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海通証券股份有限公司  
HAITONG SECURITIES CO., LTD.\*

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

## **ANNOUNCEMENT ON THE RECEIPT OF DECISION OF ADMINISTRATIVE PENALTY FROM THE CHINA SECURITIES REGULATORY COMMISSION**

References are made to the announcement of Haitong Securities Co., Ltd. (the “**Company**” or “**Haitong Securities**”) dated 12 April 2024 in relation to the receipt of the Notice of Case Filing (Zheng Jian Li An Zi No. 03720240050) issued by the China Securities Regulatory Commission (the “**CSRC**”) and the announcement of the Company dated 19 April 2024 in relation to the receipt of the Advance Notice of Administrative Penalty (Chu Fa Zi [2024] No. 56) from the CSRC.

On 30 April 2024, the Company received the Decision of Administrative Penalty ([2024] No. 45) from the CSRC, the original text of which is as follows:

Parties: Wang Zelong (王澤龍), male, born in July 1996, the actual controller of CNNC Huayuan Titanium Dioxide Co., Ltd. (中核華原鈦白股份有限公司) (“**CNNC TD**” or the “**Listed Company**”), his address: Chaoyang District, Beijing.

Hong Haowei (洪浩煒), male, born in May 1997, his address: Nanshan District, Shenzhen, Guangdong Province.

CITIC Securities Capital Management Co., Ltd. (中信中證資本管理有限公司) (“**CITIC Securities Capital**”), its domicile: 19th Floor, No. 799 Yanggao South Road, Pudong New Area, Shanghai.

CITIC Securities Company Limited (中信証券股份有限公司) (“**CITIC Securities**”), its domicile: CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing.

Haitong Securities Co., Ltd. (“**Haitong Securities**”), its domicile: No. 888 South Zhongshan Road, Huangpu District, Shanghai.

Han Yuchen (韓雨辰), male, born in November 1995, his address: Chaoyang District, Beijing.

Pursuant to the relevant provisions in the Securities Law of the People's Republic of China (the “**Security Law**”), the China Securities Regulatory Commission (the “**CSRC**”) has filed the case for, investigated and conducted the legal review on the suspicion of transferring shares by Wang Zelong, Hong Haowei, CITIC Securities Capital, CITIC Securities, Haitong Securities and Han Yuchen in violation of restrictive provision, and informed the parties of the facts, reasons and basis of administrative penalties, as well as the relevant rights they enjoy in accordance with the law. The parties did not make statements or defenses, or request a hearing therefor. The case is now concluded.

It was found that in July 2022, the application for non-public issuance of A-shares by CNNC TD was approved by the Issuance Examination Committee of the CSRC. From July to August 2022, CITIC Securities Capital recommended a long-short plan to Wang Zelong (王澤龍), the actual controller of CNNC TD. According to the plan, “clients can achieve arbitrage through share issuance (long and short) directly via over-the-counter derivative trading platforms, settle profits in advance, and do not need to wait for the six-month lock-up period. Generally, funds and profits can be recouped in about one month”.

In September 2022, Wang Zelong (王澤龍) decided to implement private placement arbitrage, lend securities through CNNC TD Employee Share Ownership Plan (中核鈦白員工持股計劃), and engaged in over-the-counter derivatives trading with CITIC Securities Capital in the name of an investment development company (the “**Investment Company**”). Han Yuchen (韓雨辰) specifically implemented the arbitrage scheme and was responsible for coordinating with CITIC Securities Capital and CITIC Securities.

From September 2022 to February 2023, Wang Zelong (王澤龍), Han Yuchen (韓雨辰), CITIC Securities Capital and CITIC Securities negotiated the arbitrage business of securities lending, agreeing that the CNNC TD Employee Share Ownership Plan would lend 88 million shares of CNNC TD, CITIC Securities Capital would designate four private equity fund product accounts for hedging transactions with shares of CNNC TD, and CITIC Securities would formulate a securities lending plan.

In November 2022, CITIC Securities Capital initiated preliminary communication with Haitong Securities regarding the return swap business linked to the non-public issued shares of CNNC TD.

