

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this joint announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this joint announcement.

This joint announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Offeror or the Company nor is it a solicitation of any vote or approval in any jurisdiction.

This joint announcement is not for release, publication or distribution, in whole or in part, in, into or from any jurisdiction where to do so would constitute a violation of the applicable laws or regulations of such jurisdiction.



**HAITONG INTERNATIONAL
HOLDINGS LIMITED**
海通國際控股有限公司

(Incorporated in Hong Kong, China with limited liability)



**HAITONG INTERNATIONAL
SECURITIES GROUP LIMITED**
海通國際證券集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 665)

US\$700,000,000 3.375 per cent.

Bonds due 2024 (stock code: 4484)

US\$400,000,000 3.125 per cent.

Bonds due 2025 (stock code: 40057)

US\$300,000,000 2.125 per cent.

Bonds due 2026 (stock code: 40688)

JOINT ANNOUNCEMENT

**(1) PRE-CONDITIONAL PROPOSAL FOR THE PRIVATISATION OF
HAITONG INTERNATIONAL SECURITIES GROUP LIMITED
BY THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 99 OF THE COMPANIES ACT;**

**(2) PROPOSED WITHDRAWAL OF LISTING OF HAITONG
INTERNATIONAL SECURITIES GROUP LIMITED;**

(3) ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE;

AND

(4) RESUMPTION OF TRADING IN THE SHARES AND THE BONDS

Financial Adviser to the Offeror



INTRODUCTION

On 26 September 2023, the Offeror requested the Board, subject to the satisfaction of the Pre-Condition, to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under section 99 of the Companies Act.

The Shares in which the Offeror is interested will not form part of the Scheme Shares and will not be cancelled. Upon the Scheme becoming effective, the Company will be owned as to 100% by the Offeror, and the listing of the Shares will be withdrawn from the Stock Exchange.

TERMS OF THE PRE-CONDITIONAL PRIVATISATION PROPOSAL

Subject to the satisfaction or waiver (where applicable) of the Pre-Condition and Conditions and the Scheme becoming effective, all Scheme Shares will be cancelled and the Scheme Shareholders will be entitled to receive from the Offeror:

For every Scheme Share cancelled HK\$1.52 in cash

If, after the Announcement Date, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the Shares, the Offeror reserves the right to reduce the Cancellation Price by all or any part of the amount or value of such dividend, distribution and/or, as the case may be, return of capital after consultation with the Executive, in which case any reference in this joint announcement, the Scheme Document or any other announcement or document to the Cancellation Price will be deemed to be a reference to the Cancellation Price as so reduced.

The Offeror will not increase the Cancellation Price and does not reserve the right to do so. Shareholders, Share Option Holders, Share Award Holders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price.

SHARE OPTION OFFER

As at the Announcement Date, there are 38,957,054 Share Options granted and outstanding under the Share Option Scheme and all of such Share Options are exercisable, each giving the Share Option Holder the right to subscribe for one new Share per Share Option. The relevant exercise price applicable to each outstanding Share Option ranges from HK\$0.928 to HK\$2.614 per Share Option. The exercise of all outstanding Share Options in full would result in the issue of 38,957,054 new Shares, representing 0.46% of the issued share capital of the Company as at the Announcement Date and 0.46% of the enlarged issued share capital of the Company.

Under the Share Option Offer, the Offeror will, in accordance with Rule 13 of the Takeovers Code, offer the Share Option Holders the Share Option Offer Price (which is the “see-through” price, being the Cancellation Price minus the relevant exercise price of the relevant outstanding Share Option) in cash for the cancellation of each outstanding Share Option they hold. Where the exercise price of any outstanding Share Option is equal to or greater than the Cancellation Price (such that the “see-through” price is zero or negative), the Share Option Offer Price of a nominal amount of HK\$0.00001 per outstanding Share Option will be made.

Further information on the Share Option Offer will be set out in a letter to the Share Option Holders, which will be despatched at or around the same time as the despatch of the Scheme Document.

PRE-CONDITION TO THE PROPOSAL AND THE SCHEME

The making of the Proposal is, and the implementation of the Scheme will be, subject to the satisfaction of the Pre-Condition that the Approvals from Shanghai SASAC, CSRC, NDRC and the Shanghai Branch of the PBOC and all other Approvals which are required in connection with the Proposal by Applicable Laws in Mainland China and Hong Kong, China having been obtained (or, as the case may be, completed) and remaining in full force and effect without modification or variation.

The Pre-Condition may not be waived. If the Pre-Condition is not satisfied on or before the Pre-Condition Long Stop Date, the Proposal will not be made. The Offeror and the Company will issue a further announcement as soon as practicable after the Pre-Condition has been satisfied.

CONDITIONS TO THE PROPOSAL AND THE SCHEME

The Proposal, if made, and the Scheme will only become effective and binding on the Company and all Shareholders subject to the satisfaction or waiver (where applicable) of the following Conditions:

- (a) the approval of the Scheme (by way of poll) by a majority in number of the Scheme Shareholders representing not less than three-fourths in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting;
- (b) the approval of the Scheme (by way of poll) by not less than three-fourths of the votes attaching to the Disinterested Scheme Shares that are voted either in person or by proxy at the Court Meeting, provided that the number of votes cast (by way of poll) against the resolution to approve the Scheme is not more than 10% of the votes attaching to all the Disinterested Scheme Shares;

- (c) the passing by the Shareholders at the SGM of (i) a special resolution to approve any reduction of the issued share capital of the Company associated with the cancellation of the Scheme Shares; and (ii) an ordinary resolution to contemporaneously maintain the issued share capital of the Company at the amount immediately prior to the cancellation of the Scheme Shares by issuing to the Offeror such number of new Shares as is equal to the number of Scheme Shares cancelled and applying the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such new Shares;
- (d) the sanction of the Scheme (with or without modification) by the Court and the delivery to the Registrar of Companies in Bermuda of a copy of the order of the Court for registration;
- (e) compliance, to the extent necessary, with the applicable requirements of section 46(2) of the Companies Act in relation to any reduction of the issued share capital of the Company associated with the cancellation of the Scheme Shares;
- (f) no Authority in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order), in each case, which would make the Proposal or the Scheme void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations in connection with the Proposal or the Scheme);
- (g) all Applicable Laws having been complied with and no legal, regulatory or administrative requirement having been imposed by any Authority in any jurisdiction which is not expressly provided for, or is in addition to the legal, regulatory or administrative requirements expressly provided for, in the Applicable Laws in connection with the Proposal or the Scheme, in each case up to and as at the Effective Date;
- (h) since the Announcement Date, there having been no material adverse change to the business, assets, financial or trading position or the prospects or conditions (whether operational, legal or otherwise) of the Group, each taken as a whole;
- (i) save in connection with the implementation of the Proposal, the listing of the Shares on the Stock Exchange not having been withdrawn, and no indication having been received from the Executive and/or the Stock Exchange, to the effect that the listing of the Shares on the Stock Exchange is or is likely to be withdrawn;
- (j) there having been no litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Group is a party (whether as plaintiff, defendant or otherwise), and no such proceedings having been threatened in writing against any such member (and no investigation by any Authority in respect of any such member or the business carried on by any such member having been threatened in writing, announced or instituted), in each case which is material and adverse in the context of the Group, the Proposal or the Scheme;

- (k) all Approvals which are required in connection with the Proposal by Applicable Laws having been obtained (or, as the case may be, completed) and remaining in full force and effect without modification or variation; and
- (l) all Approvals which are required in connection with the Proposal under (i) the Relevant Borrowings; and (ii) the Material Contracts, having been obtained and remaining in full force and effect without modification or variation.

The Conditions in paragraphs (a) to (e) (inclusive) cannot be waived. The Offeror reserves the right to waive all or any of the Conditions in paragraph (f) to (l) (inclusive), to the extent permissible by Applicable Laws, the Listing Rules and the Takeovers Code, either in whole or in part, either generally or in respect of any particular matter.

IRREVOCABLE UNDERTAKINGS

On 5 October 2023, each of the IU Shareholders has given an Irrevocable Undertaking in favour of the Offeror, pursuant to which, among other things, it will exercise or procure the exercise of all voting rights attached to the IU Shares owned by it as at the date of the Irrevocable Undertakings and any other Shares in which it come to have interests after the date of the Irrevocable Undertakings, to vote in favour of any resolutions relating to the Proposal and the Scheme to be proposed at any meeting of Shareholders (including the Court Meeting and the SGM). The IU Shareholders hold 139,697,073 Shares in aggregate as at the date of the Irrevocable Undertaking, representing approximately 1.66% of the total issued share capital of the Company, and approximately 6.51% of the Disinterested Scheme Shares, as at the Announcement Date.

CONFIRMATION OF FINANCIAL RESOURCES

Assuming that (i) no new Shares will be issued and no new Share Options will be granted up to the Record Date; and (ii) no outstanding Share Options will be exercised on or before the Record Date, the Proposal and the Share Option Offer will involve making an offer to cancel:

- (a) 2,244,158,131 Scheme Shares in exchange for the Cancellation Price of HK\$1.52 per Scheme Share;
- (b) 38,957,054 outstanding Share Options, of which:
 - (i) 9,157,219 Share Options with an exercise price of HK\$0.928, in exchange for the Share Option Offer Price of HK\$0.592 per Share Option; and
 - (ii) 29,799,835 Share Options with an exercise price equal to or greater than the Cancellation Price, in exchange for the Share Option Offer Price of HK\$0.00001 per Share Option,

with the maximum cash consideration payable by the Offeror under the Proposal and the Share Option Offer being approximately HK\$3,416,541,731.

Assuming that (i) no new Shares will be issued and no new Share Options will be granted up to the Record Date; and (ii) all outstanding Share Options will be exercised on or before the Record Date, the Proposal and the Share Option Offer will involve making an offer to cancel 2,283,115,185 Scheme Shares in exchange for the Cancellation Price of HK\$1.52 per Scheme Share, with the maximum cash consideration payable by the Offeror under the Proposal and the Share Option Offer being approximately HK\$3,470,335,082.

The Offeror proposes to finance the cash consideration payable under the Proposal and the Share Option Offer in full through the External Financing.

