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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this Circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

**If you have sold or transferred** all your shares in **Haitong Securities Co., Ltd.**, you should at once hand this Circular together with the accompanying form of proxy and reply slip to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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**海通证券股份有限公司**  
**HAITONG SECURITIES CO., LTD.\***

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

**(Stock Code: 6837)**

- (1) PROPOSED SHARE REPURCHASE**
- (2) PROPOSED ADOPTION OF SHARE OPTION SCHEME**
- (3) PROPOSED IMPLEMENTATION OF  
EMPLOYEE STOCK OWNERSHIP PLAN**
- (4) PROPOSED ADJUSTMENT TO SIZE OF  
PROPRIETARY EQUITY INVESTMENT**
- (5) PROPOSED APPOINTMENT OF SUPERVISOR**
- (6) NOTICE OF EXTRAORDINARY GENERAL MEETING  
AND**
- (7) NOTICE OF H SHAREHOLDERS' CLASS MEETING**

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A notice convening the Extraordinary General Meeting of the Company to be held at Jing Song Hall, 4/F, Pine City Hotel, No. 777 Zhaojiabang Road, Shanghai, the PRC on Monday, 21 September 2015 at 2:00 p.m. is set out on pages 17 to 19 of this Circular. A notice convening the H Shareholders' Class Meeting of the Company to be held at Jing Song Hall, 4/F, Pine City Hotel, No. 777 Zhaojiabang Road, Shanghai, the PRC in the afternoon on Monday, 21 September 2015 immediately following the conclusion of the Extraordinary General Meeting and the A Shareholders' Class Meeting or any adjournment thereof is set out on pages 20 to 22 of this Circular.

The reply slip and the form of proxy for the EGM and the H Shareholders' Class Meeting have been distributed on Thursday, 6 August 2015 and have also been published on the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). If you are not able to attend the EGM and/or the H Shareholders' Class Meeting, please complete and return the form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not less than 24 hours before the time appointed for the holding of the EGM and/or the H Shareholders' Class Meeting, and deposit it together with the notarised power of attorney or other document of authorization with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited (for holders of H Share). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM and/or the H Shareholders' Class Meeting should you so desire.

Shareholders of the Company intending to attend the EGM and/or the H Shareholders' Class Meeting in person or by their proxies should complete and return the reply slip for attending the EGM and/or the H Shareholders' Class Meeting to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited (for holders of H Share) on or before Tuesday, 1 September 2015.

\* *For identification purpose only*

2 September 2015

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## DEFINITIONS

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*In this Circular, unless the context otherwise requires, the following expressions have the following meanings:*

“A Share(s)”	domestic shares of the Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi and are listed for trading on the Shanghai Stock Exchange
“A Shareholders’ Class Meeting”	the A shareholders’ class meeting of the Company to be held at Jing Song Hall, 4/F, Pine City Hotel, No. 777 Zhaojiabang Road, Shanghai, the PRC in the afternoon on Monday, 21 September 2015 immediately following the conclusion of the Extraordinary General Meeting or any adjournment thereof
“Articles of Association”	the articles of association of the Company, as amended from time to time
“Board” or “Board of Directors”	the board of directors of the Company
“Business Day(s)”	a day (other than a Saturday or a Sunday) on which the Hong Kong Stock Exchange is opened for the business of dealing in securities
“Class Meetings”	separate meetings of the holders of H Shares (namely, the H Shareholders’ Class Meeting) and A Shares (namely, the A Shareholders’ Class Meeting) to be convened to consider and, if thought fit, approve, among other things, the Share Repurchase, the Share Option Scheme and the Ownership Plan
“close associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Company”	Haitong Securities Co., Ltd., a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Hong Kong Stock Exchange under the stock code of 6837 and the A Shares of which are listed on the Shanghai Stock Exchange under the stock code of 600837
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules

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## DEFINITIONS

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“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“EGM” or “Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held at Jing Song Hall, 4/F, Pine City Hotel, No. 777 Zhaojiabang Road, Shanghai, the PRC on Monday, 21 September 2015 at 2:00 p.m.
“Exercise Period”	means a period to be determined by the Board at its absolute discretion and notified by the Board to each Grantee as being the period during which a Share Option may be exercised, and in any event such period of time shall not exceed a period of 10 years commencing on the Offer Date and expire on the last day of such period
“Grantee”	any Participant who accepts an Offer in accordance with the terms of the Share Option Scheme or (where the context so permits) a personal representative who is entitled to any such Share Option in consequence of the death of the original Grantee
“Group”	the Company and its subsidiaries
“H Share(s)”	ordinary shares in the share capital of the Company with nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“H Shareholders’ Class Meeting”	the H shareholders’ class meeting of the Company to be held at Jing Song Hall, 4/F, Pine City Hotel, No. 777 Zhaojiabang Road, Shanghai, the PRC in the afternoon on Monday, 21 September 2015 immediately following the conclusion of the Extraordinary General Meeting and the A Shareholders’ Class Meeting or any adjournment thereof
“HK\$” or “Hong Kong dollars”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“Hong Kong Listing Rules” or “Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Latest Practicable Date”	28 August 2015, being the latest practicable date for the purpose of ascertaining certain information contained in this Circular prior to its publication
“Offer”	the offer of the grant of a Share Option made by the Board in accordance with the Share Option Scheme
“Offer Date”	the date on which an Offer is made to a Participant, which date must be a Business Day
“Ownership Plan”	the employee stock ownership plan in respect of the A Shares to be established by the Company at the EGM and the Class Meetings, the full text of which is set out in the Annex III to this Circular
“Participant”	for the purpose of the Share Option Scheme, a director (whether executive or non-executive and whether independent or not) or employee (whether fulltime or part-time) of the Group (whether on an employment or contractual or honorary basis and whether paid or unpaid), who, in the absolute opinion of the Board, has made contributions to the Company or the Group
“PRC” or “China”	the People’s Republic of China, but for the purposes of this Circular only, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) of RMB1.00 each in the share capital of the Company, including A Shares and H Shares
“Share Option(s)”	the option(s) to subscribe for Shares pursuant to the Share Option Scheme
“Share Option Scheme”	the share option scheme in respect of the H Shares to be adopted by the Company at the EGM and the Class Meetings, a summary of the principal terms of the rules of which are set out in the Annex II to this Circular

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## DEFINITIONS

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“Share Repurchase”	the repurchase plan of a portion of the A Shares or H Shares to be adopted by the Company at the EGM and the Class Meetings, details of which are set out in this Circular
“Shareholder(s)”	the shareholder(s) of the Company, including holder(s) of H Shares and holder(s) of A Shares
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company

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LETTER FROM THE BOARD

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海通证券股份有限公司  
HAITONG SECURITIES CO., LTD.\*

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

*Executive Directors:*

Mr. Wang Kaiguo (*Chairman*)  
Mr. Qu Qiuping (*General Manager*)

*Non-executive Directors:*

Ms. Yu Liping  
Mr. Chen Bin  
Mr. Xu Chao  
Mr. Wang Hongxiang  
Ms. Zhang Xinmei  
Mr. Shen Tiedong

*Independent Non-executive Directors:*

Mr. Liu Chee Ming  
Mr. Xiao Suining  
Mr. Li Guangrong  
Mr. Lyu Changjiang  
Mr. Feng Lun

*Registered office:*

Haitong Securities Building  
No. 689 Guangdong Road  
Shanghai  
PRC

*Principal place of business  
in Hong Kong:*

21st Floor, Li Po Chun Chambers  
189 Des Voeux Road Central  
Central  
Hong Kong

2 September 2015

*To the Shareholders*

Dear Sir or Madam,

**INTRODUCTION**

The purpose of this Circular is to provide you, as holders of H Shares, with the notice of the EGM (set out on pages 17 to 19 of this Circular) and the notice of the H Shareholders' Class Meeting (set out on pages 20 to 22 of this Circular) and provide you with information reasonably necessary to enable you to make an informed decision on whether to vote for or against the proposed resolutions or abstain from voting at the EGM and/or H Shareholders' Class Meeting.

For reference purpose only, notice of the EGM and A Shareholders' Class Meeting for holders of A Shares has been published on the website of the Shanghai Stock Exchange (<http://www.sse.com.cn/>) on 6 August 2015.

\* For identification purpose only

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## LETTER FROM THE BOARD

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At the EGM, special resolutions will be proposed to approve (i) the proposed Share Repurchase; (ii) the proposed adoption of the Share Option Scheme; and (iii) the proposed establishment and implementation of the Ownership Plan. Ordinary resolutions will be proposed to approve (i) the proposed adjustment to the size of proprietary equity investment of the Company; and (ii) the proposed appointment of Ms. Zheng Xiaoyun as a Supervisor.

At the Class Meetings, special resolutions will be proposed to approve (i) the proposed Share Repurchase; (ii) the proposed adoption of the Share Option Scheme; and (iii) the proposed establishment and implementation of the Ownership Plan.

### **SPECIAL RESOLUTIONS:**

#### **I. Proposed Share Repurchase**

Reference is made to the announcement of the Company dated 9 July 2015. The Board has approved the proposed Share Repurchase and proposed it to be considered at the EGM and the Class Meetings as a special resolution. The effectiveness of the Share Repurchase is subject to the approval of the Shareholders at the EGM and the Class Meetings and the obtaining of all consents and approvals required for the Share Repurchase from relevant regulatory authorities (including without limitation, the filing with the CSRC).

The explanatory statement, as required under the Hong Kong Listing Rules, to provide the requisite information of the proposed Share Repurchase to the Shareholders for consideration to make an informed decision as to whether to vote for or against the resolution in respect of the Share Repurchase at the EGM and the Class Meetings, is set out in Annex I to this Circular.

Details of the Share Repurchase are as below:

##### ***1. Approach of the Proposed Share Repurchase***

The approach for undertaking the Share Repurchase will be aggregate auction, block trade or other approaches as permitted by the regulatory requirements.

##### ***2. Price of the Proposed Repurchased Shares***

###### *(i) Price*

The price for the repurchase of the A Shares will not exceed RMB18.80 per share. The price for the repurchase of the H Shares will not exceed HKD17.18 per share and should not be higher than the average closing market price over the five trading days preceding the repurchase during which the H Shares were traded on the Hong Kong Stock Exchange by 5% or more. The abovementioned repurchase prices should also comply with requirements applicable to such repurchase price under laws, regulations, the listing rules of the Shanghai Stock Exchange, the Hong Kong Listing Rules and the Codes on Takeovers and Mergers and Share Buy-backs.



