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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 RENEWAL OF SECURITIES AND FINANCIAL PRODUCTS TRANSACTIONS AND SERVICES FRAMEWORK AGREEMENT

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS FRAMEWORK AGREEMENT

Reference is made to the announcement of the Company dated 6 August 2020, in relation to (among other things) the 2020 Continuing Connected Transactions Framework Agreement with Guosheng Group for a term commencing from 6 August 2020 to 31 December 2022. As the 2020 Continuing Connected Transactions Framework Agreement will expire on 31 December 2022, the Company and Guosheng Group entered into the 2022 Continuing Connected Transactions Framework Agreement on 30 December 2022 for a term of three years, effective from 1 January 2023 and expiring on 31 December 2025 to renew the 2020 Continuing Connected Transactions Framework Agreement. Pursuant to the 2022 Continuing Connected Transactions Framework Agreement, the Group and Guosheng Group and its associates will continue to conduct the securities and financial products transactions (the “**Securities and Financial Products Transactions**”) and the securities and financial services (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 directly and indirectly holds in aggregate 10.38% 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 2022 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 2022 Continuing Connected Transactions Framework Agreement is higher than 0.1% but less than 5%. Accordingly, such transactions under the 2022 Continuing Connected Transactions Framework Agreement 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.

Reference is made to the announcement of the Company dated 6 August 2020, in relation to (among other things) the 2020 Continuing Connected Transactions Framework Agreement with Guosheng Group for a term commencing from 6 August 2020 to 31 December 2022. As the 2020 Continuing Connected Transactions Framework Agreement will expire on 31 December 2022, the Company and Guosheng Group entered into the 2022 Continuing Connected Transactions Framework Agreement on 30 December 2022 for a term of three years, effective from 1 January 2023 and expiring on 31 December 2025 to renew the 2020 Continuing Connected Transactions Framework Agreement. Pursuant to the 2022 Continuing Connected Transactions Framework Agreement, the Group and Guosheng Group and its associates will continue to conduct the Securities and Financial Products Transactions and the Securities and Financial Services in the course of ordinary business.

2022 CONTINUING CONNECTED TRANSACTIONS FRAMEWORK AGREEMENT

Date: 30 December 2022

Term: From 1 January 2023 to 31 December 2025

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

SCOPE OF 2022 CONTINUING CONNECTED TRANSACTIONS

1. Securities and Financial Products Transactions

The Group conducts the Securities and Financial Products Transactions with Guosheng Group and its associates from time to time during its ordinary course of business. Pursuant to the 2022 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:

- security products with fixed income features – including but not limited to bonds, funds, trusts, wealth management products, asset management schemes, asset-backed securities products, convertible bonds, bond borrowing and lending, structured products, swaps, futures, forwards, options and transactions of 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 shares (including market-making transactions on the NEEQ), funds, trusts, wealth management products, asset management products, equity derivatives (including but not limited to income swaps and convertible debts, etc.);

- financing transactions – referring to secured/pledged or unsecured/unpledged financing activities among financial institutions and non-financial institutions, including but not limited to borrowing, repurchase, inter-bank deposits, income rights, asset securitization, legal person account overdrafts, pledged financing, mutual holding of debt certificates (including but not limited to 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.; and
- 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 2022 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;
- finance leasing financial services and factoring financial services;

- investment and consultancy services – including but not limit to bond-pledged quotation and repurchase, private industry fund, wealth management in special account, over-the-counter (“**OTC**”) 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 and commodity service.

PRICING BASIS

1. Pricing Basis of the Securities and Financial Products Transactions

The Securities and Financial Products Transactions are mainly conducted through the national inter-bank bond market, and the PRC exchange bond market, exchanges (including stock exchanges, futures exchanges, the Shanghai Gold Exchange and the China Foreign Exchange Trade System) and open-ended fund market. 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. The pricing of transactions conducted on the national inter-bank bond market and the PRC exchange bond market is determined based on the prices quoted in the PRC inter-bank bond market and the PRC exchange bond market respectively. Such prices are mainly determined with reference to the valuation of the relevant securities and financial products and the yield curve published by China Central Depository & Clearing Co., Ltd. (“**CCDC**”), and the trading data published by China Foreign Exchange Trading System & National Interbank Funding Centre (“**NIFC**”). In respect of the transactions conducted in the stock exchange, call auction mechanism is mainly adopted on these exchanges and the pricing is primarily determined with reference to the turnover of a particular securities and financial product. The Company has access to the trading systems of the relevant exchanges to obtain the real-time quotations of the relevant securities and financial products. 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 dates of such transactions.