Somerley Capital, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the maximum amount of cash consideration payable under the Proposal and the Share Option Offer.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Board has established the Independent Board Committee, comprising Mr. WAN Kam To, Mr. LIU Swee Long Michael, Mr. ZHANG Huaqiao and Ms. LEE Man Yuen Margaret, each being an independent non-executive Director, to make a recommendation to the Disinterested Shareholders and the Share Option Holders as to (a) whether the terms of the Proposal, the Scheme and the Share Option Offer are, or are not, fair and reasonable; (b) whether to vote in favour of the Scheme at the Court Meeting and of the resolutions in connection with the implementation of the Proposal at the SGM; and (c) acceptance of the Share Option Offer by the Share Option Holders.

The Company will appoint the Independent Financial Adviser (with the approval of the Independent Board Committee) to advise the Independent Board Committee as to (a) whether the terms of the Proposal, the Scheme and the Share Option Offer are, or are not, fair and reasonable; (b) voting by the Disinterested Shareholders at the Court Meeting and at the SGM; and (c) acceptance of the Share Option Offer by the Share Option Holders. A further announcement will be made after the Independent Financial Adviser has been appointed.

DESPATCH OF SCHEME DOCUMENT

Subject to the satisfaction of the Pre-Condition, a Scheme Document containing, among other things: (a) further details of the Proposal, the Scheme and the Share Option Offer; (b) the expected timetable in relation to the Proposal, the Scheme and the Share Option Offer; (c) an explanatory memorandum as required under the Companies Act; (d) a letter from the Independent Board Committee containing its recommendations to the Disinterested Shareholders and the Share Option Holders in respect of the Proposal, the Scheme and the Share Option Offer; (e) a letter of advice from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Proposal, the Scheme and the Share Option Offer; and (f) notices of the Court Meeting and the SGM, together with proxy forms in relation thereto, will be despatched to the Shareholders and the Share Option Holders as soon as practicable and in compliance with the requirements of the Takeovers Code and other Applicable Laws.

WITHDRAWAL OF LISTING OF THE SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates in respect of the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange in accordance with Rule 6.15 of the Listing Rules immediately following the Scheme becoming effective.

IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

Subject to the requirements of the Takeovers Code (including Note 2 to Rule 30.1), the Proposal and the Scheme will lapse if any of the Conditions has not been fulfilled or waived (where applicable) on or before the Long Stop Date. If the Scheme is not approved or the Proposal otherwise lapses, the listing of the Shares on the Stock Exchange will not be withdrawn and as the Share Option Offer is conditional upon the Scheme becoming effective, the Share Option Offer will lapse.

RESUMPTION OF TRADING IN THE SHARES AND THE BONDS

At the request of the Company, trading in the Shares and Bonds on the Stock Exchange was halted from 9:00 am on 27 September 2023 pending the release of this joint announcement. An application will be made by the Company to the Stock Exchange for the resumption of trading in the Shares and Bonds on the Stock Exchange with effect from 9:00 am on 9 October 2023.

WARNINGS

Shareholders, Share Option Holders, Share Award Holders and potential investors should be aware that the Proposal and the Share Option Offer are subject to the Pre-Condition and the Conditions being satisfied or waived (where applicable). Accordingly, the Proposal and the Share Option Offer may or may not be implemented and the Scheme may or may not be effective. Shareholders, Share Option Holders, Share Award Holders and potential investors are advised to exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

This joint announcement is not intended to and does not constitute, or form part of, any offer to sell or subscribe for or an invitation to purchase or subscribe for any securities or the solicitation of any vote or approval in any jurisdiction pursuant to the Proposal, the Share Option Offer or otherwise, nor shall there be any sale, issuance or transfer of securities of the Company in any jurisdiction in contravention of applicable law. The Proposal and the Share Option Offer will be made solely through the Scheme Document (and, in respect of the Share Option Offer, the letter to the Share Option Holders which is expected to be despatched at or around the same time as the despatch of the Scheme Document), which will contain the full terms and conditions of the Proposal and the Share Option Offer, including details of how to vote on the Proposal and the Share Option Offer. Any acceptance, rejection or other response to the Proposal or the Share Option Offer should be made only on the basis of information in the Scheme Document (and, in respect of the Share Option Offer, the letter to the Share Option Holders) or any other document by which the Proposal is made.

The availability of the Proposal and the Share Option Offer to persons who are not resident in Hong Kong, China may be affected by the laws of the relevant jurisdictions in which they are located or of which they are citizens. Persons who are not so resident in Hong Kong, China should inform themselves about, and observe, any applicable legal or regulatory requirements of their jurisdictions. Further details in relation to overseas Shareholders and Share Option Holders will be contained in the Scheme Document and the letter to the Share Option Holders, respectively.

NOTICE TO U.S. INVESTORS

The Proposal and the Scheme relate to the cancellation of the securities of a Bermuda company by means of a scheme of arrangement provided for under the laws of Bermuda. The Share Option Offer represents an appropriate offer to be made by the Offeror to the Share Option Holders. The Proposal, the Scheme and the Share Option Offer are subject to Hong Kong, China disclosure and other procedural requirements, which are different from those of the U.S..

A transaction effected by means of a scheme of arrangement is not subject to the tender offer or the proxy solicitation rules under the US Securities Exchange Act of 1934. Accordingly, the Proposal, the Scheme and the Share Option Offer are subject to the disclosure and other procedural requirements and practices applicable in Bermuda and Hong Kong, China to schemes of arrangement which differ from those applicable under the U.S. federal securities laws.

The receipt of cash pursuant to the Proposal, the Scheme or the Share Option Offer by a U.S. holder of Scheme Shares and/or Share Options and/or Awarded Shares, respectively, will likely be a taxable transaction for U.S. federal income tax purposes and under applicable U.S. state and local, as well as foreign and other, tax laws. Each holder of Scheme Shares and/or Share Options and/or Awarded Shares is urged to consult his/her/its independent professional adviser immediately regarding the tax consequences of the Proposal, the Scheme and the Share Option Offer applicable to him/her/it.

It may be difficult for U.S. holders of Scheme Shares and/or Share Options and/or Awarded Shares to enforce their rights and any claim arising out of the U.S. federal securities laws in connection with the Proposal, the Scheme and the Share Option Offer, since the Offeror and the Company are located in a country outside the U.S., and some or all of their respective officers and directors may be residents of a country other than the U.S.. U.S. holders of Scheme Shares and/or Share Options and/or Awarded Shares may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of the U.S. securities laws. Further, it may be difficult to compel a non-U.S. company and its affiliates to subject themselves to a U.S. court's judgment.

The financial information included in this joint announcement has been prepared in accordance with accounting standards applicable in Hong Kong, China and thus may not be comparable to financial information of U.S. companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the U.S. The generally accepted accounting principles in the U.S. differs in certain significant respects from accounting standards applicable in Hong Kong, China. None of the financial information in this joint announcement has been audited in accordance with auditing standards generally accepted in the United States or the auditing standards of the Public Company Accounting Oversight Board (United States).

None of the Proposal, the Scheme, the Share Option Offer nor this joint announcement have been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have such authorities approved or disapproved or passed judgement upon the fairness or the merits of the Proposal, the Scheme or the Share Option Offer, or determined if the information contained in this joint announcement is adequate, accurate or complete. Any representation to the contrary is a criminal offence in the U.S.

1. INTRODUCTION

On 26 September 2023, the Offeror requested the Board, subject to the satisfaction of the Pre-Condition, to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under section 99 of the Companies Act, involving among other things, (i) the cancellation of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share cancelled and (ii) the withdrawal of listing of the Shares on the Stock Exchange.

If the Proposal is approved and implemented, under the Scheme, all Scheme Shares will be cancelled on the Effective Date. Contemporaneously with the cancellation of the Scheme Shares, the share capital of the Company will be maintained at the amount immediately prior to the cancellation of the Scheme Shares by the issuance at par to the Offeror, credited as fully paid, of the aggregate number of Shares as is equal to the number of Scheme Shares cancelled. The reserve created in the Company's books of account as a result of the cancellation of the Scheme Shares will be applied in paying up in full at par the new Shares so issued to the Offeror.

The Shares in which the Offeror is interested will not form part of the Scheme Shares and will not be cancelled. Upon the Scheme becoming effective, the Company will be owned as to 100% by the Offeror, and the listing of the Shares will be withdrawn from the Stock Exchange.

2. TERMS OF THE PRE-CONDITIONAL PRIVATISATION PROPOSAL

The Scheme

Subject to the satisfaction or waiver (where applicable) of the Pre-Condition and Conditions and the Scheme becoming effective, all Scheme Shares will be cancelled and the Scheme Shareholders will be entitled to receive from the Offeror:

For every Scheme Share cancelled HK\$1.52 in cash

If, after the Announcement Date, any dividend and/or other distribution and/or other return of capital is announced, declared or paid in respect of the Shares, the Offeror reserves the right to reduce the Cancellation Price by all or any part of the amount or value of such dividend, distribution and/or, as the case may be, return of capital after consultation with the Executive, in which case any reference in this joint announcement, the Scheme Document or any other announcement or document to the Cancellation Price will be deemed to be a reference to the Cancellation Price as so reduced. As at the Announcement Date, the Company has not declared any dividend which remains unpaid. The Company has confirmed that it does not intend to announce, declare or pay any dividend, distribution or other return of capital before the Long Stop Date.

The Offeror will not increase the Cancellation Price and does not reserve the right to do so. Shareholders, Share Option Holders, Share Award Holders and potential investors should be aware that, following the making of this statement, the Offeror will not be allowed to increase the Cancellation Price.

The Cancellation Price of HK\$1.52 represents:

- (a) a premium of approximately 114.08% over the closing price of HK\$0.710 per Shares as quoted on the Stock Exchange on the Last Trading Day;
- (b) a premium of approximately 111.11% over the average closing price of HK\$0.720 per Shares as quoted on the Stock Exchange for the 5 trading days up to and including the Last Trading Day;
- (c) a premium of approximately 108.22% over the average closing price of HK\$0.730 per Shares as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (d) a premium of approximately 126.53% over the average closing price of HK\$0.671 per Shares as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (e) a premium of approximately 122.22% over the average closing price of HK\$0.684 per Shares as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- (f) a premium of approximately 125.19% over the average closing price of HK\$0.675 per Shares as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;
- (g) a premium of approximately 110.53% over the average closing price of HK\$0.722 per Shares as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day;
- (h) a discount of approximately 51.20% to the audited consolidated net asset value attributable to Shareholders per Share of approximately HK\$3.115 as at 31 December 2022; and
- (i) a discount of approximately 39.32% to the unaudited consolidated net asset value (excluding the perpetual securities and distribution relating thereto) attributable to Shareholders per Share of approximately HK\$2.505 as at 30 June 2023.

