

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this 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 announcement.



中信证券股份有限公司 CITIC Securities Company Limited

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 6030)

ANNOUNCEMENT ON RECEIPT OF DECISIONS OF ADMINISTRATIVE PENALTY FROM CSRC

References are made to the announcements of CITIC Securities Company Limited (the “**Company**”) dated 12 April and 19 April 2024 (the “**Announcements**”) in relation to the Company and CITIC Securities Capital Management Co., Ltd. (“**CITIC Securities Capital**”), a wholly-owned subsidiary of the Company, receiving Notices of Case Filing (Zheng Jian Li An Zi No. 03720240049 and Zheng Jian Li An Zi No. 0032024018) from the China Securities Regulatory Commission (“**CSRC**”) on 12 April 2024, respectively, and receiving the Advance Notice of Administrative Penalty (Chu Fa Zi [2024] No. 56) from CSRC on 19 April 2024. Unless defined herein or the context otherwise requires, terms used in this announcement shall have the same meanings as those defined in the Announcements.

On 30 April 2024, the Company received the Decisions of Administrative Penalty ([2024] No. 45) from CSRC, the contents of which are as follows:

“Parties: WANG Zelong (王澤龍), male, born in July 1996, is the de facto controller of CNNC Huayuan Titanium Dioxide Co., Ltd. (中核華原鈦白股份有限公司) (hereinafter referred to as “**CNNC TD**” or the “**Listed Company**”). Address: Chaoyang District, Beijing.

HONG Haowei (洪浩煒), male, born in May 1997. Address: Nanshan District, Shenzhen, Guangdong Province.

CITIC Securities Capital Management Co., Ltd. (hereinafter referred to as “**CITIC Securities Capital**”). Address: 19/F, No. 799 Yanggao South Road, Pudong New Area, Shanghai.

CITIC Securities Company Limited (hereinafter referred to as “**CITIC Securities**”). Address: CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing.

Haitong Securities Co., Ltd. (hereinafter referred to as “**Haitong Securities**”). Address: No. 888 Zhongshan South Road, Huangpu District, Shanghai

HAN Yuchen (韓雨辰), male, born in November 1995. Address: Chaoyang District, Beijing.

According to the relevant provisions of the Securities Law of the People's Republic of China (hereinafter referred to as the "**Securities Law**"), the China Securities Regulatory Commission (hereinafter referred to as "**CSRC**") conducted case filing and legitimate investigation on WANG Zelong, HONG Haowei, CITIC Securities Capital, CITIC Securities, Haitong Securities and HAN Yuchen in relation to the suspicion of transferring shares in violation of restrictive provision, and has informed the parties the fact, reasons and basis of the administrative penalty, as well as the relevant rights such parties enjoy, according to laws. Such parties did not submit statements and defense opinions, nor request a hearing. The case has been 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, the de facto 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 decided to implement private placement arbitrage, lent securities through CNNC TD employee share ownership plan, and engaged in over-the-counter derivative trading with CITIC Securities Capital in the name of an investment development company (hereinafter referred to as the "**Investment Company**"). HAN Yuchen 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, HAN Yuchen, 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 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 issuance of 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 trading linked to approximately 88 million non-public issued shares of "CNNC TD". During the same month, a request titled "An inquiry regarding the engagement of the Investment Company and CITIC Securities Capital in over-the-counter options with a nominal principal amount of RMB600 million linked to restricted CNNC TD shares" was submitted to and approved by the risk management department and risk management committee of CITIC Securities.