In December 2022, the compliance department and the risk management committee of CITIC Securities Capital reviewed and approved the application for over-the-counter derivative transactions linked to approximately 88 million shares of CNNC TD’s non-publicly issued shares. During the same month, a request titled “Regarding the inquiry about the engagement of the Investment Company and CITIC Capital in over-the-counter options with a nominal principal of RMB600 million linked to restricted CNNC TD shares” was submitted to the risk management department and the risk management committee of CITIC Securities and was approved.

In February 2023, due to insufficient subscription funds from the Investment Company, in order to use up the securities lending credit limit, Wang Zelong (王澤龍) proposed that his friend, Hong Haowei (洪浩煒), joined the CNNC TD arbitrage trading through share issuance and securities lending. Hong Haowei (洪浩煒) participated and engaged in over-the-counter derivative trading with CITIC Securities Capital under the name of a certain 1st private equity securities investment fund (“**Fund No. 1**”).

From 8 February to 10 February 2023, after obtaining internal approval, the Derivatives and Trading Department of Haitong Securities included the shares of CNNC TD into the pool of its alternatives business and performed the approval process of the Company’s seal for the subscription documents of the non-public offering of CNNC TD. On 10 February 2023, Haitong Securities participated in the first round of quotation on the non-public offering of CNNC TD at the price and subscription amount instructed by CITIC Securities Capital and the issue price determined on that date was RMB5.92 per share.

On 16 February 2023, Haitong Securities entered into a share subscription agreement in relation to the non-public offering of shares of CNNC TD and entered into a long return swap with CITIC Securities Capital in relation to the linked subject of the shares of CNNC TD at a nominal principal amount of RMB532 million, representing 89,864,900 shares, with CITIC Securities Capital providing the full amount of margin. On the same day, the Investment Company entered into a vanilla option portfolio contract with CITIC Securities Capital in relation to the linked subject of the shares of CNNC TD with a nominal principal amount of RMB426 million, representing 71,959,500 shares, and Fund No. 1 entered into a vanilla option portfolio contract with CITIC Securities Capital in relation to the linked subject of the shares of CNNC TD with a nominal principal amount of RMB89,039,800, representing 15,040,500 shares.

From 6 February to 20 February 2023, the Investment Company entered into a short return swap with CITIC Securities Capital in relation to the linked subject of the shares of CNNC TD with a total open position of 71,959,500 shares, representing a nominal principal amount of RMB548 million. From 10 February to 20 February 2023, Fund No. 1 entered into a number of short return swaps with CITIC Securities Capital with a total open position of 15,040,500 shares, representing a nominal principal amount of RMB114 million.

From 6 February to 14 February 2023, a total of 88,000,000 shares of CNNC TD held by CNNC TD Employee Share Ownership Plan were allocated to four private equity fund product accounts via the paths designated by CITIC Securities Capital, and the lending period was renewed to September 2023 through extension and substitution.

From 13 February to 21 February 2023, the four private equity product accounts sold 88,000,000 shares of CNNC TD through margin trading, with an average selling price of approximately RMB7.63 per share and a turnover of approximately RMB671 million.

Wang Zelong (王澤龍) failed in informing the Listed Company of his actual participation in the non-public offering through the above trading arrangements. On 24 February and 3 March 2023, CNNC TD announced a report on its issuance of A shares in connection with the non-public offering, claiming that there was no involvement, either directly or indirectly, of the actual controller of the issuer in the capacity of the subjects of the non-public offering.

On 9 March 2023, CNNC TD announced the listing of the non-publicly issued shares, with the blackout period from 9 March 2023 to 8 September 2023. From 17 March 2023 to 6 April 2023, upon the application by the Investment Company and Fund No. 1 to CITIC Securities Capital for the early termination of all long vanilla option agreements and short return swap agreements, CITIC Securities Capital closed the corresponding positions and completed the settlement accordingly. Eventually, Wang Zelong (王澤龍) made an actual profit of RMB58,161,993.37 through the Investment Company, and Hong Haowei (洪浩煒) and Wang Zelong (王澤龍) made an actual profit of RMB14,193,879.43 and RMB2,475,961, respectively, through Fund No. 1. CITIC Securities Capital did not have any actual profits. CITIC Securities had a total revenue of RMB1,910,680.83 from the security margin trading business, while Haitong Securities had a total revenue of RMB789,445.21 from the return swap business.