The Cancellation Price has been determined on an arm's length commercial basis after taking into account the financial information of the Group, the historical prices of the Shares traded on the Stock Exchange and with reference to other privatisation transactions in Hong Kong, China in recent years.

Highest and Lowest prices

During the six-month period immediately up to and including the Last Trading Day, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$0.770 on 13 September 2023 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.590 on 23 August 2023.

3. SHARE OPTION OFFER

As at the Announcement Date, there are 38,957,054 Share Options granted and outstanding under the Share Option Scheme and all of such Share Options are exercisable, each giving the Share Option Holder the right to subscribe for one new Share per Share Option. The relevant exercise price applicable to each outstanding Share Option ranges from HK\$0.928 to HK\$2.614 per Share Option. The exercise of all outstanding Share Options in full would result in the issue of 38,957,054 new Shares, representing 0.46% of the issued share capital of the Company as at the Announcement Date and 0.46% of the enlarged issued share capital of the Company.

Subject to the satisfaction of the Pre-Condition, the Offeror will make (or procure to be made on its behalf) an appropriate offer to the Share Option Holders in accordance with Rule 13 of the Takeovers Code.

Under the Share Option Offer, the Offeror will, in accordance with Rule 13 of the Takeovers Code, offer the Share Option Holders the Share Option Offer Price (which is the “see-through” price, being the Cancellation Price minus the relevant exercise price of the relevant outstanding Share Option) in cash for the cancellation of each outstanding Share Option they hold. Where the exercise price of any outstanding Share Option is equal to or greater than the Cancellation Price (such that the “see-through” price is zero or negative), the Share Option Offer Price of a nominal amount of HK\$0.00001 per outstanding Share Option will be made.

The table below sets out the exercise price and the corresponding “see-through” price for the outstanding Share Options under the Share Option Offer as at the Announcement Date:

Date of grant	Exercise period of outstanding Share Options	Exercise price (HK\$)	Share Option Offer Price/“See-through” price (HK\$)	Number of outstanding Share Options not yet exercisable	Number of outstanding Share Options that are now exercisable
1 November 2018	28 May 2019 – 31 October 2023	2.614	0.00001	–	10,001,581
31 May 2019	27 December 2019 – 30 May 2024	2.304	0.00001	–	5,556,436
29 May 2020	25 December 2020 – 28 May 2025	1.558	0.00001	–	6,369,735
21 July 2021	17 February 2022 – 20 July 2026	2.163	0.00001	–	7,872,083
6 September 2022	3 April 2023 – 5 September 2027	0.928	0.592	–	9,157,219
			Total	–	38,957,054

If any outstanding Share Option is exercised at the relevant exercise price in accordance with the terms of the Share Option Scheme before the Meeting Record Date, and the corresponding Shares are issued to such Share Option Holder(s) prior to the Meeting Record Date, any such Shares shall form part of the Scheme Shares and may be voted at the Court Meeting and the SGM. Please see the section head “10. Voting at the Court Meeting and SGM” for further details.

In the event that (i) any outstanding Share Option has not been so exercised; and (ii) the Share Option Holders do not accept the Share Option Offer in respect of such outstanding Share Option, such Share Option shall lapse upon the scheme of arrangement becoming effective according to the terms of the Share Option Scheme.

During the offer period, the Company does not intend to grant any new Share Options under the Share Option Scheme.

The Share Option Offer will be conditional on the Scheme becoming effective. If any of the Conditions is not satisfied or waived (where applicable) on or before the Long Stop Date and the Proposal and the Scheme lapse, the Share Option Offer will also lapse.

Further information on the Share Option Offer will be set out in a letter to the Share Option Holders, which will be despatched at or around the same time as the despatch of the Scheme Document.

4. IMPACT ON THE TRUSTEE HELD SHARES UNDER THE SHARE AWARD SCHEME

As at the Announcement Date, there were a total of 104,939,004 Trustee Held Shares held by the Share Award Trustee pursuant to the Share Award Scheme, of which:

- (a) 9,371,642 Shares were held as Trustee Held Awarded Shares which are granted but yet to be vested (or vested but not yet transferred) with the designated Share Award Holders; and
- (b) 95,567,362 Shares were held as Trustee Held Pool Shares that are unutilised under the Share Award Scheme.

If any Trustee Held Awarded Shares are vested and the corresponding Shares are transferred by the Share Award Trustee to the relevant Share Award Holder prior to the Meeting Record Date, any such Shares shall form part of the Scheme Shares and may be voted at the Court Meeting and the SGM. Please see the section head “10. Voting at the Court Meeting and SGM” for further details.

All of the Trustee Held Shares which are still held by the Share Award Trustee as of the Record Date shall form part of the Scheme Shares and be cancelled upon the Scheme becoming effective. Conditional upon the Scheme becoming effective, the Offeror shall pay to the Share Award Trustee an amount equivalent to the Cancellation Price multiplied by the number of the Trustee Held Shares, which:

- (a) for the amount which corresponds to the Trustee Held Awarded Shares, shall be held on trust by the Share Award Trustee for the relevant Share Award Holder and shall be payable by the Share Award Trustee to such Share Award Holder on the vesting date(s) of the respective Trustee Held Awarded Shares; and
- (b) for the amount which corresponds to the Trustee Held Pool Shares, shall be paid by the Share Award Trustee to the Company after the Share Award Trustee receives such amount from the Offeror under the Scheme and upon the termination of the Share Award Scheme.

Pursuant to the rules of the Share Award Scheme, the Share Award Holders shall have no voting rights in respect of any Trustee Held Awarded Shares which are granted but yet to be vested and the Share Award Trustee shall not exercise the voting rights attached to the Trustee Held Shares held by it under the Trust. Accordingly, all of the Trustee Held Shares will not be voted at the Court Meeting and the SGM notwithstanding that such Shares form part of the Scheme Shares.

During the offer period, the Company does not intend to grant any further Awarded Shares and therefore the Share Award Trustee will not further acquire Shares on market for the purpose of making grants under the Share Award Scheme.

5. PRE-CONDITION TO THE PROPOSAL AND THE SCHEME

The making of the Proposal is, and the implementation of the Scheme will be, subject to the satisfaction of the Pre-Condition that the Approvals from Shanghai SASAC, CSRC, NDRC and the Shanghai Branch of the PBOC and all other Approvals which are required in connection with the Proposal by Applicable Laws in Mainland China and Hong Kong, China having been obtained (or, as the case may be, completed) and remaining in full force and effect without modification or variation.

With respect to the Pre-Condition, as at the Announcement Date, based on information available to the Offeror, except for the Approvals from Shanghai SASAC, CSRC, NDRC and the Shanghai branch of the PBOC, the Offeror is not aware of any Approvals which are required prior to the making of the Proposal by Applicable Laws in Mainland China and Hong Kong, China.

The Pre-Condition may not be waived. If the Pre-Condition is not satisfied on or before the Pre-Condition Long Stop Date, the Proposal will not be made. The Offeror and the Company will issue a further announcement as soon as practicable after the Pre-Condition has been satisfied.

WARNING: As the making of the Proposal, the Scheme and Share Option Offer is subject to the satisfaction of the Pre-Condition, the making of the Proposal, the Scheme and Share Option Offer is a possibility only and may or may not occur. Shareholders, Share Option Holders, Share Award Holders and potential investors are advised to exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

6. CONDITIONS TO THE PROPOSAL AND THE SCHEME

The Proposal, if made, and the Scheme will only become effective and binding on the Company and all Shareholders subject to the satisfaction or waiver (where applicable) of the following Conditions:

- (a) the approval of the Scheme (by way of poll) by a majority in number of the Scheme Shareholders representing not less than three-fourths in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting;
- (b) the approval of the Scheme (by way of poll) by not less than three-fourths of the votes attaching to the Disinterested Scheme Shares that are voted either in person or by proxy at the Court Meeting, provided that the number of votes cast (by way of poll) against the resolution to approve the Scheme is not more than 10% of the votes attaching to all the Disinterested Scheme Shares;
- (c) the passing by the Shareholders at the SGM of (i) a special resolution to approve any reduction of the issued share capital of the Company associated with the cancellation of the Scheme Shares; and (ii) an ordinary resolution to contemporaneously maintain the issued share capital of the Company at the amount immediately prior to the cancellation of the Scheme Shares by issuing to the Offeror such number of new Shares as is equal to the number of Scheme Shares cancelled and applying the reserve created as a result of the aforesaid cancellation of the Scheme Shares to pay up in full at par such new Shares;
- (d) the sanction of the Scheme (with or without modification) by the Court and the delivery to the Registrar of Companies in Bermuda of a copy of the order of the Court for registration;
- (e) compliance, to the extent necessary, with the applicable requirements of section 46(2) of the Companies Act in relation to any reduction of the issued share capital of the Company associated with the cancellation of the Scheme Shares;

- (f) no Authority in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order), in each case, which would make the Proposal or the Scheme void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations in connection with the Proposal or the Scheme);
- (g) all Applicable Laws having been complied with and no legal, regulatory or administrative requirement having been imposed by any Authority in any jurisdiction which is not expressly provided for, or is in addition to the legal, regulatory or administrative requirements expressly provided for, in the Applicable Laws in connection with the Proposal or the Scheme, in each case up to and as at the Effective Date;
- (h) since the Announcement Date, there having been no material adverse change to the business, assets, financial or trading position or the prospects or conditions (whether operational, legal or otherwise) of the Group, each taken as a whole;
- (i) save in connection with the implementation of the Proposal, the listing of the Shares on the Stock Exchange not having been withdrawn, and no indication having been received from the Executive and/or the Stock Exchange, to the effect that the listing of the Shares on the Stock Exchange is or is likely to be withdrawn;
- (j) there having been no litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Group is a party (whether as plaintiff, defendant or otherwise), and no such proceedings having been threatened in writing against any such member (and no investigation by any Authority in respect of any such member or the business carried on by any such member having been threatened in writing, announced or instituted), in each case which is material and adverse in the context of the Group, the Proposal or the Scheme;
- (k) all Approvals which are required in connection with the Proposal by Applicable Laws having been obtained (or, as the case may be, completed) and remaining in full force and effect without modification or variation; and
- (l) all Approvals which are required in connection with the Proposal under (i) the Relevant Borrowings; and (ii) the Material Contracts, having been obtained and remaining in full force and effect without modification or variation.