In February 2023, due to insufficient subscription funds from the Investment Company, WANG Zelong proposed that his friend, HONG Haowei, join the CNNC TD arbitrage trading through share issuance and securities lending in order to use up the securities lending limit. HONG Haowei participated and engaged in over-the-counter derivative trading with CITIC Securities Capital in the name of a No. 1 private securities investment fund (hereinafter referred to as "**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 executed 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 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 guarantee. 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 million shares of “CNNC TD” held by CNNC TD employee share ownership plan were allocated to four private 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 fund product accounts sold 88 million 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 failed to inform 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 non-public offering of A shares, claiming that there was no involvement, either directly or indirectly, of the de facto 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-public issuance of shares, with the blackout period from 9 March to 8 September 2023. From 17 March 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 made an actual profit of RMB58,161,993.37 through the Investment Company, and HONG Haowei and WANG Zelong 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 fully proven by evidence, including but not limited to, inquiry records, transaction records, transaction confirmations, information notes, bank account statements, and announcements of the Listed Company.

The CSRC holds that: (i) the above-mentioned behaviour of WANG Zelong and HONG Haowei, which included actual participation 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, circumvented the provisions of the blackout period in a disguised form, and violated Article 36 of the Securities Law of the People's Republic of China (hereinafter referred to as the "**Securities Law**") and paragraph 2 of Article 38 of the Administrative Measures for the Issuance of Securities by Listed Companies (2020 Revision), 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 for the share transfers by WANG Zelong and HONG Haowei 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-public 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 issuing private placement; that HAN Yuchen has executed the scheme to obtain arbitrage by issuing private placement on behalf of WANG Zelong and others, the above-mentioned conduct of CITIC Securities Capital, CITIC Securities, Haitong Securities and HAN Yuchen are also in violation of Article 186 of the Securities Law together with WANG Zelong and HONG Haowei.

(iii) during the process of HONG Haowei's transfer of shares in violation of the restrictive regulations, WANG Zelong has participated in the negotiation of the scheme to obtain arbitrage by issuing private placement, and has contacted and advised HONG Haowei to join in the arbitrage, which constitutes a violation of Article 186 of the Securities Law together with HONG Haowei.

(iv) in the course of the non-public issue of shares by CNNC TD in 2023, WANG Zelong, as the de facto controller of CNNC TD, concealed his actual participation in the non-public issue of shares through a series of trading arrangements, which resulted in misrepresentation in the report on the non-public issue of A-shares by CNNC TD, violating, including but not limited to, paragraph 2 of Article 78 of the Securities Law and Article 40 of the Measures for Administration of Information Disclosure by Listed Companies (2021 Revision), constituting a violation as prescribed in paragraph 2 of Article 197 of the Securities Law.

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

I. WANG Zelong, HONG Haowei, CITIC Securities Capital Management Co., Ltd., CITIC Securities Company Limited, Haitong Securities Co., Ltd., and HAN Yuchen are ordered to rectify their illegal actions of transferring shares in violation of restrictive regulations, and are given a warning. Moreover, their illegal gains, totaling RMB77,531,959.84, are subject to forfeiture, including the illegal gains of RMB60,637,954.37 from WANG Zelong, RMB14,193,879.43 from HONG Haowei, RMB1,910,680.83 from CITIC Securities Company Limited, and RMB789,445.21 from Haitong Securities Co., Ltd.

For the joint violation of restrictive regulations on the transfer of shares by WANG Zelong, CITIC Securities Capital Management Co., Ltd., CITIC Securities Company Limited, Haitong Securities Co., Ltd. and HAN Yuchen, a fine of RMB120,000,000 is imposed, among which WANG Zelong is to bear 50%, or RMB60,000,000, CITIC Securities Capital Management Co., Ltd. is to bear 30%, or RMB36,000,000, CITIC Securities Company Limited is to bear 15%, or RMB18,000,000, Haitong Securities Co., Ltd. is to bear 4.5%, or RMB5,400,000, and HAN Yuchen is to bear 0.5%, or RMB600,000.

For the joint violation of restrictive regulations on the transfer of shares by HONG Haowei, WANG Zelong, CITIC Securities Capital Management Co., Ltd., CITIC Securities Company Limited, Haitong Securities Co., Ltd. and HAN Yuchen, a fine of RMB35,000,000 is imposed, among which WANG Zelong is to bear 30%, or RMB10,500,000, CITIC Securities Capital Management Co., Ltd. is to bear 30%, or RMB10,500,000, HONG Haowei is to bear 20%, or RMB7,000,000, CITIC Securities Company Limited is to bear 15%, or RMB5,250,000, Haitong Securities Co., Ltd. is to bear 4.5%, or RMB1,575,000, and HAN Yuchen is to bear 0.5%, or RMB175,000.