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## LETTER FROM THE BOARD

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- (ii) *Adjustment of price in relation to bonus shares, capitalization and cash dividends during the Share Repurchase*

The upper limit of the price for the Share Repurchase will be adjusted from ex-right and ex-dividend date in relation to bonus shares, capitalizing reserves or cash dividends during the Share Repurchase period.

### **3. *Class, Number and Percentage of the Proposed Share Repurchase***

- (i) Class of the proposed Share Repurchase: A Shares or H Shares.
- (ii) Number of Shares proposed to be repurchased: the current number of the total issued Shares of the Company is 11,501,700,000 (including 8,092,131,180 A Shares and 3,409,568,820 H Shares) and if the repurchase will take place in full, the total number of Shares that may be repurchased shall not exceed 1,150,000,000, among which, the total number of A Shares that may be repurchased shall not exceed 809,100,000 and the total number of H Shares that may be repurchased shall not exceed 340,900,000, and the actual number will depend on the number of Shares actually repurchased at the expiry of the Share Repurchase period.
- (iii) Percentage of Shares proposed to be repurchased: not exceeding 10% of the total issued share capital of the Company as of the date of the EGM and Class Meetings, and in respect of the A Shares, not exceeding 10% of the total issued A Shares and in respect of the H Shares, not exceeding 10% of the total issued H Shares.

### **4. *Proposed Total Fund Amount and Source of Funding for the Share Repurchase***

- (i) Upper limit of total amount of funds proposed to be used for the Share Repurchase: the estimated total amount should not exceed RMB21.6 billion.
- (ii) Source of funding: the Company's internal resources.

### **5. *Time Limitation of the Share Repurchase***

The effective period for undertaking the Share Repurchase shall commence from the date of obtaining the approval at the EGM and the Class Meetings and all consents and approvals required for the Share Repurchase from relevant regulatory authorities (including without limitation, the filing with the CSRC). The effective period for undertaking the Share Repurchase will expire at the earliest of (i) the conclusion of the first annual general meeting of the Company following the passing of this resolution at which time it shall lapse unless, by special resolution passed at that meeting and class meetings, the authority is renewed, either unconditionally or subject to conditions; (ii) revocation or variation of this resolution by special resolution of the Shareholders at

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## LETTER FROM THE BOARD

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general meeting and class meetings; or (iii) in principle, the lapse of six months commencing from the date of obtaining the approval at the EGM and the Class Meetings on this resolution. The Share Repurchase will be completely implemented if the amount of funds used in the Share Repurchase reaches the upper limit, and the effective period for undertaking the Share Repurchase will therefore expire in advance on that date. During such effective period, the Company will make decisions on implementing and undertaking the Share Repurchase based on the market conditions and opportunities, in accordance with the authorisations granted by the Board and the Shareholders.

### **6. Purpose of the Proposed Share Repurchase**

The A Shares proposed to be repurchased will be used for (i) cancellation in order to decrease the registered capital of the Company, and (ii) implementing plans such as share incentive plans, employee stock ownership plans or share option plans.

The H Shares proposed to be repurchased will be used for cancellation in order to decrease the registered capital of the Company.

### **7. Valid Period of this Resolution**

In principle, this resolution shall be valid and effective for six months commencing from the date when the Shareholders at the EGM and the Class Meetings approve this resolution.

### **8. Authorisations**

Resolutions are proposed at the EGM and the Class Meetings to authorise the Board to and in turn to authorise the management of the Company to handle the following matters in connection with the Share Repurchase:

- (i) authorise the Board to and in turn to authorise the management of the Company to repurchase the A Shares or H Shares as appropriate in accordance with the above requirements and in compliance with applicable laws, regulations, the listing rules of the Shanghai Stock Exchange, the Hong Kong Listing Rules and the Codes on Takeovers and Mergers and Share Buy-backs, including determining the specific class of Shares to be repurchased, approach, timing, price, share number and use;
- (ii) authorise the Board to and in turn to authorise the management of the Company to handle matters in connection with amendments to the Articles of Association and change of registered capital;
- (iii) authorise the Board to and in turn to authorise the management of the Company to adjust the specific implementation plans and handle other matters in connection with the Share Repurchase in accordance with applicable laws, rules and regulatory requirements; and

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## LETTER FROM THE BOARD

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- (iv) this authorisation shall be effective on and from the date when the Shareholders approve the resolution at the EGM and the Class Meetings to the date when the authorised matters are completed.

### **II. Proposed Adoption of the Share Option Scheme**

Reference is made to the announcement of the Company dated 21 July 2015. The Board proposed to adopt the Share Option Scheme in respect of H Shares pursuant to Chapter 17 of the Hong Kong Listing Rules. The effectiveness of the Share Option Scheme is subject to the approval of the Shareholders at the EGM and the Class Meetings, the no-objection indication by the CSRC and the approval of relevant state-owned assets supervision authorities. The exercise of the Share Option is conditional upon the satisfaction of the following conditions (the “Share Option Exercise Approval Conditions”): (i) the CSRC granting approval for the issuance of the H Shares to be allotted and issued pursuant to the exercise of any Share Options under the Share Option Scheme and (ii) the Listing Committee of the Hong Kong Stock Exchange granting approval for the listing of, and permission to deal in, the H Shares to be allotted and issued pursuant to the exercise of any Share Options under the Share Option Scheme.

The Board has approved the proposed adoption of the Share Option Scheme and proposed it to be considered at the EGM and the Class Meetings as a special resolution. A summary of the Share Option Scheme is as below and the principal terms of the Share Option Scheme is set out in Annex II to this Circular.

#### ***(1) Summary of the Share Option Scheme***

Pursuant to the terms of the Share Option Scheme, the Board may, under recommendations of the remuneration committee of the Company, in its absolute discretion make an Offer to any Participant to subscribe for such number of H Shares as the Board may determine. The Share Option Scheme does not stipulate any performance target which needs to be achieved by the Grantee or any minimum period for which the Share Options must be held by the Grantee before the Share Options can be exercised. The maximum Exercise Period is proposed to be 10 years. The Board may also at its discretion when making the Offer impose any conditions, restrictions or limitations in relation thereto as it may think fit. The Board believes that this will provide it with more flexibility in setting the terms and conditions of the Share Options under particular circumstances of each grant and facilitate the Board’s aim to offer meaningful incentive to attract, retain and motivate talented employees towards the performance goals in the business operation and other long-term performance targets set by the Group and to provide them with an incentive to work better for the interest of the Group.

As at the Latest Practicable Date, no Share Option under the Share Option Scheme has been granted and the Board considers that it is inappropriate to state the value of the Share Options as if they had been granted on the Latest Practicable Date given that a number of variables which are necessary for the calculation of the value of the Share

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## LETTER FROM THE BOARD

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Options cannot be ascertained at this stage. Such variables include the exercise price, the Exercise Period, interest rate and other relevant variables. The Board believes that any calculation of such value of the Share Options on the Latest Practicable Date would be based on a number of speculative assumptions and would therefore not be meaningful but would instead be misleading to the Shareholders.

None of the Directors is a trustee of the Share Option Scheme or has a direct or indirect interest in the trustee of the Share Option Scheme, if any.

The maximum number of H Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the ordinary H Shares in issue as at the date of approval by the Shareholders at the EGM and the Class Meetings and as such limit is refreshed by the Shareholders from time to time. As at the Latest Practicable Date, there were aggregate of 3,409,568,820 H Shares in issue. Assuming there is no change in the number of H Shares in issue between the Latest Practicable Date and the date of the EGM and the Class Meetings, the initial maximum number of H Shares that may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme(s) of the Company is 340,956,882 H Shares.

A copy of the rules of the Share Option Scheme is available for inspection at the principal place of business of the Company in Hong Kong at 21st Floor, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong during normal business hours from the date hereof up to and including the date of the EGM and the Class Meetings, which is a period of not less than 14 days before the date of the EGM and the Class Meetings.

### **(2) Board Resolutions**

The resolutions of the Board are set out below:

- (a) Approving the adoption of the Share Option Scheme by the Company.
- (b) Proposing to Shareholders to authorise the Board to handle and in turn to further authorise the management to handle, with full discretion, all matters in connection with the adoption of the Share Option Scheme in accordance with relevant laws, regulations and opinions and advices from the regulatory authorities, within the framework and under the principles approved at the general meeting of the Company, and based upon the general principle of acting in the best interest of the Shareholders, including but not limited to:
  - (i) Formulation and adjustment of specific plans of the Share Option Scheme in accordance with the applicable laws, regulations and relevant provisions from the regulatory authorities as well as resolutions passed at the general meeting of the Company, and based on the actual conditions of the Company, including but not limited to, participants, timing of grant, valid term, conditions of grant, exercise price, number of exercisable options, methods of exercise and relevant adjustments, etc.

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## LETTER FROM THE BOARD

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- (ii) Handling all matters required for the issue of shares upon exercise of any option under the Share Option Scheme in accordance with the applicable laws, regulations and relevant provisions from the regulatory authorities as well as resolutions passed at the general meeting of the Company.
- (iii) Handling all matters relating to the approval of the Share Option Scheme in accordance with the applicable rules, including but not limited to going through the domestic and overseas formalities for approval, filing, registration and reporting, as well as the preparation, amendment, delivery and execution of relevant materials, and disclosing the relevant information in accordance with the relevant laws, regulations and the listing rules of the exchanges on which the Company's securities are listed.
- (iv) Making relevant adjustments to matters relating to the Share Option Scheme according to the opinions and changes in the policies of the regulatory authorities or the changes in market conditions, unless re-approval by the Shareholders at general meeting is otherwise required pursuant to relevant laws, regulations and the articles of association of the Company.
- (v) Handling specific matters in connection with the amendments to the Articles of Association and handling relevant registration of amendments based on the actual situations of the Share Option Scheme, including but not limited to, amendments to articles relating to share capital such as total amount of share capital and shareholding structure.
- (vi) Dealing with other matters in relation to the Share Option Scheme.
- (vii) Subject to the approval of the above authorisations at the general meeting of the Company, authorising the Board to authorise the management of the Company to further authorise its authorised persons to deal specifically with all matters relating to the Share Option Scheme jointly or individually on behalf of the Company pursuant to the resolution passed at the general meeting of the Company and the authorisation granted by the Board.

The above authorisation shall be effective on and from the date when the Shareholders at the EGM and the Class Meetings approve the resolution to the date when the Share Option Scheme ceases to be effective.