The Conditions in paragraphs (a) to (e) (inclusive) cannot be waived. The Offeror reserves the right to waive all or any of the Conditions in paragraph (f) to (l) (inclusive), to the extent permissible by Applicable Laws, the Listing Rules and the Takeovers Code, either in whole or in part, either generally or in respect of any particular matter.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any or all of the Conditions as a basis for not proceeding with the Scheme if the circumstances which give rise to the right to invoke any such Condition are of material significance to the Offeror in the context of the Proposal. The Company has no right to waive any of the Conditions.

All of the Conditions must be satisfied or waived (where applicable) on or before the Long Stop Date, failing which the Proposal and the Scheme will lapse.

As at the Announcement Date and based on the information available to the Offeror and the Company, other than those set out as the Pre-Condition and Conditions above and the application for the withdrawal of the listing of the Shares on the Stock Exchange upon the Scheme becoming effective, the Offeror and the Company are not aware of any circumstances which may result in any of Conditions (f), (g), (i) or (j) above not being satisfied.

WARNINGS: Shareholders, Share Option Holders, Share Award Holders and potential investors should be aware that the making of the Proposal, the Scheme and the Share Option Offer is subject to the satisfaction of the Pre-Condition. Even if the Proposal and the Share Option Offer are made, the implementation of the Proposal, the Scheme and the Share Option Offer is subject to the Conditions being satisfied or waived (where applicable). Accordingly, the Proposal and the Share Option Offer may or may not be implemented and the Scheme may or may not become effective. Shareholders, Share Option Holders, Share Award Holders, holders of other securities of the Company and potential investors should therefore exercise caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

7. IRREVOCABLE UNDERTAKINGS

On 5 October 2023, each of the IU Shareholders has given an Irrevocable Undertaking in favour of the Offeror, pursuant to which, among other things:

- (a) it will exercise or procure the exercise of all voting rights attached to:
 - (i) the IU Shares owned by it as at the date of the Irrevocable Undertakings; and
 - (ii) any other Shares in which it come to have interests after the date of the Irrevocable Undertakings,to vote in favour of any resolutions relating to the Proposal and the Scheme to be proposed at any meeting of Shareholders (including the Court Meeting and the SGM); and
- (b) for the period from the date of the Irrevocable Undertakings until the Effective Date, it shall not dispose of or otherwise transfer any interest in any of the IU Shares.

The IU Shareholders hold 139,697,073 Shares in aggregate as at the date of the Irrevocable Undertakings, representing approximately 1.66% of the total issued share capital of the Company, and approximately 6.51% of the Disinterested Scheme Shares, as at the Announcement Date.

The Irrevocable Undertakings will be terminated if the Scheme: (a) is not effective by the Long Stop Date; (b) is not approved at the Court Meeting or the SGM; or (c) is not sanctioned by the Court.

8. CONFIRMATION OF FINANCIAL RESOURCES

As at the Announcement Date, there are (a) 2,244,158,131 Scheme Shares in issue; and (b) 38,957,054 outstanding Share Options, entitling the Share Option Holders to subscribe for a total of 38,957,054 new Shares (representing approximately 0.46% of the issued share capital of the Company as at the Announcement Date).

Assuming that (i) no new Shares will be issued and no new Share Options will be granted up to the Record Date; and (ii) no outstanding Share Options will be exercised on or before the Record Date, the Proposal and the Share Option Offer will involve making an offer to cancel:

- (a) 2,244,158,131 Scheme Shares in exchange for the Cancellation Price of HK\$1.52 per Scheme Share;
- (b) 38,957,054 outstanding Share Options, of which:
 - (i) 9,157,219 Share Options with an exercise price of HK\$0.928, in exchange for the Share Option Offer Price of HK\$0.592 per Share Option; and
 - (ii) 29,799,835 Share Options with an exercise price equal to or greater than the Cancellation Price, in exchange for the Share Option Offer Price of HK\$0.00001 per Share Option,

with the maximum cash consideration payable by the Offeror under the Proposal and the Share Option Offer being approximately HK\$3,416,541,731.

Assuming that (i) no new Shares will be issued and no new Share Options will be granted up to the Record Date; and (ii) all outstanding Share Options will be exercised on or before the Record Date, the Proposal and the Share Option Offer will involve making an offer to cancel 2,283,115,185 Scheme Shares in exchange for the Cancellation Price of HK\$1.52 per Scheme Share, with the maximum cash consideration payable by the Offeror under the Proposal and the Share Option Offer being approximately HK\$3,470,335,082.

The Offeror proposes to finance the cash consideration payable under the Proposal and the Share Option Offer in full through the External Financing.

Somerley Capital, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy the maximum amount of cash consideration payable under the Proposal and the Share Option Offer.

9. SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Announcement Date, the authorised share capital of the Company is HK\$2,000,000,000 divided into 20,000,000,000 Shares and the issued share capital of the Company is HK\$843,802,408 divided into 8,438,024,077 Shares. There are no other classes of shares of the Company in issue.

Shareholding Structure of the Company as at the Announcement Date

The table below sets out the shareholding structure of the Company (a) as at the Announcement Date, and (b) as at the Announcement Date and assuming all the Share Options had been exercised on or before the Announcement Date:

Shareholders	As at the Announcement Date		As at the Announcement Date and assuming all the Share Options had been exercised on or before the Announcement Date	
	Number of Shares	Approximately % of total issued Shares	Number of Shares	Approximately % of total issued Shares
(A) Offeror (not subject to the Scheme)⁽¹⁾	6,193,865,946	73.40%	6,193,865,946	73.07%
(B) Offeror Concert Parties (subject to the Scheme)⁽²⁾:				
Mr. Li Jun ⁽³⁾	–	–	201,590	0.00%
Mr. Lin Yong ⁽⁴⁾	10,471,986	0.12%	15,871,377	0.19%
Mr. Zhang Xinjun ⁽⁵⁾	956,762	0.01%	3,046,521	0.04%
Shanghai Guosheng Group ⁽⁶⁾	18,168,150	0.22%	18,168,150	0.21%
Sub-total	29,596,898	0.35%	37,287,638	0.44%
(C) Offeror and Offeror Concert Parties⁽²⁾				
(A) + (B)	6,223,462,844	73.75%	6,231,153,584	73.51%
(D) Other holders of Scheme Shares that are not Disinterested Scheme Shares⁽⁷⁾	68,450,945	0.81%	68,450,945	0.81%
(E) Disinterested Shareholders:				
Mr. Sun Jianfeng ⁽⁸⁾	3,292,313	0.04%	7,026,299	0.08%
Mr. Sun Tong ⁽⁹⁾	2,915,655	0.03%	6,316,256	0.07%
Share Award Trustee ⁽¹⁰⁾	104,939,004	1.24%	104,939,004	1.24%
Other Disinterested Shareholders	2,034,963,316	24.12%	2,059,095,043	24.29%
Sub-total	2,146,110,288	25.43%	2,177,376,602	25.69%
Total number of Scheme Shares⁽¹¹⁾	2,244,158,131	26.60%	2,283,115,185	26.93%
Total number of Shares (C) + (D) + (E)	8,438,024,077	100.00%	8,476,981,131	100.00%

Notes

1. The Offeror directly owns 6,193,865,946 Shares. Shares in which the Offeror is interested will not form part of the Scheme Shares and will not be cancelled.
2. The Shares held by the Offeror Concert Parties exclude the Shares held by the connected fund managers and asset managers within the HSCL Group by reason of the application of Rule 21.6 of the Takeovers Code and the Shares held by the HSCL Group for the account of non-discretionary investment clients.

3. *As at the Announcement Date, Mr. Li Jun holds 201,590 outstanding Share Options. Mr. Li Jun is (a) the chairman and non-executive Director of the Company; (b) the chairman and director of the Offeror; and (c) the executive director and general manager of HSCL, which directly owns 100% shareholding of the Offeror. Mr. Li Jun is therefore presumed to be acting in concert with the Offeror in relation to the Company under class 2 of the definition of “acting in concert” under the Takeovers Code.*
4. *As at the Announcement Date, Mr. Lin Yong holds 10,471,986 Shares (including 320,000 unvested Awarded Shares) and 5,399,391 outstanding Share Options. Mr. Lin Yong is (a) the deputy chairman, chief executive officer and executive Director of the Company; and (b) a director of the Offeror. Mr. Lin Yong is therefore presumed to be acting in concert with the Offeror in relation to the Company under class 2 of the definition of “acting in concert” under the Takeovers Code.*
5. *As at the Announcement Date, Mr. Zhang Xinjun holds 956,762 Shares and 2,089,759 outstanding Share Options. Mr. Zhang Xinjun is (a) a non-executive Director; and (b) a director of the Offeror. Mr. Zhang Xinjun is therefore presumed to be acting in concert with the Offeror in relation to the Company under class 2 of the definition of “acting in concert” under the Takeovers Code.*
6. *As at the Announcement Date and based on publicly available information:*
 - (a) *Guosheng Hong Kong, a wholly-owned subsidiary of Shanghai Guosheng Group, holds 0.22% of the total issued Shares.*
 - (b) *Shanghai Guosheng Group, along with certain shareholders of HSCL are wholly-owned by Shanghai SASAC and they in aggregate hold over 20% (but less than 50%) of the total issued shares of HSCL.*

Therefore, Shanghai Guosheng Group (and hence Guosheng Hong Kong) is presumed to be acting in concert with the Offeror under class (1) of the definition of “acting in concert” under the Takeovers Code. As at the Announcement Date, the Offeror is consulting with the Executive for rebutting the presumption. The presumption may or may not be rebutted. Further announcement will be made in accordance with the Takeovers Code as is appropriate.