II. A fine of RMB2,000,000 is imposed on WANG Zelong for illegal information disclosure.

In light of the above-mentioned two violations, WANG Zelong forfeited the illegal gains of RMB60,637,954.37 in total and was fined RMB72,500,000; HONG Haowei forfeited the illegal gains of RMB14,193,879.43 and was fined RMB7,000,000; and CITIC Securities Capital Management Co., Ltd. was fined RMB46,500,000 in total; CITIC Securities Company Limited forfeited the illegal gains of RMB1,910,680.83 in total and was fined RMB23,250,000; Haitong Securities Co., Ltd. forfeited the illegal gains of RMB789,445.21 in total and was fined RMB6,975,000; and HAN Yuchen was fined RMB775,000 in total.

The above parties shall, within 15 days from the date of receipt of the Decisions of Administrative Penalty, remit the fine to the Business Department of CITIC Bank Beijing Branch (account number: 7111010189800000162), the account bank of China Securities Regulatory Commission, which will pay the fines directly to the state treasury, and send a copy of the payment voucher bearing the name of the party to the Office of the Administrative Penalty Committee of the China Securities Regulatory Commission for the record. If the party is not satisfied with the penalty decisions, he/it may apply for administrative reconsideration to the China Securities Regulatory Commission within 60 days from the date of receipt of the Decisions of Administrative Penalty, or directly file an administrative lawsuit to the people's court with jurisdiction within 6 months from the date of receipt of the Decisions of Administrative Penalty. During the period of reconsideration and litigation, the enforcement of the above-mentioned decisions shall not be suspended.”

For the above-mentioned penalties and issues identified in the Decisions of Administrative Penalty, the Company and CITIC Securities Capital, its subsidiary, will sincerely accept the penalties, deeply self-examine, firmly carry out rectification, further enhance ideology and understanding and actively implement regulatory requirements. Besides, the Company and CITIC Securities Capital will learn from this lesson, inspect and identify all business management weaknesses comprehensively and systematically, deepen the construction of financial culture with Chinese characteristics, so as to practically improve the level of compliant and prudent operation. The Company and CITIC Securities Capital will conscientiously study and proactively implement the new “National Nine Guidelines” (「國九條」) for the capital market, stay committed to respective main responsibilities and core businesses, return to the origin of business, give full play to own functions to firmly protect the legitimate rights and interests of investors and better serve the high-quality development of the capital market.

The act of violation involved in the Decisions of Administrative Penalty the Company received does not fall under the circumstances of compulsory delisting for major violations as stipulated in section 9.5.1, section 9.5.2, section 9.5.3 and section 9.5.4 of the Rules Governing the Listing of Stocks on Shanghai Stock Exchange (August 2023 Revision).

The Company will strictly comply with information disclosure requirements in accordance with laws and regulations. Currently, the Company is in normal operation.

Relevant information released by way of announcements of the Company published on China Securities Journal, Shanghai Securities News, Securities Times, website of the Shanghai Stock Exchange (<http://www.sse.com.cn>), HKEXnews website of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and website of the Company (<http://www.citics.com>) shall prevail. Investors are advised to exercise caution in their investment and be aware of investment risks.

By order of the Board
CITIC Securities Company Limited
ZHANG Youjun
Chairman

Beijing, the PRC
30 April 2024

As at the date of this announcement, the executive directors of the Company are Mr. ZHANG Youjun and Mr. YANG Minghui; the non-executive directors of the Company are Mr. ZHANG Lin, Ms. FU Linfang, Mr. ZHAO Xianxin and Mr. WANG Shuhui; and the independent non-executive directors of the Company are Mr. LI Qing, Mr. SHI Qingchun and Mr. ZHANG Jianhua.