transactions in 2020

1. *Continuing Connected Transactions under the Hong Kong Listing Rules*

Reference was made to the announcement of the Company dated 6 August 2020, pursuant to which, the Company and Shanghai Guosheng (Group) Co., Ltd. (“**Shanghai Guosheng Group**”) entered into the securities and financial products transactions and securities and financial services framework agreement (the “**Continuing Connected Transactions Framework Agreement**”) on 6 August 2020 for a term commencing from 6 August 2020 to 31 December 2022. The Continuing Connected Transactions Framework Agreement provided scope, pricing basis and approval and supervision procedures of the connected transactions and set for the annual caps for such connected transactions during the three years ended 31 December 2022. Pursuant to the Continuing Connected Transactions Framework Agreement, the Company and its subsidiaries (the “**Group**”) and Shanghai 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.

For the year ended 31 December 2020, the annual caps and actual transaction amounts of the securities and financial products transactions and the securities and financial services conducted between the Group and Shanghai Guosheng Group and its associates under the Continuing Connected Transactions Framework Agreement are as follows:

Transactions	Annual caps for the year ended 31 December 2020	Actual transaction amount for the year ended 31 December 2020
Securities and Financial Products Transactions		
Inflow ⁽¹⁾	210,000.00	18,047.21
Outflow ⁽²⁾	350,000.00	23,000.00
Securities and Financial Services		
Total revenue derived from provision of Securities and Financial Services by the Group to Shanghai Guosheng Group and its associates	2,000.00	692.05
Total expenses incurred for Securities and Financial Services provided by Shanghai Guosheng Group and its associates to the Group	2,000.00	—

(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.

The independent non-executive Directors of the Company has reviewed the above continuing connected transactions in the year ended 31 December 2020, and confirmed that such transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the agreements for such transactions, the terms of which are fair and reasonable, and are in the interest of the Shareholders as a whole. The auditor of the Company was engaged to report on the Group’s continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. Please refer to the annual results announcement of the Company dated 30 March 2021 for further details.

2. Routine Related Party Transactions under the Shanghai Stock Exchange Listing Rules

(1) Related party transactions with Shanghai Guosheng Group and Shanghai Guosheng Group Assets Co., Ltd.

Unit: RMB'0,000

Transaction	Transaction amount for the year ended 31 December 2020	% of similar transaction amount of the Group	Notes
Fee and commission income	235.28	Less than 0.5%	Investment banking service fee income charged from related parties

Unit: RMB'0,000

Item	Balance as of 31 December 2020	% of similar transaction amount of the Group	Notes
Accounts receivable	81.00	Less than 0.5%	Balance of bond underwriting fees receivable from related parties

(2) Related Party transactions with Shanghai Shengyuan Real Estate (Group) Co., Ltd.

Unit: RMB'0,000

Transaction	Transaction amount for the year ended 31 December 2020	% of similar transaction amount of the Group	Notes
Fee and commission income	33.94	Less than 0.5%	Fee and commission income charged from related parties for securities transactions
Net interest income	2.34	Less than 0.5%	Net interest income from margin deposits of related parties
Business and management expenses	7.84	Less than 0.5%	Property services and other expenses paid to related parties

- (3) *Related party transactions with companies (other than the Company and its subsidiaries), where the Company's Directors, supervisors and senior management hold positions as directors or senior management, and other related corporate legal persons*

Unit: RMB'0,000

Transaction	Transaction amount for the year ended 31 December 2020	% of similar transaction amount of the Group	Notes
Fee and commission income	83,090.64	6.00%	Investment banking income, sales service fee income, and investment consultation service fee income charged from related parties
Fee and commission income	615.92	Less than 0.5%	Fee and commission income charged from related parties for securities transactions
Net interest income	5.45	Less than 0.5%	Net interest income from margin deposits of related parties
Business and management expenses	14.36	Less than 0.5%	Sales service fees paid to related parties
Net interest expenses on credit lending transactions	98.19	Less than 0.5%	For the year ended 31 December 2020, the total credit lending transaction amount was RMB4 billion with term of 1-7 days
Net interest expenses on repurchase transactions	289.65	Less than 0.5%	For the year ended 31 December 2020, the total repurchase transaction amount was RMB7.891 billion with term of 1-32 days

Transaction	Transaction amount for the year ended 31 December 2020	% of similar transaction amount of the Group	Notes
Net interest expenses on gold forward transactions	3,377.65	Less than 0.5%	For the year ended 31 December 2020, the total transaction amount was RMB3,757 million with term of 9 to 12 months
Net profit/loss on derivative financial instrument transactions (<i>Note</i>)	(12,036.67)	Less than 0.5%	For the year ended 31 December 2020, the nominal principal amount was RMB5,243 million with a nominal principal balance of RMB604 million as at 31 December 2020

Note: the realized and unrealized investment income generated from derivative transactions of the Company with related parties acting as counterparties.