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## LETTER FROM THE BOARD

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### III. Proposed Establishment and Implementation of the Ownership Plan

Reference is made to the announcement of the Company dated 21 July 2015. The Board has approved the proposed establishment and implementation of the Ownership Plan and proposed it to be considered at the EGM and the Class Meetings as a special resolution. The implementation of the Ownership Plan will be subject to the approval of the Shareholders at the EGM and the Class Meetings and acceptance by domestic and overseas regulatory authorities. Full text of the Ownership Plan is set out in Annex III to this Circular.

The resolutions of the Board are set out below:

- (a) Approving the establishment and implementation of the Ownership Plan by the Company. The accumulative number of shares involved in the Ownership Plan shall be no more than 1,150,170,000, representing 10% of the total issued share capital and approximately 14.2% of the total issued A Shares, respectively, as at the date of approvals at the general meeting of the Company. The underlying shares will be A Shares of the Company obtained and held through purchases from the secondary market (including but not limited to bidding transactions, block trade and transfer agreements), subscription for additional shares through placement and other means as permitted under the laws and regulations. The source of funding of the Ownership Plan will be from employees' lawful remuneration, self-raised funds and other sources as permitted under the laws and regulations. Target participants of the Ownership Plan will be all employees of the Company and its subsidiaries, who have entered into employment contracts with the Company or its subsidiaries and who work under them on the payroll.
- (b) Proposing to Shareholders to authorise the Board to handle and in turn to further authorise the management to handle, with full discretion, all matters in connection with the establishment of the Ownership Plan in accordance with relevant laws, regulations and opinions and advices from the regulatory authorities, within the framework and under the principles approved at the general meeting of the Company, and based upon the general principle of acting in the best interest of the Shareholders, including but not limited to:
  - (i) Formulation and adjustment of specific plans of the Ownership Plan in accordance with the applicable laws, regulations and relevant provisions from the regulatory authorities as well as resolutions passed at the general meeting of the Company, and based on the actual conditions of the Company, including but not limited to, participants, lock-up period, term and management model, etc.
  - (ii) Engaging qualified entity to assist the Company to implement the Ownership Plan in accordance with applicable laws, regulations and relevant provisions from the regulatory authorities as well as resolutions passed at the general meeting of the Company.

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## LETTER FROM THE BOARD

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- (iii) Handling all matters relating to the approval of the Ownership Plan in accordance with the applicable rules, including but not limited to going through the domestic and overseas formalities for approval, filing, registration and reporting, as well as the preparation, amendment, delivery and execution of relevant materials, and disclosing the relevant information in accordance with the relevant laws, regulations and the listing rules of the exchanges on which the Company's securities are listed.
- (iv) Making relevant adjustments to matters relating to the Ownership Plan according to the opinions and changes in the policies of the regulatory authorities or the changes in market conditions, unless re-approval by the Shareholders at general meeting is otherwise required pursuant to relevant laws, regulations and the articles of association of the Company.
- (v) Dealing with other matters in relation to the Ownership Plan.
- (vi) Subject to the approval of the above authorisations at the general meeting of the Company, authorising the Board to authorise the management of the Company to further authorise its authorised persons to deal specifically with all matters relating to the Ownership Plan jointly or individually on behalf of the Company pursuant to the resolution passed at the general meeting of the Company and the authorisation granted by the Board.

The above authorisation shall be effective on and from the date when the Shareholders at the EGM and the Class Meetings approve the resolution to the date when the Ownership Plan ceases to be effective.

### **ORDINARY RESOLUTIONS:**

#### **I. Proposed Adjustment to the Size of Proprietary Equity Investment of the Company**

Reference is made to the announcement of the Company dated 9 July 2015. The Board has approved the following:

1. Adjust the size of investment in proprietary equity securities, and adjust the maximum risk exposure position of the investment in proprietary equity securities to not exceeding 35% of net capital.
2. The size of other investments should be maintained within the mandate granted at the general meeting of the Company held on 9 February 2015.
3. The management of the Company is hereby authorised to flexibly allocate fund scale within the limit of the maximum amount of the proprietary investment according to market opportunities and the actual conditions of the Company, subject to compliance with various regulatory requirements.

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## LETTER FROM THE BOARD

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The aforesaid resolution was considered and approved by the Board on 8 July 2015 and is hereby proposed at the EGM for consideration and approval.

### II. Proposed Appointment of Ms. Zheng Xiaoyun as the Supervisor

Reference is made to the announcement of the Company dated 21 July 2015 in relation to appointment of Supervisor. An ordinary resolution will be proposed at the EGM to consider and approve the appointment of Ms. Zheng Xiaoyun (“Ms. Zheng”) as a Supervisor of the Company.

Biographical details of Ms. Zheng are set out as follows:

**Ms. Zheng Xiaoyun**, born in 1962, is a senior accountant with a master’s degree in accounting. She has been the chief financial officer of Shanghai Bailian Group Co., Ltd. (上海百聯集團股份有限公司) since June 2015. Ms. Zheng has served as chief financial officer of various companies since 1999 and has over 16 years of experience in finance and management. Ms. Zheng held various positions at Shanghai Forever Co., Ltd. (上海永久股份有限公司) where she successively served as the accountant, the assistant to manager and the deputy manager of the finance department from September 1982 to July 1999. From July 1999 to March 2002, she served as the chief financial officer of Shanghai Advertising and Decorating Company (上海廣告裝潢公司). She served as the deputy manager of the finance department of Shanghai Yibai (Group) Co., Ltd. (上海一百(集團)有限公司) from March 2002 to December 2002, served as the chief financial officer of Shanghai Quanfang Investment Management Co., Ltd. (上海全方投資管理有限公司) from December 2002 to October 2003, served as the chief financial officer of general operation department of Shanghai Bailian Group Co., Ltd. from October 2003 to July 2005 and served as the chief financial officer of Shanghai Bailian Investment Management Co., Ltd. (上海百聯投資管理有限公司) from July 2005 to August 2010. She served as the chief financial officer of Shanghai Bailian Group Assets Management Co., Ltd. (上海百聯集團資產經營管理有限公司) from August 2010 to July 2014, served as the chief financial officer of Shanghai Bailian E-Commerce Co., Ltd. (上海百聯電子商務有限公司) from July 2014 to June 2015, and served as a director of Shanghai Baihong Trading Co., Ltd. (上海百紅商業貿易有限公司) and a director of Hualian Group Assets Custody Co., Ltd. (華聯集團資產託管有限公司) from March 2014 to July 2014.

As far as the Directors are aware, Ms. Zheng has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years. Ms. Zheng does not have any relationship with any directors, supervisors, senior management or substantial shareholders of the Company, nor does she hold any position in the Company or any of its subsidiaries. As at the Latest Practicable Date, Ms. Zheng does not have any interest in the shares of the Company or its associated companies within the meaning of Part XV of the Hong Kong Securities and Futures Ordinance.

Save as disclosed above, there is no other information in relation to the appointment of Ms. Zheng which is required to be disclosed pursuant to the requirements set out in Rules 13.51(2)(h) to (v) of the Hong Kong Listing Rules nor are there any matters which need to be brought to the attention of the Shareholders. Ms. Zheng has not been penalized by CSRC or other relevant departments or stock exchanges.



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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the Company has not entered into any service contract with Ms. Zheng. The Supervisory Committee proposed to appoint Ms. Zheng as the Supervisor. Unless adjustment is required by the relevant applicable laws and regulations, the term of office of Ms. Zheng shall be the same as the sixth session of the Supervisory Committee. Ms. Zheng will not receive remuneration from the Company.

The appointment of Ms. Zheng as the Supervisor will come into effect after Ms. Zheng's qualification as a supervisor is approved by regulatory authorities and her proposed appointment is approved by the Shareholders at the EGM.

The aforesaid resolution was considered and approved by the Supervisory Committee on 21 July 2015 and is hereby proposed at the EGM for consideration and approval.

### **EXTRAORDINARY GENERAL MEETING AND H SHAREHOLDERS' CLASS MEETING**

The EGM of the Company will be held at Jing Song Hall, 4/F, Pine City Hotel, No. 777 Zhaojiabang Road, Shanghai, the PRC on Monday, 21 September 2015 at 2:00 p.m. The notice of the EGM is also set out on pages 17 to 19 of this Circular.

The H Shareholders' Class Meeting of the Company will be held at Jing Song Hall, 4/F, Pine City Hotel, No. 777 Zhaojiabang Road, Shanghai, the PRC in the afternoon on Monday, 21 September 2015 immediately following the conclusion of the Extraordinary General Meeting and the A Shareholders' Class Meeting or any adjournment thereof. The notice of the H Shareholders' Class Meeting is also set out on pages 20 to 22 of this Circular.

The register of members of H Shares of the Company will be closed from Saturday, 22 August 2015 to Monday, 21 September 2015 (both days inclusive), during which time no share transfers of H Shares will be effected. Purchasers of H Shares who have submitted their instruments of share transfer to the H Share Registrar of the Company and registered as Shareholders on the H Share register of members of the Company before 4:30 p.m. on Friday, 21 August 2015 are entitled to attend and vote in respect of all resolutions to be proposed at the EGM and/or the H Shareholders' Class Meeting. In order to attend the EGM and/or the H Shareholders' Class Meeting, holders of H Share should ensure that all transfer documents, accompanied by the relevant H Share certificates, are lodged with the Company's H Share Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, before 4:30 p.m. on Friday, 21 August 2015.

Reply slip and the proxy form for the EGM and the H Shareholders' Class Meeting have been distributed on Thursday, 6 August 2015 and have also been published on the website of Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). Shareholders intending to attend the EGM and/or the H Shareholders' Class Meeting in person or by their proxies should complete and return the reply slip for attending the EGM and/or the H Shareholders' Class Meeting to the Company's H Share Registrar (for holders of H Shares) on or before Tuesday, 1 September 2015.

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## LETTER FROM THE BOARD

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To be valid, for holders of H Shares, the form of proxy and notarised power of attorney or other document of authorisation must be delivered to the Company's H Share Registrar not less than 24 hours before the time appointed for the EGM and/or the H Shareholders' Class Meeting. Completion and return of the proxy form will not preclude you from attending and voting at the EGM and/or the H Shareholders' Class Meeting in person if you so wish.

For reference purpose only, the record date for determining the eligibility of members of A Shares for attending the EGM and A Shareholders' Class Meeting is 14 September 2015. For more details, please refer to the notice of the EGM and A Shareholders' Class Meeting published on the website of the Shanghai Stock Exchange (<http://www.sse.com.cn/>) on 6 August 2015.