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 OTC market, such as the OTC derivatives products. In respect of other securities and financial products subscribed in the OTC market by 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 launches the securities and financial product (or, by the Group where the product is launched by it), after

taking into account details of the assets/business to be invested. 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. The pricing in respect of transactions in OTC derivatives is determined mainly (i) based on the derivative pricing models, such as Monte Carlo simulation, B-S model; or (ii) with reference to the expected changes in the price of relevant subject.

For financing transactions, in terms of subscriptions by the Group of the financial instruments offered by Guosheng Group and/or its associates, or subscriptions by Guosheng Group and/or its associates of such financial instruments issued by the Group, the subscription price is determined by the issuers of such financial instruments with reference to the valuation published by the CCDC of financial instruments of similar credit quality with a similar term, and is the same subscription price as the subscriptions by other investors. The Group and Guosheng Group and/or its associates are required to satisfy and comply with the relevant PRC administrative rules, regulations and measures regulating issuance, including pricing determination, of their financial instruments.

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 the 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 (every year and every half-year) or ad hoc basis to ensure that the annual caps would not be exceeded and remind the business departments and subsidiaries of the Company 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 the 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 different types of 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 the Securities and Financial Services (i.e. sponsorship and underwriting service, brokerage service etc.). Guosheng Group and its associates may also provide the 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 to be provided by the Group to Guosheng Group and its associates under the 2022 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. The commission rates and fees are determined based on arm's length negotiation with reference to factors including the prevailing market rates for offerings of a similar type and the amount of proceeds raised from the offering, 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 services: commission rate shall be determined based on arm's length negotiation with reference to the prevailing market commission rates of securities (for A shares transaction in Shanghai Stock Exchange and B shares transaction in Shenzhen Stock Exchange, the fee shall be not more than 0.3% of the amount of securities transaction and not less than the fee to be paid to relevant stock exchange) 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 frequency of transactions conducted by the investor. The distribution fee for financial products agency sale service shall be determined with reference to the prevailing market rates for distribution of similar products by banks and other financial institutions.
- 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) 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.
- 7) 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.
- 8) 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.
- 9) other securities and financial advisory and consultancy 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 to be provided by Guosheng Group and its associates to the Group under the 2022 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 the 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 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 2022 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 (every half-year and every year) 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 2021 and the six months ended 30 June 2022, the historical figures of the Securities and Financial Products Transactions between the Group and Guosheng Group and its associates are as follows:

Securities and Financial Products Transactions	Historical figures (RMB in million)		
	For the year ended 31 December 2020	For the year ended 31 December 2021	For the six months ended 30 June 2022
Inflow ⁽¹⁾	180.47	303.80	61.55
Outflow ⁽²⁾	230.00	491.33	27.89

(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.

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 sensitive to market prices. 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 a maximum aggregate annual value 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 total 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 and usual 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 2025, 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 2023	For the year ending 31 December 2024	For the year ending 31 December 2025
Inflow ⁽¹⁾	2,500	2,700	2,800
Outflow ⁽²⁾	2,100	2,200	2,300

(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 historical amount of cash inflow and outflow from Securities and Financial Products Transactions between the Group and Guosheng Group and its associates for the two years ended 31 December 2021 and the six months ended 30 June 2022;
- 2) The Company and Guosheng Group entered into the strategic cooperation agreement, pursuant to which the Company has considered the following major business cooperation and scale of transactions which the Group and Guosheng Group and its associates have conducted in the past three years and contemplated in the next three years, mainly including:
 - (i) 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 in the next three years. According to data from Securities Association of China, nominal principal of newly OTC derivatives transactions increased by RMB8,403.801 billion in total throughout 2021, representing a growth of 76.56% as compared to the last year. As a result, the Group’s securities and financial products available to Guosheng Group and its associates will be further expanded, especially the future development of OTC derivatives, yield certificates and other innovation business of the Company. Considering that the single transaction of relevant business features huge amount, high frequency and high effectiveness, it is expected that relevant total amount of inflows and outflows will increase gradually in the three years ending 31 December 2025;