Unit: RMB' 0,000

Item	Balance as of 31 December 2020	% of similar transaction amount of the Group	Notes
Accounts receivable	4,339.34	0.52%	Balance of various business compensation receivable from related parties
Accounts payable	1.74	Less than 0.5%	Balance of sales service fees payable to related parties
Accounts payable to brokerage clients	8,011.69	Less than 0.5%	Balance of margin deposited with the Company by related parties

In addition, the associated corporate related parties, such as commercial banks and securities firms, as eligible counterparties, have conducted spot bond trading with the Company with a total transaction amount of RMB10,639 million for the year ended 31 December 2020.

(4) Related-party transactions with related natural persons

For the year ended 31 December 2020, the total fee and commission income charged by the Company from its individual related parties was RMB0.0525 million, and the net interest income was RMB0.0169 million and accounts payable to brokerage clients was RMB0.9265 million.

(II) Projected Transaction Type and Transaction Amount of the Routine Related Party Transactions/Connected Transactions in 2021

The Company estimated transaction type and transaction amount of the related-party transactions/connected transactions for the year of 2021.

(1) Shanghai Guosheng Group and its Associates

Reference was made to the announcement of the Company dated 6 August 2020, the Company and Shanghai Guosheng Group entered into the Continuing Connected Transactions Framework Agreement on 6 August 2020, pursuant to which, the Group and Shanghai 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. For details of the transaction types and annual caps for each transaction type for the three years ended 31 December 2022, please refer to the announcement of the Company dated 6 August 2020.

(2) *Projected related party transactions with Shanghai Shengyuan Real Estate (Group) Co., Ltd.*

Type of transaction	Scope of transaction	Caps for and descriptions of projected transaction
Securities and Financial Product Services	Providing securities and futures brokerage services, targeted asset management services, underwriting, sponsorship and financial consultation service, stock pledge, margin financing and securities lending services, investment consultation services to related parties and making joint investment with related parties	Due to uncertainties of the occurrence and volume of such business, the projected cap will be the actual transaction amount.
Securities and Financial Product Transactions	Subscription by related parties for the funds, asset management schemes, wealth investment products, over-the-counter (OTC) derivatives and private placement bonds, conducting transfer of the listed shares in the National Equities Exchange and Quotations System (NEEQ) with related parties and making joint investment with related parties	Due to uncertainties of the occurrence and volume of such business, the projected cap will be the actual transaction amount.

(3) *Projected related party transactions with companies (other than the Company and its subsidiaries), where the Company's Directors, supervisors and senior management hold positions as directors or senior management, and other related corporate legal persons*

Type of transaction	Scope of transaction	Caps for and descriptions of projected transaction
Securities and Financial Product Services	Providing securities and futures brokerage services, lease of trading rights, targeted asset management services, asset custody and operation outsourcing services to related parties; bank deposits and deposit interest in related parties; providing third-party fund depository services by related parties; agency sale of financial products of related parties; providing underwriting, sponsorship and financial consultation services to related parties; providing stock pledge, margin financing and securities lending services to related parties; providing investment consultation services to related parties; related parties providing banking credit, borrowing and other services to the Company; providing financial leasing to related parties; pay dividends to related parties and making joint investment with related parties	Due to uncertainties of the occurrence and volume of such business, the projected cap will be the actual transaction amount.
Securities and Financial Product Transactions	Resale or repurchase in the interbank market with related parties; conducting bond proprietary trading in the interbank market with related parties; carrying out receivables transfer with related parties; subscribing for bonds, funds, wealth management products or trust plans issued by related parties; related parties subscribing for funds, asset management plans, wealth management products, over-the-counter derivatives and private placement bonds issued by the Company; conducting transfer of the listed shares in the NEEQ with related parties and making joint investment with related parties	Due to uncertainties of the occurrence and volume of such business, the projected cap will be the actual transaction amount.