### **LISTING RULES REQUIREMENT**

According to Rule 13.39(4) of the Hong Kong Listing Rules, any vote of Shareholders at a shareholders' general meeting must be taken by poll. Therefore, all resolutions at the EGM and the H Shareholders' Class Meeting will be taken by way of a poll.

### **RESPONSIBILITY STATEMENT**

This Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Circular misleading.

### **RECOMMENDATION**

There is no Shareholder who is required to abstain from voting in respect of the ordinary and special resolutions at the EGM and the Class Meetings.

The Board believes that all the resolutions mentioned above are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that all Shareholders to vote in favor of the relevant resolutions to be proposed at the EGM and the H Shareholders' Class Meeting as set out in the notices of the EGM and the H Shareholders' Class Meeting set out in this Circular.

Yours faithfully,  
By Order of the Board  
**Haitong Securities Co., Ltd.**  
**WANG Kaiguo**  
*Chairman*

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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海通证券股份有限公司  
HAITONG SECURITIES CO., LTD.\*

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

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Extraordinary General Meeting of Haitong Securities Co., Ltd. (the “Company”) will be held at Jing Song Hall, 4/F, Pine City Hotel, No. 777 Zhaojiabang Road, Shanghai, the PRC on Monday, 21 September 2015 at 2:00 p.m., for the following purposes:

#### SPECIAL RESOLUTIONS

1. To consider and approve the proposal regarding share repurchase of the Company, including:
  - 1.1. Approach of the proposed share repurchase
  - 1.2. Price of the proposed repurchased shares
  - 1.3. Class, number and percentage of the proposed share repurchase
  - 1.4. Proposed total fund amount and source of funding for the share repurchase
  - 1.5. Time limitation of the share repurchase
  - 1.6. Purpose of the proposed share repurchase
  - 1.7. Valid period of this resolution
  - 1.8. Authorisations
2. To consider and approve the proposal regarding adoption of a share option scheme of the Company.
3. To consider and approve the proposal regarding establishment and implementation of an employee stock ownership plan of the Company.

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# NOTICE OF EXTRAORDINARY GENERAL MEETING

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## ORDINARY RESOLUTIONS

1. To consider and approve the proposal regarding adjustment to the size of proprietary equity investment of the Company.
2. To consider and approve the proposal regarding appointment of Ms. Zheng Xiaoyun as a supervisor of the Company.

By order of the Board  
**Haitong Securities Co., Ltd.**  
**WANG Kaiguo**  
*Chairman*

Shanghai, the PRC  
6 August 2015

*Notes:*

**1. Eligibility for attending the Extraordinary General Meeting and date of registration of members for H Shares**

The register of members of H Shares of the Company will be closed from Saturday, 22 August 2015 to Monday, 21 September 2015 (both days inclusive), during which time no share transfers of H Shares will be effected. Purchasers of shares who have submitted their instruments of share transfer to the H Share Registrar of the Company and registered as shareholders on the H Share register of members of the Company before 4:30 p.m. on Friday, 21 August 2015 are entitled to attend and vote in respect of all resolutions to be proposed at this Extraordinary General Meeting.

In order to attend this Extraordinary General Meeting, holders of H Shares should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's H Share Registrar, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, before 4:30 p.m. on Friday, 21 August 2015.

**2. Proxy**

- (1) Each shareholder entitled to attend and vote at the Extraordinary General Meeting may appoint one or more proxies in writing to attend and vote on his behalf. A proxy need not be a shareholder of the Company.
- (2) The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a legal entity, either under seal or signed by a director or a duly authorised attorney. If that instrument is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign or other document of authorisation must be notarised.

To be valid, for holders of H Shares, the form of proxy and notarised power of attorney or other document of authorisation must be delivered to the Company's H Share Registrar at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time appointed for the Extraordinary General Meeting.

- (3) Any voting at the Extraordinary General Meeting shall be taken by poll.

**3. Registration procedures for attending the Extraordinary General Meeting**

- (1) A shareholder or his proxy should present proof of identity when attending the Extraordinary General Meeting. If a shareholder is a legal person, its legal representative or other person authorised by the board of directors or other governing body of such shareholder may attend the Extraordinary General Meeting by providing a copy of the resolution of the board of directors or other governing body of such shareholder appointing such person to attend the meeting.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (2) Shareholders of the Company intending to attend the Extraordinary General Meeting in person or by their proxies should complete and return the reply slip for attending the Extraordinary General Meeting to the Company's H Share Registrar (for holders of H Shares) at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before Tuesday, 1 September 2015.

#### 4. Voting by poll

According to Rule 13.39(4) of the Hong Kong Listing Rules, any vote of shareholders at a shareholders' general meeting must be taken by poll. Accordingly, the Chairman of the Extraordinary General Meeting will demand a poll in relation to all the proposed resolutions at the Extraordinary General Meeting in accordance with Article 107 of Articles of Association of the Company.

#### 5. Miscellaneous

- (1) The Extraordinary General Meeting is expected to be held for no more than half a day. Shareholders who attend the meeting in person or by proxy shall bear their own travelling and accommodation expenses.

- (2) The address of the Company's H Share Registrar is:

Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

- (3) The registered office of the Company:

Haitong Securities Building  
No. 689 Guangdong Road  
Shanghai  
The People's Republic of China

Contact office: Office of the Board  
Telephone No.: 86 (21) 2321 9000  
Facsimile No.: 86 (21) 6341 0627  
Contact Person: Mr. HUANG Zhenghong

*As at the date of this notice, the executive directors of the Company are Mr. WANG Kaiguo and Mr. QU Qiuping; the non-executive directors of the Company are Ms. YU Liping, Mr. CHEN Bin, Mr. XU Chao, Mr. WANG Hongxiang, Ms. ZHANG Xinmei and Mr. SHEN Tiedong; and the independent non-executive directors of the Company are Mr. LIU Cheeming, Mr. XIAO Suining, Mr. LI Guangrong, Mr. LYU Changjiang and Mr. FENG Lun.*

\* For identification purpose only

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## NOTICE OF H SHAREHOLDERS' CLASS MEETING

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海通证券股份有限公司  
HAITONG SECURITIES CO., LTD.\*

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

### NOTICE OF H SHAREHOLDERS' CLASS MEETING

**NOTICE IS HEREBY GIVEN** that the H shareholders' class meeting (the "H Shareholders' Class Meeting") of Haitong Securities Co., Ltd. (the "Company") will be held at Jing Song Hall, 4/F, Pine City Hotel, No. 777 Zhaojiabang Road, Shanghai, the PRC in the afternoon on Monday, 21 September 2015 immediately following the conclusion of the Extraordinary General Meeting and the A shareholders' class meeting or any adjournment thereof for the following purposes:

#### SPECIAL RESOLUTIONS

1. To consider and approve the proposal regarding share repurchase of the Company, including:
  - 1.1. Approach of the proposed share repurchase
  - 1.2. Price of the proposed repurchased shares
  - 1.3. Class, number and percentage of the proposed share repurchase
  - 1.4. Proposed total fund amount and source of funding for the share repurchase
  - 1.5. Time limitation of the share repurchase
  - 1.6. Purpose of the proposed share repurchase
  - 1.7. Valid period of this resolution
  - 1.8. Authorisations
2. To consider and approve the proposal regarding adoption of a share option scheme of the Company.
3. To consider and approve the proposal regarding establishment and implementation of an employee stock ownership plan of the Company.

By order of the Board  
**Haitong Securities Co., Ltd.**  
**WANG Kaiguo**  
*Chairman*

Shanghai, the PRC  
6 August 2015

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# NOTICE OF H SHAREHOLDERS' CLASS MEETING

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*Notes:*

**1. Eligibility for attending the H Shareholders' Class Meeting and date of registration of members for H Shares**

The register of members of H Shares of the Company will be closed from Saturday, 22 August 2015 to Monday, 21 September 2015 (both days inclusive), during which time no share transfers of H Shares will be effected. Purchasers of shares who have submitted their instruments of share transfer to the H Share Registrar of the Company and registered as shareholders on the H Share register of members of the Company before 4:30 p.m. on Friday, 21 August 2015 are entitled to attend and vote in respect of all resolutions to be proposed at this H Shareholders' Class Meeting.

In order to attend this H Shareholders' Class Meeting, holders of H Shares should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's H Share Registrar, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, before 4:30 p.m. on Friday, 21 August 2015.

**2. Proxy**

(1) Each shareholder entitled to attend and vote at the H Shareholders' Class Meeting may appoint one or more proxies in writing to attend and vote on his behalf. A proxy need not be a shareholder of the Company.

(2) The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a legal entity, either under seal or signed by a director or a duly authorised attorney. If that instrument is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign or other document of authorisation must be notarised.

To be valid, for holders of H Shares, the form of proxy and notarised power of attorney or other document of authorisation must be delivered to the Company's H Share Registrar at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time appointed for the H Shareholders' Class Meeting.

(3) Any voting at the H Shareholders' Class Meeting shall be taken by poll.

**3. Registration procedures for attending the H Shareholders' Class Meeting**

(1) A shareholder or his proxy should present proof of identity when attending the H Shareholders' Class Meeting. If a shareholder is a legal person, its legal representative or other person authorised by the board of directors or other governing body of such shareholder may attend the H Shareholders' Class Meeting by providing a copy of the resolution of the board of directors or other governing body of such shareholder appointing such person to attend the meeting.

(2) Shareholders of the Company intending to attend the H Shareholders' Class Meeting in person or by their proxies should complete and return the reply slip for attending the H Shareholders' Class Meeting to the Company's H Share Registrar (for holders of H Shares) at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on or before Tuesday, 1 September 2015.

**4. Voting by poll**

According to Rule 13.39(4) of the Hong Kong Listing Rules, any vote of shareholders at a shareholders' general meeting must be taken by poll. Accordingly, the Chairman of the H Shareholders' Class Meeting will demand a poll in relation to all the proposed resolutions at the H Shareholders' Class Meeting in accordance with Article 107 of Articles of Association of the Company.

**5. Miscellaneous**

(1) The H Shareholders' Class Meeting is expected to be held for no more than half a day. Shareholders who attend the meeting in person or by proxy shall bear their own travelling and accommodation expenses.