- (ii) Industry investment fund cooperation between the Group, Guosheng Group and its associates. The Company, as a limited partner, participated in the Shanghai Guosheng Haitong Equity Investment Fund Partnership (Limited Partnership) and Shanghai Guosheng Haitong Private Enterprise High-quality Development Private Equity Investment Fund Partnership (Limited Partnership), both of which are managed by Guosheng Capital, an associate of Guosheng Group, as the manager of such funds. Investment gains from such funds are expected to be increased annually in the next three financial years; and
 - (iii) 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 change and the Company may open new branches or change the scope of controlled entities. Therefore, the cooperation opportunities between the Group and Guosheng Group and its associates are likely to further increase.
- 4) Furthermore, in view of the inherent nature of the Securities and Financial Products and Transactions mentioned above, including their market sensitivity and timeliness, and the limited control over the other party by the Group in the transactions; general fluctuation and unexpectable factors in the financial market, appropriate buffer amount shall be provided to respond changes in these products and transactions due to market factors so as to avoid unnecessary restrictions on the Group's future business operations.

2. Securities and Financial Services

For the two years ended 31 December 2021 and the six months ended 30 June 2022, the historical figures of the Securities and Financial Services provided by the Group to Guosheng Group and its associates are as follows:

Securities and Financial Services	Historical figures (RMB in million)		
	For the year ended 31 December 2020	For the year ended 31 December 2021	For the six months ended 30 June 2022
Revenue derived from provision of Securities and Financial Services by the Group to Guosheng Group and its associates	6.92	25.62	1.01
Expenses incurred for Securities and Financial Services provided by Guosheng Group and its associates to the Group	_(1)	_(1)	_(1)

- (1) There was no expenses incurred for Securities and Financial Services provided by Guosheng Group and its associates to the Group so far as at 30 June 2022 given relevant transactions have not been conducted by the Group.

For the three years ending 31 December 2025, annual caps for the mutual provision of Securities and Financial Services by the Group and Guosheng Group and its associates are as follows:

Securities and Financial Services	Annual caps (RMB in million)		
	For the year ending 31 December 2023	For the year ending 31 December 2024	For the year ending 31 December 2025
Revenue to be derived from provision of Securities and Financial Services by the Group to Guosheng Group and its associates	100	120	140
Expenses to be incurred for Securities and Financial Services provided by Guosheng Group and its associates to the Group	30	30	30

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 2021 and the six months ended 30 June 2022.
- 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 issuance of equity and debt financing instruments of Guosheng Group and its associates in the next three years.
- 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 the Securities and Financial Services provided by Guosheng Group and its associates to the Group, the Company mainly considered that though Guosheng Group has not provided the Securities and Financial Services to the Group for the two years ended 31 December 2021 and for the six months ended 30 June 2022, the Group believes that such financial institutions may provide to the Group in the next three years, due to the strategic cooperation agreement entered into between the Company and Guosheng Group and equity held by Guosheng Group in financial institutions (such as commercial banks, security companies and public funds), the Securities and Financial Services. Therefore, the Group reserves the necessary amount in estimating the annual caps for expenses to be incurred for the Securities and Financial Services to be provided by Guosheng Group and its associates to the Group in the next three years.

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 2022 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 2022 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 strategic 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 Group in the securities industry.

The Directors (including independent non-executive Directors) are of the view that the 2022 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 resolutions on the approval of the 2022 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 directly and indirectly holds in aggregate approximately 10.38% 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 2022 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 2022 Continuing Connected Transactions Framework Agreement is higher than 0.1% but less than 5%. Accordingly, a transaction under 2022 Continuing Connected Transaction Framework Agreement is 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

Guosheng Group 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, Guosheng Group 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:

“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
“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 Capital”	Shanghai Guosheng Capital Management Co., Ltd. (上海國盛資本管理有限公司)
“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
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“2020 Continuing Connected Transactions Framework Agreement”	the securities and financial products transactions and the securities and financial services framework agreement entered into between the Company and Guosheng Group on 6 August 2020
“2022 Continuing Connected Transactions Framework Agreement”	the securities and financial products transactions and the securities and financial services framework agreement entered into between the Company and Guosheng Group on 30 December 2022

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

Shanghai, the PRC
30 December 2022

As at the date of this announcement, the executive directors of the Company are Mr. ZHOU Jie, Mr. LI Jun 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*