(4) *Related party transactions with individual related parties*

In the ordinary course of business of the Company, the individual related parties may receive securities and futures brokerage services provided by the Company in accordance with laws, regulations and regulatory requirements. Due to uncertainties of the occurrence and volume of such business, the projected cap will be the actual transaction amount. Based on the Company's calculation, applicable percentage ratios relating to the above related party transactions are expected to fall below the de minimis threshold as stipulated under Rule 14A.76(1) of the Hong Kong Listing Rules, and such transactions are therefore exempt from reporting, announcement, annual review and independent shareholders' approval requirements for connected transactions under Chapter 14A of the Hong Kong Listing Rules.

(III) Background of the Related Parties/Connected Persons of Related Party Transactions/Connected Transactions in 2021

(1) *Shanghai Guosheng Group and its Associates*

Shanghai Guosheng Group is a large state-owned investment holding company focusing on capital operation, which was incorporated in April 2007. As at 31 December 2020, Shanghai Guosheng Group and its wholly-owned subsidiary Shanghai Guosheng Group Assets Co., Ltd. in aggregate held 10.38% equity interest of the Company. According to the Rule 10.1.3 (4) of the Shanghai Stock Exchange Listing Rules, Shanghai Guosheng Group and its wholly-owned subsidiary Shanghai Guosheng Group Assets Co., Ltd. constitute related parties of the Company. Shanghai Guosheng Group and its associates constitute connected persons of the Company pursuant to Rule 14A.07(1) and (4) of the Hong Kong Listing Rules.

(2) *Shanghai Shengyuan Real Estate (Group) Co., Ltd.*

Shanghai Shengyuan Real Estate (Group) Co., Ltd. is established in November 2003 and it is formerly known as Shanghai Shengyuan Real Estate Co., Ltd. which was established in May 1993. As at 31 December 2020, Shanghai Shengyuan Real Estate (Group) Co., Ltd. held 33.33% equity interest in Haitong Futures Co., Ltd. Therefore, Shanghai Shengyuan Real Estate (Group) Co., Ltd. is a connected person of the Company at subsidiary level as defined under Chapter 14A of the Hong Kong Listing Rules. Meanwhile, Shanghai Shengyuan Real Estate (Group) Co., Ltd. constitute a corporate related party of the Company pursuant to Rule 8(5) of the Guidelines of the Shanghai Stock Exchange on Related Stock Party Transactions of Listed Companies

(3) *Other related companies*

Pursuant to Rule 10.1.3 (iii) of the Shanghai Stock Exchange Listing Rules, in the event that the directors, supervisors and senior management of the Company hold the positions of directors or senior management of a company (other than the Company and its holding subsidiaries), such company will constitute the related party of the Company, but do not constitute a connected person of the Company under the Hong Kong Listing rules.

(IV) Price Determination Principles

(1) Securities and financial products and services

It mainly includes but not limited to the following services arising from relevant business: fee charged from securities brokerage on behalf of client, sales and service fees of securities and financial products, entrusted assets management fee and performance-based compensation, investment consulting fee, underwriting fees of investment banks, financial advisory fees, accounts receivable, and accounts payable etc., which shall be determined with reference of market price, industry practice and prices determined by the third party.

(2) Trading in securities and financial products

It mainly includes but not limited to the following transactions arising from relevant business: interest income from security deposits, income from investments, and trading financial assets etc., which shall be determined with reference of market price, industry practice and prices determined by the third party.

The above routine related party transactions will not prejudice the interests of the Company and its shareholders, including its minority shareholders.

(V) Reasons of the Transactions and Impact on the Company

- (1) The above related party transactions/connected transactions are conducted in the ordinary course of the Company's business and will generate a stream of recurring revenue for the Company, which promotes the development of the Company's business, and has no material impact on the normal operations of the Company.
- (2) The above related party transactions/connected transactions are fair, and the prices under these transactions is made reference to the market price, therefore does not prejudice the interest of the Company and its shareholders as a whole.
- (3) The above related party transactions/connected transactions do not prejudice the independence of the Company as the principal business of the Company does not rely on the related parties/connected persons as a result of the above related party transactions/connected transactions.

(VI) Implications under the Hong Kong Listing Rules

Shanghai Guosheng Group constitutes connected person of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. Therefore, the transactions entered into between the Group and Shanghai Guosheng Group and its associates constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. The Company has entered into the Continuing Connected Transactions Framework Agreement with Shanghai Guosheng Group on 6 August 2020, and complied with reporting, announcement and annual review requirements under the Hong Kong Listing Rules. For further details, please refer to the announcement of the Company date 6 August 2020 and the annual results announcement of the Company dated 30 March 2021, respectively.