(2) The address of the Company's H Share Registrar is:

Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

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## NOTICE OF H SHAREHOLDERS' CLASS MEETING

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- (3) The registered office of the Company:

Haitong Securities Building  
No. 689 Guangdong Road  
Shanghai  
The People's Republic of China

Contact office: Office of the Board  
Telephone No.: 86 (21) 2321 9000  
Facsimile No.: 86 (21) 6341 0627  
Contact Person: Mr. HUANG Zhenghong

*As at the date of this notice, the executive directors of the Company are Mr. WANG Kaiguo and Mr. QU Qiuping; the non-executive directors of the Company are Ms. YU Liping, Mr. CHEN Bin, Mr. XU Chao, Mr. WANG Hongxiang, Ms. ZHANG Xinmei and Mr. SHEN Tiedong; and the independent non-executive directors of the Company are Mr. LIU Cheeming, Mr. XIAO Suining, Mr. LI Guangrong, Mr. LYU Changjiang and Mr. FENG Lun.*

\* *For identification purpose only*



This annex serves as an explanatory statement, as required under Rule 10.06(1)(b) of the Listing Rules, to provide the requisite information to the Shareholders for their consideration of the proposed Share Repurchase.

### **1. NUMBER OF SHARES PROPOSED TO BE REPURCHASED**

The current number of the total issued Shares of the Company is 11,501,700,000 (including 8,092,131,180 A Shares and 3,409,568,820 H Shares) and if the repurchase will take place in full, the total number of Shares that may be repurchased shall not exceed 1,150,000,000, among which, the total number of A Shares that may be repurchased shall not exceed 809,100,000 and the total number of H Shares that may be repurchased shall not exceed 340,900,000, and the actual number will depend on the number of Shares actually repurchased at the expiry of the repurchase period.

### **2. REASONS FOR SHARE REPURCHASE**

In view of the recent significant fluctuations in the A share and H share markets, in order to protect the interest of investors, the Board has resolved to propose a resolution at the EGM and the Class Meetings to consider and approve the proposed Share Repurchase for cancellation in order to decrease the registered capital of the Company and for implementing plans such as share incentive plans, employee stock ownership plans or share option plans. The Board believes that the Share Repurchase is in the interest of the Company and the Shareholders as a whole and it will help to enhance the investors' confidence in the market and enhance the long-term incentive mechanism of the Company.

### **3. SOURCE OF FUNDS**

In repurchasing the Shares, the Company may only apply funds legally available for such purpose in accordance with its Articles of Association and the applicable laws of PRC and the Listing Rules, as the case may be. The Directors propose that such Share Repurchase, if and when effected, would be appropriately financed by the Company's internal resources.

### **4. IMPACT ON WORKING CAPITAL**

As compared with the financial position of the Company as of 31 December 2014 (being the date to which the latest audited accounts of the Company were made up), the Directors consider that there will not be a material adverse impact on the working capital or the gearing position of the Company in the event that the Share Repurchase was to be exercised in full during the proposed repurchase period.

The Company is capable to pay the full consideration for the Share Repurchase by using its own funds. The amount of funds required for undertaking the Share Repurchase will not exceed RMB21.6 billion, which will not materially affect the daily operations of the Company due to the following reasons: as at the end of June 2015, the remaining balance of own funds of the Company was approximately RMB68.6 billion which is capable of paying the full

consideration for the Share Repurchase which is not more than RMB21.6 billion. Pursuant to the proposal of Share Repurchase, the consideration will be paid by instalments as appropriate instead of in a lump sum, and the detailed repurchase price and amount will be determined by the Company according to the conditions set out in this resolution with certain flexibility. The normal business activities of the Company will ensure that the Company will be capable of paying the consideration of the Share Repurchase by its own funds.

The financial condition of the Company over the last three years has been good, with a relatively low debt-to-equity ratio. The Company's gearing ratio was 29%, 41% and 68% as at the end of 2012, 2013 and 2014, respectively, showing the strengthened ability of the Company to repay debts. Moreover, the Company has a strong capability for raising external financing. If any new investment opportunities emerge during the Share Repurchase period, the Company will have the capacity to ensure that normal investment opportunities will be supported by external financing and meanwhile guarantee accomplishing the Share Repurchase with own funds.

The Share Repurchase will not only deliver a message that the management has confidence in the intrinsic value of the Company, but will also improve the return per share of the Company, better reflect the continuous increase in performance of the Company and help realize the return and development of shareholder value. The Share Repurchase may help to stabilize the share price of the Company and protect its good image in the capital market, enhance the confidence of public investors, further improve the value of the Company and optimize the benefits of the Shareholders.

## **5. PRESENT INTENTION OF THE DIRECTORS AND CLOSE ASSOCIATES**

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, their close associates (as defined in the Listing Rules) have any present intention to sell any Shares to the Company under the Share Repurchase if such resolution is approved by the Shareholders.

## **6. DIRECTORS' UNDERTAKING**

The Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make repurchases of the Shares pursuant to Special Resolution No. 1 as set out in the notice of the EGM and the Class Meetings in accordance with the Listing Rules and the applicable laws of PRC.

## **7. EFFECT OF THE TAKEOVERS CODE**

If a Shareholder's proportionate interest in the voting rights of the Company increases as a result of the Directors' exercising the powers of the Company to repurchase the Shares pursuant to the Share Repurchase, such increase will be treated as an acquisition of voting rights for the purposes of Rule 32 of the Takeovers Code and, if such increase results in a change of control, may in certain circumstances give rise to an obligation to make a mandatory offer for Shares under Rule 26 of the Takeovers Code.

As at the Latest Practicable Date and according to the register of substantial shareholders' interests in shares kept under section 336 of Part XV of the Securities and Futures Ordinance and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, no Shareholder was directly or indirectly interested in 5% or more of the issued share capital of the Company. As at the Latest Practicable Date, to the best of the knowledge and belief of the Directors, the Directors are not aware of any consequence which would arise under either or both of the Takeovers Code and any similar applicable law of which the Directors are aware as a result of any repurchase of the Shares made under the Share Repurchase.

## 8. SHARES REPURCHASE MADE BY THE COMPANY

The Company has not purchased any Shares (whether on the Hong Kong Stock Exchange or otherwise) in the six months immediately preceding the Latest Practicable Date.

## 9. CORE CONNECTED PERSONS

No core connected persons have notified the Company that they have a present intention to sell any Shares to the Company, or have undertaken not to do so, in the event that the Share Repurchase is approved by the Shareholders.

## 10. MARKET PRICES

The highest and lowest closing prices at which the A Shares were traded on the Shanghai Stock Exchange and the H Shares were traded on the Hong Kong Stock Exchange during each of the previous 12 months preceding the Latest Practicable Date were as follows:

	<b>A Shares</b>	
	<b>Highest</b> <i>RMB</i>	<b>Lowest</b> <i>RMB</i>
<b>2014</b>		
September	10.54	9.77
October	10.69	9.68
November	14.89	10.44
December	24.99	14.32
<b>2015</b>		
January	25.38	18.66
February	22.39	19.05
March	24.88	19.52
April	31.66	23.53
May	29.48	25.31
June	28.61	19.15
July	23.00	15.81
August (as of the Latest Practicable Date)	18.07	10.90

	<b>H Shares</b>	
	<b>Highest</b>	<b>Lowest</b>
	<i>HK\$</i>	<i>HK\$</i>
<b>2014</b>		
September	13.34	11.9
October	13.38	11.7
November	16.76	12.96
December	23.2	15.94
<b>2015</b>		
January	20.4	15.02
February	18.56	16.4
March	20.3	16.18
April	27.9	18.8
May	25.85	22.05
June	25.8	19.2
July	21.2	11.5
August (as of the Latest Practicable Date)	14.76	10.32

The following is a summary of the principal terms of the Share Option Scheme to be conditionally approved by the Shareholders but such summary does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme:

## **1. PURPOSE AND PARTICIPANT OF THE SHARE OPTION SCHEME**

The purpose of the Share Option Scheme is to attract, retain and motivate talented employees to strive towards long term performance targets set by the Group with an opportunity to obtain an equity interest in the Company, thus linking their interest with the interest of the Group and thereby providing them with an added incentive to work better for the interest of the Group.

The Participant of the Share Option Scheme is a director (whether executive or non-executive and whether independent or not) or employee (whether fulltime or part-time) of the Group (whether on an employment or contractual or honorary basis and whether paid or unpaid), who, in the absolute opinion of the Board, have contributed to the Company or the Group.

## **2. DURATION AND ADMINISTRATION**

- 2.1 The Share Option Scheme shall be adopted conditionally on the date when it is passed as a special resolution at the EGM and the Class Meetings. The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date on which the conditions set out in the resolution of the Company adopting the Share Option Scheme in EGM and Class Meetings are satisfied (the “Effective Date”). The life of the Share Option Scheme is 10 years commencing from the Effective Date, after which period no further Share Options will be granted but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect and Share Options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.
- 2.2 The Share Option Scheme shall be subject to the administration of the Board whose decisions as to all matters relating to the Share Option Scheme including the interpretation or effect thereof shall be final and binding on all parties provided that the same is not inconsistent with the provisions of the Share Option Scheme and the Listing Rules. Without limiting the generality of the foregoing, the Board shall have the ultimate power to determine whether a person is eligible to participate in the Share Option Scheme.
- 2.3 The Board shall have the power to delegate its powers in relation to the administration of the Share Option Scheme as outlined in paragraph 2.2, to any qualified broker house or professional trustee from time to time.

**3. GRANT OF SHARE OPTION**

- 3.1 On and subject to the terms of the Share Option Scheme, the Board shall be entitled at any time during the 10-year period from the Effective Date unless terminated pursuant to the provisions of the Share Option Scheme (the “Term”) to make an Offer to any Participant as the Board, under recommendations of the remuneration committee of the Company, may in its absolute discretion select to subscribe for such number of H Shares as the Board may (subject to paragraph 7) determine at the price calculated in accordance with paragraph 4 (the “Exercise Price”) provided that such grant of Share Option may not be made:
- (a) after an event involving inside information has occurred or a matter involving inside information has been the subject of a decision until such inside information has been published by the Company in accordance with the Listing Rules;
  - (b) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results of the Company; and
  - (c) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results of the Company.

Notwithstanding the foregoing, no Share Option shall be granted during the period commencing one month immediately before the earlier of: (1) the date of the board meeting (as such date is first notified to the Hong Kong Stock Exchange under the Listing Rules) for approving the Company’s results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (2) the deadline for the Company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement.

If any Participant is prohibited from trading in the Shares under the Listing Rules or any other rules, regulations or laws, such Participant shall not accept any Share Option offered by the Company or exercise any Share Option to acquire any Share.