7. *68,450,945 Shares are subject to a security interest in favour of Haitong International Securities Company Limited, a wholly-owned subsidiary of the Company, and as of the Announcement Date, circumstances exist which have resulted in Haitong International Securities Company Limited having the right to exercise the voting rights of such 68,450,945 Shares.*
8. *As at the Announcement Date, Mr. Sun Jianfeng holds 3,292,313 Shares (including 146,001 unvested Awarded Shares) and 3,733,986 outstanding Share Options. Mr. Sun Jianfeng is an executive Director. As there is no agreement, arrangement or understanding between Mr. Sun Jianfeng on the one hand, and the Offeror on the other, Mr. Sun Jianfeng is not regarded as acting in concert with the Offeror and the Shares held by him will form part of the Scheme Shares held by the Disinterested Shareholders.*
9. *As at the Announcement Date, Mr. Sun Tong holds 2,915,655 Shares (including 146,001 unvested Awarded Shares) and 3,400,601 outstanding Share Options. Mr. Sun Tong is (a) an executive Director; and (b) a senior management member of the Offeror. As there is no agreement, arrangement or understanding between Mr. Sun Tong on the one hand, and the Offeror on the other, Mr. Sun Tong is not regarded as acting in concert with the Offeror and the Shares held by him will form part of the Scheme Shares held by the Disinterested Shareholders.*
10. *As at the Announcement Date, the Share Award Trustee holds 104,939,004 Trustee Held Shares (representing approximately 1.24% of the total issued Shares) pursuant to the Share Award Scheme which comprises (a) 9,371,642 Trustee Held Awarded Shares; and (b) 95,567,362 Trustee Held Pool Shares. As set out in the section headed “4. Impact on the Trustee Held Shares under the Share Award Scheme” above, the Trustee will not exercise the voting rights attached to the Trustee Held Shares held by it. Accordingly, all the Trustee Held Shares held by the Trustee will not be voted on the Scheme at the Court Meeting nor at the SGM notwithstanding that such Shares will form part of the Scheme Shares.*
11. *The Scheme Shares include the Shares held by all the Shareholders other than those held by the Offeror.*
12. *The percentages are subject to rounding adjustments and may not add up to 100%.*

Shareholding Structure of the Company immediately upon completion of the Proposal and Share Option Offer

The table below sets out the shareholding structure of the Company immediately upon the completion of the Proposal and the Share Option Offer, assuming that: (a) there will be no change in the shareholding structure of the Company (whether by way of exercise of any Share Options or otherwise) before completion of the Proposal and Share Option Offer (“**Scenario 1**”); and (b) all Share Options will be exercised before the completion of the Proposal and the Share Option Offer and there will be no other change in the shareholding of the Company before the Effective Date (“**Scenario 2**”).

Shareholders	Immediately after completion of the Proposal and Share Option Offer			
	Scenario 1		Scenario 2	
	<i>Number of Shares</i>	<i>Approximately % of total issued Shares</i>	<i>Number of Shares</i>	<i>Approximately % of total issued Shares</i>
(A) Offeror (not subject to the Scheme) ⁽¹⁾	8,438,024,077	100.00%	8,476,981,131	100.00%
(B) Offeror Concert Parties (subject to the Scheme)⁽²⁾:				
Mr. Li Jun ⁽³⁾	–	–	–	–
Mr. Lin Yong ⁽⁴⁾	–	–	–	–
Mr. Zhang Xinjun ⁽⁵⁾	–	–	–	–
Shanghai Guosheng Group ⁽⁶⁾	–	–	–	–
Sub-total	–	–	–	–
(C) Offeror and Offeror Concert Parties⁽²⁾				
(A) + (B)	<u>8,438,024,077</u>	<u>100.00%</u>	<u>8,476,981,131</u>	<u>100.00%</u>
(D) Other holders of Scheme Shares that are not Disinterested Scheme Shares⁽⁷⁾	–	–	–	–
(E) Disinterested Shareholders:				
Mr. Sun Jianfeng ⁽⁸⁾	–	–	–	–
Mr. Sun Tong ⁽⁹⁾	–	–	–	–
Share Award Trustee ⁽¹⁰⁾	–	–	–	–
Other Disinterested Shareholders	–	–	–	–
Sub-total	–	–	–	–
Total number of Scheme Shares⁽¹¹⁾	–	–	–	–
Total number of Shares (C) + (D) + (E)	<u><u>8,438,024,077</u></u>	<u><u>100.00%</u></u>	<u><u>8,476,981,131</u></u>	<u><u>100.00%</u></u>

Note: Please refer to the notes to the shareholding table under the “Shareholding Structure of the Company as at the Announcement Date”.

10. VOTING AT THE COURT MEETING AND SGM

All Scheme Shareholders as at the Meeting Record Date will be entitled to attend and vote at the Court Meeting to approve the Scheme, provided that only the votes of the Disinterested Shareholders will be taken into account in determining whether Condition (b) under the section headed “6. Conditions to the Proposal and the Scheme” and Rule 2.10 of the Takeovers Code are satisfied.

As at the Announcement Date, the Offeror held 6,193,865,946 Shares, representing 73.40% of the total issued Shares. As the Offeror is not a Scheme Shareholder, the Offeror will not vote on the Scheme at the Court Meeting.

As at the Announcement Date, the Offeror Concert Parties held in aggregate 29,596,898 Shares, representing 0.35% of the total issued Shares.

As the Share Award Trustee is not acting in concert with the Offeror and therefore the Shares held by the Share Award Trustee form part of the Disinterested Scheme Shares and are entitled to be voted at the Court Meeting and the SGM. However, pursuant to Rule 17.05A of the Listing Rules and the rules of the Share Award Scheme, the Trustee will not exercise any voting rights attached to the Shares held by it pursuant to the Share Award Scheme.

All Shareholders as at the Meeting Record Date will be entitled to attend the SGM and vote on (a) the special resolution to: approve any reduction of the issued share capital of the Company associated with the cancellation of the Scheme Shares; and (b) an ordinary resolution to contemporaneously maintain the issued share capital of the Company at the amount immediately prior to the cancellation of the Scheme Shares by issuing to the Offeror such number of new Shares as is equal to the number of Scheme Shares cancelled and applying the reserve created as a result of the cancellation of the Scheme Shares to pay up in full at par such number of new Shares.

11. INFORMATION ON THE GROUP

The Company is an exempted company incorporated in Bermuda with limited liability whose Shares are listed on the Main Board of the Stock Exchange (stock code: 665). The Group is principally engaged in wealth management, corporate finance, asset management, global markets and investment.

Based on the published audited consolidated financial statements of the Company, the table below sets out the financial information of the Group for the three financial years ended 31 December 2022:

	For the financial years ended 31 December		
	2022	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)
Revenue	(1,390,454)	5,252,184	8,329,747
(Loss)/Profit before tax	(6,289,488)	723,145	2,300,592
(Loss)/Profit for the year	(6,540,510)	300,826	1,932,877

12. INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in Hong Kong, China with limited liability which is wholly-owned by HSCL. The Offeror is engaged in investment holding.

HSCL is a joint stock limited company incorporated in China with limited liability, whose A shares are listed on the Shanghai Stock Exchange (stock code: 600837) and H shares are listed on the Main Board of the Stock Exchange (stock code: 6837). HSCL is principally engaged in securities brokerage, proprietary securities activities, securities underwriting and sponsorship, securities investment advisory, financial consultancy related to securities trading and investment activities, direct equity investments, securities investment fund distribution, introducing brokerage business for futures companies, margin financing and securities lending, agency sale of financial products and stock option market-making.

As at the Announcement Date, the Offeror is directly interested in 6,193,865,946 Shares, representing approximately 73.40% of the total issued Shares.

13. INTENTION OF THE OFFEROR ON THE COMPANY

As at the Announcement Date, the Offeror intends for the Group to continue carrying on its existing businesses following the implementation of the Proposal and the Share Option Offer and does not have any plan to make any material changes to the continued employment of the employees of the Group (other than in the ordinary course of business of the Group). The Offeror will conduct a strategic review of the Group's assets, corporate structure, capitalisation, operations, properties, policies and management to determine if any changes would be appropriate and desirable following the implementation of the Proposal and the Share Option Offer with a view to optimising the Group's activities and development, and may make any changes as the Offeror deems necessary, appropriate or beneficial for the Group in light of its review of the Group or any future development.

14. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to Rule 2.8 of the Takeovers Code, the Independent Board Committee shall comprise all the non-executive Directors of the Company who have no direct or indirect interest in the Proposal and the Share Option Offer other than as holders of the Scheme Shares and/or Share Options.

The Board has established the Independent Board Committee, comprising Mr. WAN Kam To, Mr. LIU Swee Long Michael, Mr. ZHANG Huaqiao and Ms. LEE Man Yuen Margaret, each being an independent non-executive Director, to make a recommendation to the Disinterested Shareholders and the Share Option Holders as to (a) whether the terms of the Proposal, the Scheme and the Share Option Offer are, or are not, fair and reasonable; (b) whether to vote in favour of the Scheme at the Court Meeting and of the resolutions in connection with the implementation of the Proposal at the SGM; and (c) acceptance of the Share Option Offer by the Share Option Holders.

The Directors of the Company (excluding members of the Independent Board Committee whose views will be given after considering the advice of the Independent Financial Adviser to the Independent Board Committee) believe that the terms of the Proposal, the Scheme and the Share Option Offer are fair and reasonable and in the interests of the Shareholders as a whole.

Mr. LI Jun, Mr. LIN Yong, Mr. ZHANG Xinjun and Mr. SUN Tong have abstained from voting on the board resolutions of the Company in connection with the Proposal, the Scheme and the Share Option Offer because of having a material interest as a director of, or due to his position as a senior manager, of the Offeror (as the case may be).

Mr. CHENG Chi Ming Brian, has voluntarily abstained from voting on the board resolutions of the Company in connection with the Proposal, the Scheme and the Share Option Offer for good corporate governance due to his role as an executive director of the holding company of an IU Shareholder, NWS Financial Management Services Limited, who has given the Irrevocable Undertaking to support the Proposal and the Scheme.