Shanghai Shengyuan Real Estate (Group) Co., Ltd. is a connected person of the Company at subsidiary level as defined under Chapter 14A of the Hong Kong Listing Rules. Therefore, such transactions entered into between the Company and Shanghai Shengyuan Real Estate (Group) Co., Ltd. constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. Based on the Company's calculation, applicable percentage ratios relating to the above connected transactions are expected to fall below the de minimis threshold as stipulated under Rule 14A.76(1) of the Hong Kong Listing Rules, and such transactions are therefore exempt from reporting, announcement, annual review and independent shareholders' approval requirements for connected transactions under Chapter 14A of the Hong Kong Listing Rules.

The Company is required by the applicable PRC laws and regulations to seek the approval of its shareholders with respect to the above related party transactions. Relevant resolutions will be proposed to the shareholders for voting at the general meeting of the Company. A circular containing, among other things, details of the above resolution, together with the notice of the general meeting, will be despatched to the shareholders of the Company in due course.

If any of the above related party transactions constitute a connected transaction under Chapter 14A of the Hong Kong Listing Rules or no longer be exempted, the Company will strictly comply with the applicable requirements under Chapter 14A of the Hong Kong Listing Rules (including without limitation, reporting, announcement, annual review and independent shareholders' approval requirements).

III. RECEIPT OF DECISION OF ADMINISTRATIVE REGULATORY MEASURES FROM SHANGHAI REGULATORY BUREAU OF CHINA SECURITIES REGULATORY COMMISSION BY THE COMPANY AND ITS SUBSIDIARY

Reference was made to the announcement of the Company dated 25 March 2021, the Company and its subsidiary, Shanghai Haitong Securities Asset Management Company Limited ("**HT Asset Management**") received from Shanghai Regulatory Bureau of CSRC (the "**CSRC Shanghai Bureau**") an Advance Notice of Administrative Regulatory Measures respectively. Recently, the Company and HT Asset Management received Decision of Administrative Regulatory Measures from the CSRC Shanghai Bureau, details of which are as follows:

(I) Receipt of Decision of Administrative Regulatory Measures by the Company

The Company received the "Decision on the Measures against Haitong Securities Co., Ltd. Requiring Increase in the Frequency of Compliance Inspections and Suspension of Part of the Business" from CSRC Shanghai Bureau (Hu Zheng Jian Jue No. [2021] 40), with the original text reading as follows:

"Haitong Securities Co., Ltd.,

Upon investigation, it was found that the company (Haitong Securities Co., Ltd., with unified social credit code: 9131000013220921X6) has following issues in the course of businesses:

Firstly, while conducting certain investment advisory and private asset management businesses, the company failed to effectively control and prevent risks in accordance with the principle of prudent operation and failed to prudently assess the impact of your operations and management practices on the securities market. The above misconducts have violated Article 27(1) of the Regulations on Supervision and Administration of Securities Firms (證券公司監督管理條例) (the “**Regulations**”), Article 3(2) of the Rules Governing the Private Asset Management Business of Securities and Futures Operators (證券期貨經營機構私募資產管理業務管理辦法)(Zheng Jian Hui Ling No. 151) and Article 6(8) of the Rules Governing the Compliance of Securities Firms and Securities Investment Fund Management Companies (證券公司和證券投資基金管理公司合規管理辦法)(Zheng Jian Hui Ling No. 133, as amended by Zheng Jian Hui Ling No. 166, hereinafter referred to as the “**Compliance Rules**”).

Secondly, the company failed to incorporate the relevant business conducts into the comprehensive compliance risk control system and there were defects in your compliance risk control mechanism, which violated Article 3 of the Compliance Rules, Article 6(1) of the Rules Governing Risk Control Indicators of Securities Firms (證券公司風險控制指標管理辦法)(Zheng Jian Hui Ling No. 125, as amended by Zheng Jian Hui Ling No. 166).

Thirdly, there are deficiency in the internal control of your investment banking business, with the lack of effective segregation between your bond underwriting and asset management businesses and the absence of a conflict of interest review mechanism, which have violated Article 2(2) of the Notice on Regulation of Bond Trading Business of Bond Market Participants (關於規範債券市場參與者債券交易業務的通知)(Yinfa No. [2017] 302) and Article 45 of the Guidelines on Internal Control of Investment Banking Type Business of Securities Companies (證券公司投資銀行類業務內部控制指引)(CSRC Announcement No. [2018] 6), as well as Article 6(6) of the Compliance Rules.