- 3.2 An Offer shall be made to a Participant in writing by letter in such form as the Board may from time to time determine requiring the Participant to undertake to hold the Share Option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme and shall remain open for acceptance by the Participant to whom an Offer is made for a period of 28 days from the Offer Date (or such other period as the Board may determine) provided that no such Offer shall be opened for acceptance after the expiry of the Term or after the Share Option Scheme has been terminated in accordance with the provisions thereof.

- 3.3 An Offer shall be deemed to have been accepted and the Share Option to which the Offer relates shall be deemed to have been granted when the duplicate letter comprising acceptance of the Offer duly signed by the Grantee with the number of Shares in respect of which the Offer is accepted clearly stated therein is received by the Company within 28 days from the Offer Date. The Company will determine the value of the Share Options granted under the Offer in accordance with market practice or by adopting internationally generally accepted pricing model, and will deduct the same amount from the cash remunerations payable to the Grantees.
- 3.4 Any Offer may be accepted or deemed to have been accepted in respect of less than the number of H Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in H Shares on the Hong Kong Stock Exchange or an integral multiple thereof. To the extent that the Offer is not accepted within 28 days in the manner indicated in sub-paragraph 3.3, it will be deemed to have been irrevocably declined.
- 3.5 Subject to the provisions of the Share Option Scheme, the Board may at its discretion when making the Offer impose any conditions, restrictions or limitations in relation thereto as it may think fit.
- 3.6 No Director shall decide the grant of Share Option to himself/herself.
- 3.7 A grant of Share Options to a connected person of the Company under the Share Option Scheme must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Share Options).
- 3.8 Upon an Offer being accepted or deemed to have been accepted, each relevant Grantee gives the Company the unfettered right to publish an announcement relating to the terms of the Offer in accordance with the Listing Rules from time to time, setting out, the relevant details of the Offer.

#### **4. EXERCISE PRICE**

Subject to any adjustments made pursuant to the terms of the Share Option Scheme, the Exercise Price shall be a price solely determined by the Board and shall be at least the highest of:

- (a) a price equal to the closing price of the H Shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the Offer Date;
- (b) the average closing price of the H Shares as stated in the Hong Kong Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the Offer Date; and

- (c) the nominal value of an H Share.

## 5. EXERCISE OF SHARE OPTIONS

- 5.1 A Share Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Share Option or transfer in favour of any third party over or in relation to any Share Option. Any breach of the foregoing shall entitle the Company to cancel any outstanding Share Option or part thereof granted to such Grantee.
- 5.2 Unless otherwise determined by the Board and stated in the letter from the Company to the Grantee, in respect of a Share Option, no performance target needs to be achieved by the Grantee and there is no minimum period for which the Share Options must be held by the Grantee before the Share Options can be exercised. Provided that the provisions in the Share Option Scheme are complied with, a Share Option may be exercised in whole or in part by the Grantee giving notice in writing to the Company stating that the Share Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a payment for the full amount of the Exercise Price for the H Shares in respect of which the notice is given. The maximum Exercise Period is proposed to be 10 years. Within 28 days after receipt of the notice and remittance and, where appropriate, receipt of the auditors' certificate pursuant to paragraph 9, the Company shall allot the relevant Shares to the Grantee credited as fully paid and issue to the Grantee a share certificate in respect of the Shares so allotted.
- 5.3 The exercise of the Share Option is conditional upon the satisfaction of the following conditions (the "Share Option Exercise Approval Conditions"): (i) the CSRC granting approval for the issuance of the H Shares to be allotted and issued pursuant to the exercise of any Share Options under the Share Option Scheme and (ii) the Listing Committee of the Hong Kong Stock Exchange granting approval for the listing of, and permission to deal in, the H Shares to be allotted and issued pursuant to the exercise of any Share Options under the Share Option Scheme. Subject to as hereinafter provided, the Share Option may be exercised by the Grantee at any time during the Exercise Period provided that:
- (a) in the event of the Grantee ceasing to be a Participant for any reason other than of his or her death or the termination of his or her employment or directorship on one or more of the grounds specified in sub-paragraph 6(e), the Grantee may exercise the Share Option up to his or her entitlement at the date of cessation (to the extent he or she is entitled to exercise at the date of cessation but not already exercised) within the period of one month following the date of such cessation, which date shall be the last actual working day with the Company, the relevant subsidiary of the Company or the relevant associated company of



the Company, as the case may be (the “Relevant Company”), whether salary is paid in lieu of notice or not or the last date of appointment as full-time employee or director of the Relevant Company, as the case may be, in the event of which, the date of cessation as determined by a resolution of the Board or governing body of the Relevant Company shall be conclusive;

- (b) in the event the Grantee dies before exercising the Share Option in full and none of the events which would be a ground for termination of his or her employment or directorship under sub-paragraph 6(e) arises, the personal representative(s) of the Grantee shall be entitled within a period of 12 months from the date of death of the Grantee or before the expiry of the Exercise Period, whichever is earlier, or such longer period as the Board may determine, to exercise the Share Option up to the entitlement of such Grantee at the date of death (to the extent not already exercised) or, if appropriate, make an election pursuant to sub-paragraph 5.3(c), (d) or (e);
- (c) If a general or partial offer is made, whether under the Code on Takeovers in Hong Kong (“Takeovers Code”), or otherwise in like manner (other than by way of scheme of arrangement), to all holders of the Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert (within the meaning of the Takeovers Code) and if such offer becomes and is declared unconditional prior to the expiry of the relevant Exercise Period, the Grantee may by notice in writing to the Company exercise the Share Option to in full (to the extent which has become exercisable on the date of the notice of the offeror and not already exercised) or to the extent specified in such notice at any time within 21 days after the date on which the offer becomes or is declared unconditional;
- (d) if a compromise or arrangement between the Company and its shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to all the Grantees on the same date as it despatches the notice of meeting to each shareholder or creditor of the Company to consider such a compromise or arrangement, and thereupon each Grantee may forthwith and until the expiry of the period commencing with such date and ending with the earlier of the end of two calendar months thereafter and the date on which such compromise or arrangement is sanctioned by the Court exercise any of his or her Share Options whether in full or in part (to the extent which has become exercisable and not already exercised) by notice in writing to the Company, but the exercise of a Share Option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the Court and becoming effective. Upon such compromise or arrangement becoming effective, all Share Options shall lapse except insofar as previously exercised under the Share Option Scheme. The Company may

require the Grantee to transfer or otherwise deal with the H Shares issued as a result of the exercise of Share Options in these circumstances so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement; and

- (e) in the event a notice is given by the Company to its shareholders to convene a shareholders' meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, other than for the purposes of a reconstruction, amalgamation or scheme of arrangement, the Company shall on the same date as or soon after it despatches such notice to convene its shareholders' meeting, give notice thereof to all Grantees. Each Grantee (or his or her legal personal representative(s)) may by notice in writing to the Company (such notice to be received by the Company not later than 20 Business Days prior to the proposed general meeting) exercise the Share Option (to the extent which has become exercisable and not already exercised) either to its full extent or to the extent specified in such notice, such notice to be accompanied by a payment for the full amount of the aggregate Exercise Price for the H Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant H Shares to the Grantee credited as fully paid.

- 5.4 If any Grantee is not able to exercise the Share Options within the Exercise Period or any period stipulated under paragraph 5.3 above purely due to the failure of the satisfaction of any of the Share Option Exercise Approval Conditions, the Company shall re-pay the relevant Grantee the consideration previously paid by the relevant Grantee to obtain the relevant Share Options.
- 5.5 The Grantees may exercise the Share Options in Renminbi, Hong Kong dollars or any other currency as approved by the Board.
- 5.6 The Grantees shall adopt methods permitted by laws to exercise the Share Options and acquire the H Shares directly or indirectly.
- 5.7 The Shares to be allotted upon the exercise of a Share Option will be subject to all the provisions of the Articles of Association for the time being in force and will rank pari passu in all respects with the fully paid H Shares in issue on the date of allotment and accordingly will entitle the holders the rights (including those arising on a liquidation of the Company) to vote and to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment. The Grantees will have no voting rights or entitlement to dividend prior to the exercise of a Share Option.

**6. LAPSE OF SHARE OPTION**

A Share Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of :

- (a) the expiry of the Exercise Period;
- (b) the expiry of any of the periods referred to in sub-paragraph 5.3 (a) or (b);
- (c) subject to the courts of applicable jurisdictions not making an order prohibiting the offeror to acquire the remaining H Shares in the offer, the expiry of the period referred to in sub-paragraph 5.3(c);
- (d) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in sub-paragraph 5.3(d);
- (e) the date on which the Grantee ceases to be an employee or director of the Relevant Company, by reason of the termination of his or her employment or directorship on the grounds that he or she has been guilty of misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or (if so determined by the Board) on any other ground on which the Relevant Company would be entitled to terminate the Grantee's employment, directorship or office or appointment at common law or pursuant to any applicable laws or under the Grantee's service contract with the Relevant Company, in the event of which a resolution of the Board to the effect that the employment or directorship of a Grantee has or has not been terminated on one or more of the grounds specified in this sub-paragraph 6(e) shall be conclusive;
- (f) the close of 20 Business Days prior to the general meeting of the Company held for the purpose of approving the voluntary winding-up of the Company or the date of the commencement of the winding-up of the Company;
- (g) the date on which the Grantee commits a breach of sub-paragraph 5.1 (if the Board exercises the Company's right to cancel the Share Option); or
- (h) the date on which the Share Option is cancelled by the Board as provided in paragraph 11.

**7. MAXIMUM NUMBER OF SHARES AVAILABLE FOR EXERCISE**

7.1 Subject to sub-paragraph 7.2:

- (a) The total number of Shares which may be issued upon exercise of all Share Options to be granted under the Share Option Scheme and any other share

option schemes of the Company shall not in aggregate exceed 10% of the total number of the H Shares in issue as at the date of approval of the Share Option Scheme by the Shareholders in general meeting and class meetings unless the Company obtains a fresh approval pursuant to sub-paragraph 7.1(b). Share Options lapsed in accordance with the terms of the Share Option Scheme shall not be counted for the purpose of calculating such 10% limit.