The Company will appoint the Independent Financial Adviser (with the approval of the Independent Board Committee) to advise the Independent Board Committee as to (a) whether the terms of the Proposal, the Scheme and the Share Option Offer are, or are not, fair and reasonable; (b) voting by the Disinterested Shareholders at the Court Meeting and at the SGM; and (c) acceptance of the Share Option Offer by the Share Option Holders. A further announcement will be made after the Independent Financial Adviser has been appointed.

15. REASONS FOR AND BENEFITS OF THE PROPOSAL

For Disinterested Shareholders

(a) Uncertainties on business outlook

The Company is an investment holding company and the subsidiaries of the Company are primarily engaged in wealth management, corporate finance, asset management, global markets and investment.

Since 2021, the global economy has experienced significant slowdown due to the on-going Russia-Ukraine war and the U.S. Federal Reserve accelerating its pace of raising interest rate to curb inflation. In 2023, with interest rate remaining at high level and the United State and Europe's banking sector in turmoil, investors remained concerned about the prospects of the financial sector. The tightening of credit limits by commercial banks has further exacerbated investors' concerns about global economic recession.

Affected by the aforementioned macroeconomic environment, the performance of the Group has been declining since 2021, with a net loss recorded in 2022. The Group had suffered a net trading and investment loss of approximately HK\$4.72 billion in 2022 and the commission and fee income of the Group had decreased by approximately 52.76% from approximately HK\$3.26 billion to approximately HK\$1.54 billion, compared with 2021. The Group also recorded a net loss of approximately HK\$6.54 billion for the first time since 2009. The Group continued to incur a net loss of approximately HK\$780.94 million in the first half of 2023. Following these losses in 2022, the market has expressed concern about the Group's financial position and prospects. In response to the above concerns, the Group has prudently managed its business and sought support from its controlling shareholder in strengthening its financial position such as provision of credit enhancement and operational resources. In June 2023, the Company's controlling shareholder subscribed for excess applications in the recent rights issue fundraising undertaken by the Company, whilst the support from the other shareholders of Company was lukewarm. Embracing the "One Haitong" philosophy, however, the Company's controlling shareholder will continue to

provide support to the Company through other means as and when necessary. While alternatives exist for the controlling shareholder to provide the required financial support, in light of the current shareholding level of the Company's controlling shareholder at 73.40%, there will be limited opportunities for further equity injection from the controlling shareholder given the public float requirement under the Listing Rules, which may affect the necessity of maintaining the listing platform.

(b) An opportunity to sell the Shares at a premium to current market price

With the global economic slowdown and a subdued market sentiment in Hong Kong, China, apart from the challenges faced by the Group's business operations, the Share price has been declining in recent years. In the past year, the Share price reached its lowest point of HK\$0.564 per Share at the end of October 2022, gradually rose to HK\$0.940 per Share in January 2023, and then declined again. The average Share price over the past three months up to and including the Last Trading Day was HK\$0.684 per Share. Over the past year, the Shares have been trading at a discount to its unaudited consolidated net asset value attributable to owners of the Company per Share as at 30 June 2023 (excluding the perpetual securities and distribution relating thereto), ranging from approximately 62.48% to approximately 77.49%.

The Offeror believes that the Proposal offers Disinterested Shareholders an opportunity to sell their Shares at a premium over the current market price. The Cancellation Price is higher than the closing Share price in the 12 months period up to and including the Last Trading Day, representing a premium of approximately 169.50% over the lowest closing price of HK\$0.564 per Share and a premium of approximately 61.70% over the highest closing price of HK\$0.940 per Share.

(c) An opportunity for full monetisation of investment in the Company

In Hong Kong, China, the stock market experienced an obvious downward trend after reaching a peak in 2021, due to multiple uncertainties ahead. The Hang Seng Index hit a low at approximately 14,700 points on 31 October 2022, marking a 13-year low. The Hang Seng Index then rebounded and reached approximately 22,700 points in January 2023, but followed by a gradual correction to approximately 17,500 points as at the Last Trading Day. The trading liquidity of the Shares has been at a relatively low level over a prolonged period in recent years. The average daily trading volume of the Shares for the three-month period, six-month period and 12-month period up to and including the Last Trading Day were approximately 9.95 million Shares, 9.81 million Shares and 9.60 million Shares, representing only approximately 0.12%, 0.12% and 0.11%, respectively, of the total number of issued Shares as at the Last Trading Day. The low trading liquidity of the Shares could make it difficult for Scheme Shareholders to execute substantial on-market disposals without adversely affecting the price of the Shares. As such, the Scheme presents an immediate opportunity for Scheme Shareholders to exit and fully realise their investments in cash and redeploy the proceeds from accepting the Scheme into other investment opportunities. The Offeror believes that this represents a good opportunity for Disinterested Shareholders to achieve full monetisation of investment in the Company, especially given the backdrop of market volatilities over the recent periods.

For the Offeror and the Company

The Proposal enhances the flexibility in formulating long-term development strategies and avoid the costs associated with maintaining a listing platform.

Over the past decade, the Company had raised funds through a number of rights issues to expand its businesses. The Offeror and the Offeror Concert Parties had demonstrated their commitment and support to the Company by subscribing to their entitlements of the rights shares. The rights issues in 2013, 2014, and 2015 were fully subscribed for, which had enhanced the Group's equity base and supported its business development.

In the first half of 2023, the Company conducted a rights issue to enhance the equity base of the Group.

Other than the Offeror who fully took up their entitlement of rights shares, the Company only received applications from less than 20% of the total rights shares being offered to other shareholders. Taking into account the Offeror's excess application, the rights issue has led to an increase in the aggregate shareholding of the Offeror and the directors of the Company to nearly 73.60%, resulting in a headroom of only approximately 1.40% before the minimum public float requirement under the Listing Rules is reached. In March 2023, the Company issued subordinated perpetual securities in the principal amount of US\$200 million to the Offeror and an investee entity of HSCL, and the Group anticipates further equity fund raising would be required to strengthen its equity base in the future. Owing to the constraints of the aforesaid minimum public float, the Company will unlikely be able to conduct further substantial share placements to the Offeror and the Offeror Concert Parties. In other words, the Company's ability to raise funds from the equity market as a listed company is now restricted, and the current listed platform is no longer a viable fundraising channel for the Group's business operations and long-term development. Considering (i) the significant discount of the current Share price as at the Last Trading Day to its unaudited consolidated net asset value attributable to owners of the Company per Share as at 30 June 2023 (excluding the perpetual securities and distribution relating thereto) of approximately 71.66%; and (ii) the level of subscription by public shareholders in the recent rights issue and the relatively low public float which is close to the minimum public float requirement, it is expected that the Company's room for future equity financing will be restricted, hindering its long term business development.

At the same time, as an independent listed company, the finance costs of the Group, relying on its own credit rating, may face a continuous upward pressure due to macroeconomic market factors such as the U.S. Federal Reserve's ongoing interest rate hikes and the impact of substantial losses by the Group. Considering the limited ability for equity fundraising mentioned above, it would no longer be justifiable to continue incurring costs associated with regulatory compliance, disclosure and publication of financial statements to maintain the listing status of the Company. Upon completion of the Proposal, the Company will become a wholly-owned subsidiary of the Offeror. As the parent company of the Offeror is also a listed company, it is expected that the Group would be able to benefit from the Company's controlling shareholder's strong financial performance and reputation, which will help reduce financing costs and save on costs associated with the compliance matters and maintaining the Company's listing status. The management of the Group would also be able to reallocate resources originally utilised for corporate administration, compliance and other listing-related matters to the Group's business operations. The Offeror considers that the Proposal, if successful, will provide the Offeror with more flexibility and higher efficiency in supporting the long-term development of the Group, free from any potential dilution to Disinterested Shareholders

arising from equity fundraising exercises, short-term profitability expectation, pressure of market expectations, share price fluctuations and compliance requirements associated with maintaining the listing status of the Company. Given that the Offeror and the Offeror Concert Parties hold approximately 73.75% of the issued share capital of the Company as at the Announcement Date and the Offeror has indicated that it holds such Shares as a long-term investment, it will be difficult for any third party to present or implement any other proposal for the Shares held by the Scheme Shareholders without the support of the Offeror.

16. WITHDRAWAL OF LISTING OF THE SHARES

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates in respect of the Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will apply to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange in accordance with Rule 6.15 of the Listing Rules immediately following the Scheme becoming effective.

The Shareholders will be notified by way of an announcement of the exact dates of the last day for dealing in the Shares and on the Stock Exchange and the day on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective. A detailed timetable of the implementation of the Proposal and the Share Option Offer will be included in the Scheme Document, which will also contain, amongst others, further details of the Scheme and the Share Option Offer.

17. IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

Subject to the requirements of the Takeovers Code (including Note 2 to Rule 30.1), the Proposal and the Scheme will lapse if any of the Conditions has not been fulfilled or waived (where applicable) on or before the Long Stop Date. If the Scheme is not approved or the Proposal otherwise lapses, the listing of the Shares on the Stock Exchange will not be withdrawn and as the Share Option Offer is conditional upon the Scheme becoming effective, the Share Option Offer will lapse.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, (i) announce an offer or possible offer for the Company, or (ii) acquire any voting rights of the Company if the Offeror or persons acting in concert with it would thereby become obliged under Rule 26 of the Takeovers Code to make an offer, in each case except with the consent of the Executive.

18. GENERAL MATTERS RELATING TO THE PROPOSAL AND THE SHARE OPTION OFFER

Overseas Holders of the Scheme Share and Overseas Share Option Holders

The availability of the Proposal and the Share Option Offer to persons who are not resident in Hong Kong, China may be subject to the laws of the relevant jurisdictions in which they are located or resident or which they are citizens. Such Scheme Shareholders and Share Option Holders should inform themselves about and observe any applicable legal, tax or regulatory requirements in their respective jurisdictions and, where necessary, seek their own legal advice. Further information in relation to overseas Scheme Shareholders and Share Option Holders will be contained in the Scheme Document and the letter to the Share Option Holders, respectively.

It is the responsibility of any overseas Scheme Shareholders and Share Option Holders wishing to take any action in relation to the Proposal, the Scheme and/or the Share Option Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, the compliance with any other necessary formalities and the payment of any issue, transfer or other taxes due in any relevant jurisdiction.