The above-mentioned facts are sufficiently supported by, among others, inquiry records, transaction records, transaction confirmations, information notes, bank account statements, and announcements of CNNC TD.

The CSRC holds that:

- (i) the above-mentioned misconducts by Wang Zelong (王澤龍) and Hong Haowei (洪浩煒), which include substantially participating in the non-public issuance of shares through trading arrangements of derivatives, selling securities lent at market price, and locking in advance the gains arising out of the price difference from the discount price of the non-public issued shares, and circumventing the provisions of the blackout period in a disguised form, has violated Article 36 of the Securities Law and paragraph 2, Article 38 of the Administrative Measures for the Issuance of Securities by Listed Companies (revised in 2020), and constitutes an illegal situation under Article 186 of the Securities Law.
- (ii) CITIC Securities Capital has formulated the arbitrage scheme, set up the transaction structures and provided leveraged capital support to support the share transfers by Wang Zelong (王澤龍) and Hong Haowei (洪浩煒) in violation of the restrictive regulations. Considering that CITIC Securities has provided securities lending services to its clients despite knowing that the purpose of the securities lending by its clients was to obtain arbitrage by issuing private placement; that Haitong Securities has subscribed for the non-publicly issued shares of CNNC TD in its own name in accordance with the quotation instructions of CITIC Securities Capital, which has objectively assisted CITIC Securities Capital and its clients in obtaining the proceeds therefrom and facilitating their obtaining arbitrage by the issue of private placement; that Han Yuchen has executed the scheme to obtain arbitrage by the issue of private placements on behalf of Wang Zelong (王澤龍) and others, the above-mentioned conducts by CITIC Securities Capital, CITIC Securities, Haitong Securities and Han Yuchen (韓雨辰) are also in violation of Article 186 of the Securities Law together with Wang Zelong (王澤龍) and Hong Haowei (洪浩煒).
- (iii) during the process of Hong Haowei (洪浩煒)'s transfer of shares in violation of the restrictive regulations, Wang Zelong (王澤龍) has participated in the negotiation of the scheme to obtain arbitrage by issue of private placements, and has contacted and advised Hong Haowei (洪浩煒) to join in the arbitrage, which constitutes a violation of Article 186 of the Securities Law together with Hong Haowei (洪浩煒).
- (iv) in the course of the non-public issue of shares by CNNC TD in 2023, Wang Zelong (王澤龍), as the actual controller of CNNC TD, has concealed his participation in the non-public issue of shares through a series of trading arrangements, which resulted in false records in the report on the non-public issue of A-shares by CNNC TD, and is in violation of, including but not limited to, paragraph 2, Article 78 of the Securities Law and Article 40 of the Measures for Administration of Information Disclosure by Listed Companies (revised in 2021), which constitutes a violation as prescribed in paragraph 2, Article 197 of the Securities Law.

Based on the facts, nature, circumstances and degree of social harm of the parties' illegal acts and with reference to the provisions of Article 186 and paragraph 2, Article 197 of the Securities Law, the CSRC has made a decision:

- I. Wang Zelong, Hong Haowei, CITIC Securities Capital Management Co., Ltd., CITIC Securities Company Limited, Haitong Securities Co., Ltd., and Han Yuchen were in violation of the restrictive provisions in respect of share transfer, and were imposed an order for making rectification and warnings, and confiscated the illegal gains of RMB77,531,959.84, of which Wang Zelong's illegal gains of RMB60,637,954.37, Hong Haowei's illegal gains of RMB14,193,879.43, CITIC Securities Company Limited's illegal gains of RMB1,910,680.83, and Haitong Securities Co., Ltd.'s illegal gains of RMB789,445.21 were confiscated respectively;