- (b) The Company may from time to time seek approval of its shareholders in the general meetings and/or class meetings (as applicable) to renew the limit set out in sub-paragraph 7.1(a) such that the total number of Shares in respect of which Share Options may be granted by Directors under the Share Option Scheme and any other share option schemes of the Company under the limit as “refreshed” shall not exceed 10% of the total number of the H Shares in issue as at the date of approval of the refreshment. Share Options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed or exercised share options) will not be counted for the purpose of calculating such 10% limits as “refreshed” as set out in this sub-paragraph 7.1(b). The Company shall send a circular to its shareholders pursuant to Chapter 17 of the Listing Rules.
- (c) Subject to the approval of its shareholders in the general meetings and/or class meetings (as applicable), the Company may grant Share Options to specified Participant(s) beyond any of the limits set out in sub-paragraph 7.1(a) or sub-paragraph 7.1(b) (as the case may be) provided the Share Options in excess of such limit are granted only to Participants specifically identified by the Company before such approval is sought. In such case, the Company shall send a circular to its shareholders containing a generic description of the specified Participant(s) who may be granted such Share Options, the number and terms of the Share Options to be granted, the purpose of granting Share Options to the specified Participant(s) with an explanation as to how the terms of the Share Options serve such purpose, and the information required under Chapter 17 of the Listing Rules.

7.2 Notwithstanding anything in sub-paragraph 7.1 and subject to paragraph 8, the maximum number of H Shares which may be issued upon exercise of all outstanding Share Options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of H Shares in issue from time to time.

**8. MAXIMUM ENTITLEMENT OF H SHARES OF EACH PARTICIPANT**

- 8.1 (a) Subject to sub-paragraphs 8.1(b), (c) and (d), the total number of H Shares issued and to be issued upon exercise of the Share Options granted to each Participant under the Share Option Scheme and any other option schemes (including both exercised and outstanding Share Options) in any 12-month period shall not exceed 1% of the total number of H Shares in issue.
- (b) Notwithstanding sub-paragraph 8.1(a), where any further grant of Share Options to a Participant would result in the Shares issued and to be issued upon exercise of all Share Options granted and to be granted to such Participant (including exercised, cancelled and outstanding Share Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the total number of H Shares in issue, such further grant must be separately approved by the shareholders in general meeting of the Company with such Participant and such Participant's Associates abstaining from voting. In such case, the Company shall send a circular to its shareholders and the circular shall disclose the identity of the Participant, the number and terms of the Share Options to be granted (and Share Options previously granted to such Participant), the information required under Chapter 17 of the Listing Rules. The number and terms (including the exercise price) of the Share Options to be granted to such Participant shall be fixed before shareholders' approval and the date of the meeting of the Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the Exercise Price.
- (c) In addition to paragraph 7 and sub-paragraphs 8.1(a) and 8.1(b), each grant of Share Options to a Participant who is a Director, chief executive or substantial shareholder (with the meaning as ascribed under the Listing Rules) of the Company or any of their respective associates (with the meaning as ascribed under the Listing Rules) must be approved by the independent non-executive Directors (excluding the independent non-executive Director who is the Grantee).
- (d) Where the Board proposes to grant any Share Option to a Participant who is a substantial shareholder (with the meaning as ascribed under the Listing Rules) or an independent non-executive Director or any of their respective associates (with the meaning as ascribed under the Listing Rules) which would result in the H Shares issued and to be issued upon exercise of all Share Options already granted and to be granted (including Share Options exercised, cancelled and outstanding) to the Participant under the Share Option Scheme and any other share option schemes of the Company in the 12-month period up to and including the date on which such proposal is made by the Board (the "Relevant Date"):

- (i) representing in aggregate more than 0.1% of the total number of H Shares in issue at the Relevant Date; and
- (ii) having an aggregate value, based on the closing price of the H Shares as stated in the Hong Kong Stock Exchange's daily quotations sheet on the Relevant Date and if the Relevant Date is not a Business Day, the Business Day immediately preceding the Relevant Date, in excess of HK\$5,000,000,

such proposed grant of Share Options must be approved by the shareholders of the Company in general meeting. In such case, the Company shall send a circular to its shareholders containing all the information as required under the Listing Rules. All connected persons (with the meaning as ascribed under the Listing Rules) of the Company shall abstain from voting at its shareholders' general meeting (except where any connected person may vote against the relevant resolution at such meeting provided that his intention to do so has been stated in the circular to its shareholders and that the Listing Rules including Rules 13.40, 13.41 and 13.42, have been complied with). Any vote taken at the meeting to approve the grant of such Share Options must be taken on a poll.

- 8.2 Subject to sub-paragraphs 7.1 to 7.2 and sub-paragraph 8.1 above, in the event of any alteration in the capital structure of the Company whether by way of capitalisation issue, rights issue, consolidation, subdivision or reduction of the share capital of the Company or otherwise howsoever, the maximum number of H Shares referred to in sub-paragraphs 7.1 to 7.2 and sub-paragraph 8.1 will be adjusted, in such manner which must give a Grantee the same proportion of the issued share capital of the Company as that the Grantee was previously entitled, provided that no such adjustments shall be made the effect of which would be to enable an H Share to be issued at less than its nominal value. An independent financial adviser or the auditors of the Company (acting as experts and not as arbitrators) shall confirm to the Directors in writing that the adjustments satisfy the requirements mentioned above in this sub-paragraph and those set out in the note to Rule 17.03(13) of the Listing Rules.

## 9. ALTERNATION OF CAPITAL STRUCTURE

In the event of any alteration in the capital structure of the Company whilst any Share Option remains exercisable, whether by way of capitalisation issue, rights issue, consolidation, subdivision or reduction of the share capital of the Company or otherwise howsoever in accordance with the legal requirements and the requirements of the Hong Kong Stock Exchange excluding any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction, such corresponding alterations (if any) shall be made to:

- (a) the number or nominal amount of H Shares subject to the Share Option so far as unexercised; and/or
- (b) the Exercise Price,

as an independent financial adviser or the auditors of the Company shall confirm in writing to the Directors, either generally or as regards any particular Grantee that any such alterations shall satisfy the requirements as set out in the note to Rule 17.03(13) of the Listing Rules and the Supplementary Guidance and shall give a Grantee the same proportion of the issued share capital of the Company as that to which he or she is previously entitled, provided that no such alterations shall be made the effect of which would be to enable an H Share to be issued at less than its nominal value or that would be made to the advantage of the Grantee or would increase the intrinsic value of any Share Option (comparing the difference between the market price (or theoretical ex-entitlement price) of the H Shares under the Share Option and the Exercise Price (or revised Exercise Price) of the Share Options immediately before and after the alteration in the capital structure of the Company). The capacity of the independent financial adviser or the auditors in this paragraph is that of experts and not of arbitrators and their confirmation shall, in the absence of manifest error, be final and binding on the Company and the Grantees. The costs of the independent financial adviser or the auditors shall be borne by the Company.

## **10. ALTERATION OF THE SHARE OPTION SCHEME**

10.1 The Share Option Scheme may be altered in any respect by resolution of the Board except that the provisions of the Share Option Scheme as to :

- (a) the definitions of “Participant”, “Grantee” and “Exercise Period”; and
- (b) the provisions of sub-paragraphs 2.1, 3.1, 3.2 and 3.3, and paragraphs 4, 5, 6, 7, 8, 9, 11, 12 and this paragraph 10,

shall not be altered to extend the class of persons eligible for the grant of Share Options or to the advantage of Grantees or prospective Grantees except with the prior sanction of a resolution of the Company in general meeting with the relevant Grantees, Participants and other interested parties and their respective associates (with the meaning as ascribed under the Listing Rules) abstaining from voting, provided that no such alteration shall operate to affect adversely the terms of issue of any Share Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Grantees as would be required of its shareholders under the Articles of Association for the time being of the Company for a variation of the rights attached to the H Shares.

10.2 Any alteration to the terms and conditions of the Share Option Scheme, which are of a material nature or any change to the terms of Share Options granted, shall be approved by the shareholders in general meeting of the Company, except where the alterations take effect automatically under the existing term of the Share Option Scheme.

10.3 Any change to the authority of the Directors or scheme administrators of the Share Option Scheme in relation to any alteration to the terms of the Share Option Scheme must be approved by the shareholders of the Company in general meeting.

10.4 The amended terms of the Share Option Scheme or the Share Options must still comply with the relevant requirements of Chapter 17 of the Listing Rules.

## **11. CANCELLATION OF THE SHARE OPTIONS**

The Company by resolution in general meeting or the Board may at any time cancel any Share Option granted but not exercised. Where the Company offers Share Options to the same Share Option holder, the offer of such new Share Options may only be made, under the Share Option Scheme with available Share Options (to the extent not yet granted and excluding the cancelled Share Options) within in the limit approved by shareholders of the Company as mentioned in sub-paragraph 7.

Unless the Grantee otherwise agrees, the Board may only cancel such Share Option if:

- (A) the Company pays to the Grantee an amount equal to the fair market value of the Share Option at the date of cancellation as determined by the Board, after consultation with the auditors or an independent financial adviser appointed by the Board, and in no circumstances will the amount be lower than the consideration previously paid by the relevant Grantee to obtain the relevant Share Options; or
- (B) the Board offers to grant to the Grantee replacement Share Options (or options under any other scheme) of equivalent value to the Share Options to be cancelled, provided that the grant of such replacement Share Options (or options under any other scheme) shall not cause the limits set out in paragraphs 9 and 10 above to be breached; or
- (C) the Board makes reasonable arrangements as the Grantee may agree to compensate him for the loss of the Share Option.

## **12. TERMINATION OF THE SHARE OPTION SCHEME**

The Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further Share Options will be offered but in all other respects the provisions of the Share Option Scheme in relation to any outstanding Share Options shall remain in full force and effect.



**13. MISCELLANEOUS**

- 13.1 The Share Option Scheme shall not form part of any contract of employment between the Relevant Company and any Participant and the rights and obligations of any Participant under the terms of his or her office or employment shall not be affected by his or her participation in the Share Option Scheme or any right which he or she may have to participate in it and the Share Option Scheme shall afford such a Participant no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason.
- 13.2 The Share Option Scheme shall not confer on any person any legal or equitable rights (other than those constituting the Share Options themselves) against the Company directly or indirectly or give rise to any cause of action at law or in equity against the Company.
- 13.3 The Company shall bear the costs of establishing and administering the Share Option Scheme.
- 13.4 A Grantee shall be entitled to receive copies of all notices and other documents sent by the Company to holders of H Shares.
- 13.5 Any notice or other communication between the Company and a Grantee may be given by sending the same by prepaid post or by personal delivery to, in the case of the Company, its principal place of business in the PRC at Haitong Securities Building, No. 689 Guangdong Road, Shanghai, PRC or as notified to the Grantees from time to time and, in the case of the Grantee, his or her correspondence address in the PRC as notified to the Company from time to time.
- 13.6 Any notice or other communication served by post:
- (a) by the Company shall be deemed to have been served 24 hours after the same was put in the post; and
  - (b) by the Grantee shall not be deemed to have been received until the same shall have been received by the Company.
- 13.7 A Grantee shall be responsible for complying with all legal and procedural requirements and obtaining all necessary governmental or other official consents, permission, approvals and authorizations that may be required under any applicable law, rules or regulations by any country or jurisdiction in order to permit the grant or exercise of the Share Option. The Company shall not be responsible for any failure by a Grantee to obtain any such consents, permission, approvals or authorizations or for any tax or other liability to which a Grantee may become subject as a result of his or her participation in the Share Option Scheme.