Any approval or acceptance by the Scheme Shareholders and Share Option Holders will be deemed to constitute a representation and warranty from such persons to the Offeror and the Company and their respective advisers (including Somerley Capital) that those laws and regulatory requirements have been complied with. If you are in doubt as to your position, you should consult your professional advisers.

In the event that the despatch of the Scheme Document to overseas Scheme Shareholders and Share Option Holders is prohibited by any relevant law or regulation or may only be effected after compliance with conditions or requirements that the directors of the Offeror or the Company regard as unduly onerous or burdensome (or otherwise not in the best interests of the Company or the Shareholders), the Scheme Document may not be despatched to such overseas Scheme Shareholders and Share Option Holders. For that purpose, the Company will apply for such waivers as may be required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code at such time.

Taxation Advice

Scheme Shareholders, Share Option Holders and Share Award Holders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of the Proposal, the Scheme or the Share Option Offer. It is emphasised that none of the Offeror, the Offeror Concert Parties, the Company and Somerley Capital or any of their respective ultimate beneficial owners, directors, officers, employees, agents and associates and any other person involved in the Proposal, the Scheme or the Share Option Offer accepts any responsibility for any taxation effects on, or liabilities of, any persons as a result of the Proposal, the Scheme or the Share Option Offer.

Costs of the Scheme

If either the Independent Board Committee or the Independent Financial Adviser does not recommend the Proposal, the Scheme or the Share Option Offer, and the Scheme is not approved, all costs and expenses incurred by the Company in connection therewith shall be borne by the Offeror in accordance with Rule 2.3 of the Takeovers Code.

Other Arrangements

As at the Announcement Date:

- (a) save for the Shares, the Share Options and the Awarded Shares, the Company does not have any outstanding options, warrants, derivatives or convertible securities or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue;
- (b) save as disclosed in the section headed “9. Shareholding Structure of the Company” above, neither the Offeror nor any Offeror Concert Party owns, controls or has direction over any Shares, Share Options or Awarded Shares;
- (c) save as disclosed in the section headed “9. Shareholding Structure of the Company” above, there are no convertible securities, warrants or options convertible into Shares held, controlled or directed by the Offeror or any Offeror Concert Party;
- (d) the statements set forth in sub-paragraphs (a) to (c) above exclude the Shares held by connected fund managers and asset managers within the HSCL Group or for the account of non-discretionary investment clients of the HSCL Group;
- (e) none of the Offeror nor any Offeror Concert Party has entered into any outstanding derivative in respect of the equity securities in the Company;
- (f) none of the Offeror nor any Offeror Concert Party has borrowed or lent any Shares or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company save for any which have been either on-lent or sold;
- (g) save as disclosed in this joint announcement, no irrevocable commitment to vote for or against the Scheme, or to accept or not accept the Share Option Offer, has been received by the Offeror or the Offeror Concert Parties;
- (h) save for (i) the Cancellation Price; and (ii) the Share Option Offer Price, there is no other consideration, compensation or benefit in whatever form paid or to be paid by the Offeror or any of the Offeror Concert Parties to the Scheme Shareholders or the Share Option Holders in connection with the Proposal, the Scheme or the Share Option Offer;
- (i) save for the Proposal, the Share Option Offer, the Awarded Shares and the External Financing, there are no arrangements (whether by way of option, indemnity or otherwise) in relation to the Shares or the shares of the Offeror between the Offeror or any of the Offeror Concert Parties and any other person which might be material to the Proposal;
- (j) save for the External Financing, there is no agreement or arrangement to which the Offeror or any Offeror Concert Party is a party which relate to the circumstances in which it may or may not invoke or seek to invoke the Pre-Condition and/or a Condition to the Proposal, the Scheme or the Share Option Offer; and

- (k) there is no understanding, arrangement or agreement which constitutes a special deal (within the ambit of Rule 25 of the Takeovers Code) between (i) any Scheme Shareholder; and (ii) either (a) the Offeror or the Offeror Concert Parties; or (b) the Company or the Company's subsidiaries or associated companies.

Rule 21.6 of the Takeovers Code applies to the connected fund managers and asset managers with the HSCL Group and they shall not be presumed to be acting in concert with the Offeror before the Announcement Date and the dealings in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares by connected fund managers and asset managers within the HSCL Group in the six months prior to the Announcement Date shall not affect the Cancellation Price under Rules 21.1, 23.1 and 24.1 of the Takeovers Code. Details of any holdings in the Shares of the Company and any borrowings, lendings, or dealings of the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares by connected fund managers and asset managers within the HSCL Group in the six months prior to the Announcement Date will be obtained as soon as possible after this joint announcement has been made. A further announcement will be made if there are any such relevant holdings or if any such relevant borrowings, lendings, or dealings are significant and in any event, such information will be disclosed in the Scheme Document.

Details of any dealings for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares by the Offeror and the other Offeror Concert Parties in the six months prior to the Announcement Date will be disclosed in the Scheme Document.

Despatch Of Scheme Document

Subject to the satisfaction of the Pre-Condition, a Scheme Document containing, among other things: (a) further details of the Proposal, the Scheme and the Share Option Offer; (b) the expected timetable in relation to the Proposal, the Scheme and the Share Option Offer; (c) an explanatory memorandum as required under the Companies Act; (d) a letter from the Independent Board Committee containing its recommendations to the Disinterested Shareholders and the Share Option Holders in respect of the Proposal, the Scheme and the Share Option Offer; (e) a letter of advice from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Proposal, the Scheme and the Share Option Offer; and (f) notices of the Court Meeting and the SGM, together with proxy forms in relation thereto, will be despatched to the Shareholders and the Share Option Holders as soon as practicable and in compliance with the requirements of the Takeovers Code and other Applicable Laws.

The Scheme Document will contain important information and the Scheme Shareholders or Shareholders (as the case may be) are urged to carefully read the Scheme Document containing such disclosures before casting any vote at (or providing any proxy in respect of) the Court Meeting or the SGM.

19. RESUMPTION OF TRADING IN THE SHARES AND THE BONDS

At the request of the Company, trading in the Shares and Bonds on the Stock Exchange was halted from 9:00 am on 27 September 2023 pending the release of this joint announcement. An application will be made by the Company to the Stock Exchange for the resumption of trading in the Shares and Bonds on the Stock Exchange with effect from 9:00 am on 9 October 2023.

20. DISCLOSURE OF DEALINGS

Associates of the Offeror and the Company (as defined in the Takeovers Code, including shareholders who own or control 5% or more of the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of any of the Offeror and the Company) are hereby reminded to disclose their dealings in any relevant securities of the Company under Rule 22 of the Takeovers Code during the offer period.

In accordance with Rule 3.8 of the Takeovers Code, the full text of Note 11 to Rule 22 of the Takeovers Code is reproduced below:

“Responsibilities of stockbrokers, banks and other intermediaries

Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

21. PRECAUTIONARY LANGUAGE REGARDING FORWARD-LOOKING STATEMENTS

This joint announcement may include certain “forward-looking statements”. These statements are based on the current expectations of the management of the Offeror and/or the Company (as the case may be) and are naturally subject to uncertainty and changes in circumstances. The forward-looking statements contained in this joint announcement include statements about the expected effects on the Company of the Proposal and the Share Option Offer, the expected timing and scope of the Proposal and the Share Option Offer, and all other statements in this joint announcement other than historical facts.

Forward-looking statements include, without limitation, statements typically containing words such as “believes”, “intends”, “expects”, “anticipates”, “targets”, “estimates”, “envisages”, “may”, “will” or “should” and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, the satisfaction or waiver (where applicable) of the Pre-Condition and Conditions to the Proposal, as well as additional factors, such as general, social, economic and political conditions in the countries in which the Offeror and/or the Group operate or other countries which have an impact on the Offeror and/or the Group’s business activities or investments, interest rates, the monetary and interest rate policies of the countries in which the Offeror and/or the Group operate, inflation or deflation, foreign exchange rates, the performance of the financial markets in the countries in which the Offeror and/or Group operate and globally, changes in domestic and foreign laws, regulations and taxes, changes in competition and the pricing environments in the countries in which the Offeror and/or Group operate and regional or general changes in asset valuations. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements.

All written and oral forward-looking statements attributable to the Offeror, the Company or persons acting on behalf of any of them are expressly qualified in their entirety by the cautionary statements above. The forward-looking statements included herein are made only as of the Announcement Date and each of the Offeror and the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws or the Takeovers Code.

22. DEFINITIONS

In this joint announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“acting in concert”	has the meaning ascribed to such terms under the Takeovers Code
“Announcement Date”	6 October 2023, being the date of this joint announcement
“Applicable Laws”	with respect to any person, any laws, rules, regulations, guidelines, directives, treaties, judgments, decrees, orders or notices of any Authority that is applicable to such person
“Approval(s)”	authorisations, registrations, licences, filings, rulings, consents, permissions, waivers, exemptions and approvals by and reports with any Authority or any third party
“associates”	has the meaning ascribed to it under the Takeovers Code
“Authority”	any relevant government, governmental, semi-governmental, administrative, regulatory or judicial body, department (including any relevant securities exchange), commission, authority, tribunal, agency or entity
“Awarded Shares”	the Shares (vested or unvested) awarded by the Company pursuant to the Share Award Scheme
“Board”	the board of Directors of the Company
“Bonds”	(i) U.S.\$700,000,000 3.375 per cent. Bonds due 2024 issued by the Company (stock code: 4484); and (ii) U.S.\$400,000,000 3.125 per cent. Bonds due 2025 issued by the Company (stock code: 40057); and (iii) U.S.\$300,000,000 2.125 per cent. Bonds due 2026 issued by the Company (stock code: 40688)
“Cancellation Price”	the cancellation price of HK\$1.52 per Scheme Share payable in cash by the Offeror to the Scheme Shareholders pursuant to the Scheme
“China”	the People’s Republic of China
“Companies Act”	the Companies Act 1981 of Bermuda, as amended
“Company”	Haitong International Securities Group Limited (海通國際證券集團有限公司), an exempted company incorporated in Bermuda with limited liability, the Shares of which are currently listed on the Main Board of the Stock Exchange under the stock code 665