According to Clause 1 and Clause 6 of Article 70(1) of the Regulations, CSRC Shanghai Bureau decided to impose the following regulatory measures against you:

1. To order you to conduct internal compliance inspections on a quarterly basis within one year from the date of issue of this decision with a compliance inspection report submitted to the CSRC Shanghai Bureau within 10 working days after each inspection.
2. To order you to suspend the provision of bond investment advisory business for institutional investors within 12 months from the date of issue of this decision.

If you have any objection to the regulatory measures, you may file with an application for administrative review to the CSRC within 60 days from the date of receipt of this decision, or initiate an action at the people’s court with competent jurisdiction authority within six months from the date of receipt of this decision. However, the implementation of the administrative regulatory measures shall not be suspended during the review and litigation period.”

(II) Receipt of Decision of Administrative Regulatory Measures by HT Asset Management

HT Asset Management received the Decision on the Order to Suspend Part of Business against Shanghai Haitong Securities Asset Management Company Limited (Hu Zheng Jian Jue [2021] No. 41) from CSRC Shanghai Bureau, with the original text reading as follows:

“Shanghai Haitong Securities Asset Management Company Limited,

Upon investigation, it was found that the company (Shanghai Haitong Securities Asset Management Company Limited, unified social credit code: 91310000599711334G) has following issues in the course of businesses:

Firstly, in the course of conducting some investment advisory and private asset management business, the company failed to effectively prevent and control risks in accordance with the principle of prudent operations, and failed to prudently assess the impact of the company’s operations and management practices on the securities market. The above conducts violated Article 27(1) of the Regulation on the Supervision and Administration of Securities Companies (hereinafter referred to as “**the Regulation**”), Article 3(2) of the Rules Governing the Private Asset Management Business of Securities and Futures Commissions (證券期貨經營機構私募資產管理業務管理辦法)(Zheng Jian Hui Ling No. 151, hereinafter referred to as the “**Private Asset Management Rules**”) and Article 6(8) of the Rules Governing the Compliance of Securities Firms and Securities Investment Fund Management Companies (證券公司和證券投資基金管理公司合規管理辦法)(Zheng Jian Hui Ling No. 133, as amended by the Zheng Jian Hui Ling No. 166, hereinafter referred to as the “**Compliance Rules**”).

Secondly, the company did not formulate relevant management policies and did not establish a risk control policy covering the whole process of investment advisory business when it commenced its investment advisory business, and the compliance risk control mechanism was seriously lacking. The above-mentioned acts violated Article 3 of the Compliance Rules.

Thirdly, there were obvious deficiency in the control of bond transactions, the management of counterparties needed to be improved, the necessary due diligence on some fixed income counterparties was not conducted, and dedicated compliance management personnel were not assigned to be responsible for the compliance management of bond transactions. The above conducts violated the provisions of Article 61(2) of the Private Asset Management Rules (私募資管辦法) and Article 23(2) of the Compliance Rules.

According to Clause 6 of Article 70(1) of the Regulations, CSRC Shanghai Bureau decided to impose the following regulatory measures against you:

To order you to suspend the provision of investment advisory service for private asset management products of securities and futures operators within 12 months from the date of issue of this decision and to suspend filing of new private asset management products within six months from the date of issue of this decision.

If you have any objection to the regulatory measures, you may file with an application for administrative review to the CSRC within 60 days from the date of receipt of this decision, or initiate an action at the people’s court with competent jurisdiction authority within six months from the date of receipt of this decision. However, the implementation of the administrative regulatory measures shall not be suspended during the review and litigation period.”

The Company attaches high importance to the above incidents and will further optimize its internal control systems and make comprehensive and thorough rectification through improving its bond transaction mechanism, strengthening targeted training programs, optimizing bond business flow and increasing the frequency of compliance inspections. The Company will follow the management philosophy of steady growth, improve its comprehensive compliance risk management, earnestly fulfil its due diligence obligations and insist on regulatory compliance and prudent operations.

By order of the board of directors
Haitong Securities Co., Ltd.
ZHOU JIE
Chairman

Shanghai, the PRC
30 March 2021

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*