A fine of RMB120,000,000 was imposed on Wang Zelong for the joint illegal act of transferring shares with CITIC Securities Capital Management Co., Ltd., CITIC Securities Company Limited, Haitong Securities Co., Ltd. and Han Yuchen in violation of the restrictive provisions, of which Wang Zelong shall bear 50% (i.e. RMB60,000,000), CITIC Securities Capital Management Co., Ltd. shall bear 30% (i.e. RMB36,000,000), and CITIC Securities Company Limited shall bear 15% (i.e. RMB18,000,000), Haitong Securities Co., Ltd. shall bear 4.5% (i.e. RMB5,400,000) and Han Yuchen shall bear 0.5% (i.e. RMB600,000);

A fine of RMB35,000,000 was imposed on Hong Haowei for the joint illegal act of transferring shares with Wang Zelong, CITIC Securities Capital Management Co., Ltd., CITIC Securities Company Limited, Haitong Securities Co., Ltd. and Han Yuchen in violation of the restrictive provisions, of which Wang Zelong shall bear 30% (i.e. RMB10,500,000), CITIC Securities Capital Management Co., Ltd. shall bear 30% (i.e. RMB10,500,000), and Hong Haowei shall bear 20% (i.e. RMB7,000,000), CITIC Securities Company Limited shall bear 15% (i.e. RMB5,250,000), Haitong Securities Co., Ltd. shall bear 4.5% (i.e. RMB1,575,000), and Han Yuchen shall bear 0.5% (i.e. RMB175,000).

- II. Wang Zelong was imposed a fine of RMB2,000,000 for his illegal behavior in the information disclosure.

In view the above two illegal acts, Wang Zelong was sanctioned with the confiscation of a total of illegal gains of RMB60,637,954.37 and a fine of RMB72,500,000; Hong Haowei was sanctioned with the confiscation of illegal gains of RMB14,193,879.43 and a fine of RMB7,000,000; CITIC Securities Capital Management Co., Ltd. was imposed a total fine of RMB46,500,000; CITIC Securities Company Limited was sanctioned with the confiscation of a total of illegal gains of RMB1,910,680.83 and a fine of RMB23,250,000; Haitong Securities Co., Ltd. was sanctioned with the confiscation of a total of illegal gains of RMB789,445.21 and a fine of RMB6,975,000; Han Yuchen was imposed a total fine of RMB775,000.

The parties mentioned above shall, within 15 days from the date of receipt of this penalty decision, remit the fines to the designated bank account (account No.: 7111010189800000162) of the China Securities Regulatory Commission opened at the Beijing Branch of China CITIC Bank, which will then directly remit the fines to the national treasury and deliver a copy of the payment voucher with the parties' names to the Office of the Administrative Penalty Committee of the China Securities Regulatory Commission for filing. Any party who is dissatisfied with this penalty decision may submit an administrative reconsideration application to the China Securities Regulatory Commission within 60 days from the date of receipt of this penalty decision, or directly file an administrative litigation with the competent People's Court within 6 months from the date of receipt of this penalty decision. The above decision shall not be suspended during the reconsideration and litigation period.

The Company sincerely accepts the punishment and will pay the aforementioned fines within the specified time frame. We will also carefully review the incident, learn from our mistakes, and earnestly implement the rectification requirements. We will further optimize our compliance and internal control mechanisms, continuously improve our awareness and standards of standardized operations, adhere to the principle of applying one case to another, and promote the development of all the Company's businesses in a legal, compliant, and prudent manner. The Company will conscientiously study and actively implement the "Nine New Guidelines for the Capital Market" (資本市場新“國九條”) and a series of policy initiatives. We will focus on the essential requirements for the high-quality development of the capital market, establish a correct operational philosophy, return to the origin of the industry, protect the legitimate rights and interests of investors, and contribute to the stable and healthy development of the capital market.

The Company will strictly fulfil its information disclosure obligations in accordance with the requirements of laws and regulations. The Company's current business conditions are normal. Investors are advised to invest rationally and pay attention to investment risks.

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

Shanghai, the PRC  
30 April 2024

*As at the date of this announcement, the executive directors of the Company are Mr. ZHOU Jie and Mr. LI Jun; the non-executive directors of the Company are Mr. TU Xuanxuan, Mr. SHI Lei, Ms. XIAO Hehua and Mr. XU Jianguo; the independent non-executive directors of the Company are Mr. ZHOU Yu, Mr. FAN Ren Da Anthony, Mr. MAO Fugen and Mr. MAO Huigang.*