“Conditions”	the conditions to the implementation of the Proposal and the Scheme as set out in the section headed “6. Conditions to the Proposal and the Scheme” of this joint announcement
“Court”	the Supreme Court of Bermuda
“Court Meeting”	a meeting of the Scheme Shareholders to be convened at the direction of the Court at which the Scheme (with or without modification) will be voted upon, or any adjournment thereof
“CSRC”	China Securities Regulatory Commission
“Director(s)”	director(s) of the Company
“Disinterested Scheme Share(s)”	Scheme Shares held by the Disinterested Shareholders
“Disinterested Shareholders”	Shareholders other than (i) the Offeror and the Offeror Concert Parties, and (ii) other holders of Scheme Shares that are not Disinterested Scheme Shares as described in the section headed “9. Shareholding Structure of the Company” of this joint announcement
“Effective Date”	the date on which the Scheme becomes effective in accordance with the Companies Act and the Conditions
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong, China or any delegate thereof
“External Financing”	the external bank financing obtained by the Offeror for the purpose of financing in full the cash required for the Proposal and the Share Option Offer
“Group”	the Company and its subsidiaries
“Guosheng Hong Kong”	Guosheng Overseas Holdings (Hong Kong) Limited (國盛海外控股(香港)有限公司), a company incorporated in Hong Kong, China with limited liability and wholly-owned by Shanghai Guosheng Group
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong, China
“Hong Kong, China”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HSCL”	Haitong Securities Co., Ltd. (海通證券股份有限公司), a joint stock limited company incorporated in Mainland China with limited liability, which is the holding company of the Offeror, the H Shares of which are currently listed on the Main Board of the Stock Exchange under the stock code 6837

“HSCL Group”	HSCL and its subsidiaries (including the Group)
“Independent Board Committee”	the independent board committee of the Company comprising Mr. WAN Kam To, Mr. LIU Swee Long Michael, Mr. ZHANG Huaqiao and Ms. LEE Man Yuen Margaret, each being an independent non-executive Director, established by the Board to make a recommendation to the Disinterested Shareholders and the Share Option Holders as to (a) whether the terms of the Proposal, the Scheme and the Share Option Offer are, or are not, fair and reasonable; (b) whether to vote in favour of the Scheme at the Court Meeting and of the resolutions in connection with the implementation of the Proposal at the SGM; and (c) acceptance of the Share Option Offer by the Share Option Holders
“Independent Financial Adviser”	the independent financial adviser to be appointed to advise the Independent Board Committee as to (a) whether the terms of the Proposal, the Scheme and the Share Option Offer are, or are not, fair and reasonable; (b) voting by the Disinterested Shareholders at the Court Meeting and at the SGM; and (c) acceptance of the Share Option Offer by the Share Option Holders after this joint announcement
“Irrevocable Undertaking(s)”	the irrevocable undertakings given by the IU Shareholders in respect of the IU Shares as described in the section headed “7. Irrevocable Undertakings” above
“IU Shareholders”	(i) NWS Financial Management Services Limited, which is a wholly owned subsidiary of NWS Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 659); and (ii) China Point Investment Limited, which is ultimately wholly-owned by Mr. YIU Chi Shing (姚志勝)
“IU Shares”	139,697,073 Shares held, in aggregate, by the IU Shareholders as at the date of the Irrevocable Undertakings, representing approximately 1.66% of the issued share capital of the Company as at the Announcement Date
“Last Trading Day”	26 September 2023, being the last trading day prior to the issue of this joint announcement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	31 March 2024 or such other date as the Offeror and the Company may agree or, to the extent applicable, as the Court may direct, and in all cases as permitted by the Executive
“Material Contract”	other than the Relevant Borrowings, any licences, permits or contractual obligations of any member of the Group which are material in the context of the Group (taken as a whole)

“Meeting Record Date”	the record date for the purpose of determining the entitlement of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlement of the Shareholders to attend and vote at the SGM
“NDRC”	the National Development and Reform Commission of China
“offer period”	has the meaning ascribed to it in the Takeovers Code, which commenced on 6 October 2023, being the date of this joint announcement
“Offeror”	Haitong International Holdings Limited, a company incorporated in Hong Kong, China with limited liability, which is a wholly-owned subsidiary of HSCL
“Offeror Concert Parties”	persons who are acting in concert or presumed to be acting in concert with the Offeror under the Takeovers Code, including the members of the Somerley Capital group and including Guosheng Hong Kong (whose inclusion is based on the presumption as a party acting in concert with the Offeror under the Takeovers Code and which presumption is subject to a rebuttal consultation with the Executive as of the Announcement Date)
“PBOC”	The People’s Bank of China
“Pre-Condition”	the pre-condition to making of the Proposal and Share Option Offer and implementation of the Scheme as described in the section headed “5. Pre-Condition to the Proposal and the Scheme” of this joint announcement
“Pre-Condition Long Stop Date”	31 December 2023 or such later date as may be agreed between the Offeror and the Company, and as permitted by the Executive
“Proposal”	the pre-conditional proposal for the privatisation of the Company by way of the Scheme, and the withdrawal of the listing of the Shares from the Stock Exchange, on the terms and subject to the conditions set out in this joint announcement and to be set out in the Scheme Document
“Record Date”	the record date to be announced for determining the entitlements of the Scheme Shareholders to the Cancellation Price under the Scheme
“Relevant Borrowings”	existing loan facilities, debt instruments and repurchase agreements of any member of the Group
“Scheme”	the scheme of arrangement between the Company and the Scheme Shareholders under section 99 of the Companies Act involving, among other things, the cancellation of all of the Scheme Shares
“Scheme Document”	the composite scheme document of the Company and the Offeror containing, among other things, further details of the Proposal and the Share Option Offer

“Scheme Share(s)”	all of the Share(s) and such further Share(s) as may be issued prior to the Record Date, other than those held by the Offeror
“Scheme Shareholder(s)”	registered holder(s) of Scheme Share(s)
“SFC”	the Securities and Futures Commission of Hong Kong, China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong, China)
“SGM”	the special general meeting of the Company to be convened for the purposes of considering and (if thought fit) approving all resolutions necessary for the implementation of the Proposal
“Shanghai Guosheng Group”	Shanghai Guosheng (Group) Co., Ltd.# (上海國盛(集團)有限公司), a company incorporated in China
“Shanghai SASAC”	the Shanghai State-owned Assets Supervision and Administration Commission
“Share(s)”	ordinary share(s) of HK\$0.1 each in the issued capital of the Company
“Shareholder(s)”	registered holder(s) of Shares
“Share Award Holder(s)”	the holders of unvested Awarded Shares
“Share Award Scheme”	the share award scheme adopted by the Company on 19 December 2014 (as amended from time to time)
“Share Award Trustee”	Teeroy Limited, a company incorporated in Hong Kong, China with limited liability, the trustee appointed to hold Shares for the benefit of the Share Award Holders pursuant to the Share Award Scheme
“Share Option(s)”	share option(s) granted by the Company under the Share Option Scheme from time to time
“Share Option Holder(s)”	holder(s) of the Share Option(s)
“Share Option Offer Price”	in relation to any outstanding Share Option, the price at which the Share Option Offer will be made
“Share Option Offer”	the offer to be made by or on behalf of the Offeror to the Share Option Holders, details of which are set out in the section headed “3. Share Option Offer” of this joint announcement
“Share Option Scheme”	the share option scheme adopted by the Company on 8 June 2015 (as amended from time to time)

“Somerville Capital”	Somerville Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong, China), and the financial adviser to the Offeror in connection with the Proposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers of Hong Kong, China issued by the SFC in Hong Kong, China as amended from time to time
“Trustee Held Awarded Shares”	the Awarded Shares which are not yet vested (or vested but not yet transferred) and held by the Share Award Trustee for the relevant Share Award Holders under the Share Award Scheme until the vesting or transfer of such Awarded Shares pursuant to the rules of the Share Award Scheme and the relevant terms of the award notices
“Trustee Held Pool Shares”	the Shares held by the Share Award Trustee that are unutilised under the Share Award Scheme
“Trustee Held Shares”	the Shares held by the Share Award Trustee pursuant to the Share Award Scheme. As at the Announcement Date, there were 104,939,004 Trustee Held Shares, which comprises (a) 9,371,642 Trustee Held Awarded Shares; and (b) 95,567,362 Trustee Held Pool Shares
“United States” or “U.S.”	the United States of America, its territories and possessions, any State of the United States and the District of Columbia
“US\$”	United States dollar, the lawful currency of the United States
“%”	per cent

By order of the Board
Haitong International Holdings Limited
LI Jun
Chairman

By order of the Board
Haitong International Securities Group Limited
LIN Yong
Deputy Chairman and Chief Executive Officer

Hong Kong, China, 6 October 2023

As at the date of this joint announcement, the board of directors of the Offeror comprises of Mr. LI Jun (Chairman), Mr. SONG Shihao (Deputy Chairman), Mr. ZHANG Xinjun, Mr. LIN Yong; and the board of directors of HSCL comprises of Mr. ZHOU Jie, Mr. LI Jun, Mr. TU Xuanxuan, Mr. ZHOU Donghui*, Ms. XIAO Hehua*, Mr. XU Jianguo*, Mr. ZHANG Ming**, Mr. LAM Lee G.**, Mr. ZHU Hongchao** and Mr. ZHOU Yu**.*

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than information relating to the Company) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than opinions expressed by the directors of the Company in their capacity as the directors of the Company) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.

The directors of HSCL jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than information relating to the Company) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than opinions expressed by the directors of the Company in their capacity as the directors of the Company) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.

As at the date of this joint announcement, the board of directors of the Company comprises Mr. LI Jun (Chairman), Mr. LIN Yong (Deputy Chairman and Chief Executive Officer), Mr. SUN Jianfeng, Mr. SUN Tong, Mr. CHENG Chi Ming Brian*, Mr. ZHANG Xinjun*, Mr. WAN Kam To**, Mr. LIU Swee Long Michael**, Mr. ZHANG Huaqiao** and Ms. LEE Man Yuen Margaret**.*

The directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than information relating to the Offeror or HSCL) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than opinions expressed by the directors of the Offeror in their capacity as the directors of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any statement in this joint announcement misleading.

* *Non-executive directors*

** *Independent Non-executive directors*

For identification purposes only