13.8 The Board shall have the power from time to time to make or vary regulations for the administration and operation of the Share Option Scheme, provided that the same are not inconsistent with the provisions of the Share Option Scheme.

13.9 The Share Option Scheme and all Share Options granted thereunder shall be governed by and construed in accordance with the laws of Hong Kong.

*English translation for reference only*

**EMPLOYEE STOCK OWNERSHIP PLAN (DRAFT)  
OF  
HAITONG SECURITIES CO., LTD.**

**July 2015**

**STATEMENT**

The Company and all members of the Board of Directors hereby represent that the information contained in this Employee Stock Ownership Plan (hereinafter referred to as the “Plan”) is true, accurate and complete, as well as free from false or misleading statements, or material omissions.

**SPECIAL NOTICE**

- I. The Plan of Haitong Securities Co., Ltd. (hereinafter referred to as “Haitong Securities” or the “Company”) is formulated in accordance with the requirements of the *Company Law of the People’s Republic of China*, the *Securities Law of the People’s Republic of China* and the *Guiding Opinion on the Pilot Implementation of Employee Stock Ownership Plan by Listed Companies*, relevant laws, administrative regulations, rules, normative documents, and the Articles of Association.
- II. The accumulative number of shares involved in the Plan shall be no more than 1,150,170,000, representing 10% of the total issued share capital and approximately 14.2% of the total issued A Shares, respectively, as at the date of approvals at the general meeting of the Company. The number of the Underlying Shares acquired by any Plan Holder shall not exceed 1% of the total share capital of the Company. The source of funding should be from employees’ lawful remuneration, self-raised funds, and other sources as permitted under the laws and regulations.
- III. The Plan will be managed by Asset Management Plan set up by the entrusted Asset Management Agency upon establishment. The investment scope of such Plan is to purchase and hold the A shares of the Company.
- IV. The Asset Management Agency will acquire and hold the Underlying Shares by purchasing from the secondary market and participating in the private placement and other methods permitted by laws and regulations. If the Company carries out a private placement, it will undertake the relevant procedures for examination and approval pursuant to laws and regulations, approval requirements of the CSRC and the listing rules of the stock exchanges on which such shares are listed.
- V. The Company will send the notice of convening general meeting to consider the Plan after the unanimous approval by the Board of Directors of the Company for implementation of the Plan. The general meeting for considering the Plan will be conducted by a combination of network voting and poll taking onsite. The implementation of the Plan will be subject to the acceptance by domestic and overseas regulatory authorities after approvals by shareholders at the general meeting of the Company.
- VI. The implementation of the Plan will not led to the shareholding structure of the Company fails to comply with the requirements of listing conditions.

**DEFINITIONS**

Unless otherwise specified, the following terms used herein shall have the meanings set out below:

<b>Terms</b>	<b>Meaning</b>
Haitong Securities/Company/ The Company	Haitong Securities Co., Ltd.
The Plan	the Employee Stock Ownership Plan of Haitong Securities Co., Ltd.
This Draft Plan or This Plan	the Employee Stock Ownership Plan of Haitong Securities Co., Ltd. (draft)
Plan Holder(s) or Holder	the employee(s) of the Company participating in the Plan with actual contributions
Holder(s)' Meeting	the meeting of the Plan Holders
Management Committee	the Management Committee of the Plan
senior management	senior management personnel of the Company as stipulated in the Articles of Association
Asset Management Plan	the asset management plan established in respect to the Plan, managed by the Asset Management Agency or Asset Manager
Underlying Shares	A shares of Haitong Securities Co., Ltd. purchased, obtained and held legally by the Asset Management Agency or Asset Manager of the Asset Management Plan
Plan Entitlement(s) or Entitlement(s)	the equal portions of the Plan divided in accordance with the amount of the Underlying Shares held under the Plan, while each Entitlement corresponds to one Underlying Share (such one share of Underlying Share includes the cash assets (if any) corresponding to the Plan), and the Entitlements shall be recorded by the Asset Management Agency entrusted by the Company

Asset Management Agency or Asset Manager	qualified asset management companies or other similar institutions in respect of the implementation of the Plan as selected by the Board of Directors or its authorized persons
Initial Entitlement(s)	the Plan Entitlements prior to the vesting determined by the Company
vesting	the action by the Company to ascertain the actual entitlements of the Plan Holders to the Plan Entitlements according to the Plan
Vested Entitlement(s)	the Plan Entitlements of the Plan Holders after the vesting determined by the Company
CSRC	China Securities Regulatory Commission
RMB, RMB ten thousand, and RMB one hundred million	RMB, RMB100,000, and RMB100,000,000
<i>Company Law</i>	<i>Company Law of the People's Republic of China</i>
<i>Securities Law</i>	<i>Securities Law of the People's Republic of China</i>
<i>Guiding Opinion</i>	<i>Guiding Opinion on the Pilot Implementation of Employee Stock Ownership Plan by Listed Companies</i>
Articles of Association	the Articles of Association of Haitong Securities Co., Ltd.
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Any discrepancy between the total amount and the sum of each amount herein is due to rounding.

## I. PURPOSES

This Draft Plan of the Company is formulated in accordance with the requirements under the *Company Law*, the *Securities Law*, the *Guiding Opinion*, the Hong Kong Listing Rules, and other laws, administrative rules, regulations, normative documents, and the Articles of Association.

The employees of the Company participate in and comply with the Plan voluntarily and lawfully. The purposes of holding shares of the Company are to establish and improve the benefit-sharing mechanism between the employees and the shareholders, and to improve the corporate governance of the Company. In addition, the Plan will enhance the cohesion of the employees and corporate competitiveness, and advocate the concept of collective sustainable development of the Company and individual employees, while effectively mobilizing the initiative of the management and the employees of the Company, which in return will attract and retain outstanding management talents and the quality employees for business operations. As a result, the Company will facilitate its long-term, consistent, and healthy development.

## II. BASIC PRINCIPLES

### (I) Legal compliance

The Company implements the Plan and follows the procedures in strict compliance with the requirements under the laws and administrative rules, which require the Company to disclose true, accurate and complete information in a timely manner. No person is permitted to engage in insider trading, manipulation of the securities market, and other fraudulent actions through the Plan.

### (II) Voluntary participation

The implementation of the Plan is subject to the discretionary decisions of the Company, and voluntary participation of the employees. The Company is not permitted to force the employees to participate in the Plan in such forms as apportionment and mandatory distribution.

### (III) Voluntary risk undertaking

The participants under the Plan will undertake their own risks for gains or losses, and their equity rights rank *pari passu* with those of other investors.

## III. TARGET PARTICIPANTS AND DETERMINING CRITERIA

### (I) Legal basis for determining target participants

The target participants under the Plan are determined according to the relevant requirements under the *Company law*, the *Securities Law*, the *Guiding Opinion*, the Hong Kong Listing Rules, other relevant laws, regulations, rules, and the Articles of Association. The employees of the Company participate in the Plan based on the principles of legal compliance, voluntary participation, and voluntary risk taking.

The scope of participation of the Plan covers all employees of the Company and its subsidiaries. The target participants are those who have entered into a labor contract with the Company or its subsidiaries, and who work under them on the payroll.

Eligible employees must participate in the Plan based on the principles of legal compliance, voluntary participation, and voluntary risk taking, the list of which will be determined by the Board of Directors and verified by the supervisory committee.

#### **(II) Information of Plan Holders**

There is no limitation on the total number of participants under the Plan, but the total number of the Underlying Shares to be acquired by any Plan Holder through the Plan shall not exceed 1% of the total share capital of the Company. Each person must subscribe for a minimum amount of RMB100,000.

### **IV. SOURCES OF FUNDING AND SHARES**

#### **(I) Source of funding**

The funds for participation in the Plan come from the employees' lawful remuneration, self-raised funds, and other sources as permitted under the laws and regulations. Holders must pay the subscription monies based on the subscribed Entitlements in a timely manner. In the event that a Holder fails to pay the full subscription monies in a timely manner, the relevant subscription right will automatically lapse, and his proposed subscribed Entitlements may be subscribed for by other eligible target participants. In the event that the applications for subscription exceed the number of unsubscribed Entitlements, the Management Committee will determine the subscribers and the subscription amount.

Following the establishment, the Plan will be managed by the Asset Management Agency or the Asset Manager under the Asset Management Plan. The investment scope of the Asset Management Plan is to purchase and hold the A shares of the Company.

#### **(II) Source of the Underlying Shares**

The Asset Management Agency or the Asset Manager under the Asset Management Plan will obtain and hold the Underlying Shares through purchases made on the secondary market (including but not limited to bidding transactions, block trade, and transfer agreements), subscription for additional shares through placement, and other means as permitted under the laws and regulations. The accumulative number of shares obtained shall not exceed 10% of the total share capital of the Company, and the total number of the Underlying Shares to be acquired by any Plan Holder shall not exceed 1% of the total share capital of the Company. In the event of private placement, the Company shall complete the relevant review and approval procedures in accordance with the approval requirements as set forth under the laws and regulations and the requirements of CSRC



as well as the listing rules as stipulated by the stock exchange where the shares are listed. The total Underlying Shares under the Plan exclude the shares obtained, purchased, or received by the Holders prior to the initial public offering by the Company, from the secondary market, or under any share incentive scheme. In the event of any changes in the relevant laws, administrative regulations, rules, or normative documents in the future, the new requirements shall prevail. Subject to the requirements as set forth under the Plan, the Asset Manager will acquire the Underlying Shares through purchases made on the secondary market, subscription for additional shares through placement, and other means as permitted under the laws and regulations following the approval of the Plan at the general meeting of the Company and the acceptance of domestic and overseas regulatory authorities.

## V. LOCK-UP PERIOD, TERM, AND MANAGEMENT MODEL

### (I) Lock-up period

*1. The lock-up period of the Plan refers to the lock-up period of the Asset Management Plan.*

Under the Asset Management Plan, the Underlying Shares to be obtained through purchases made on the secondary market have a lock-up period of no less than 12 months, and the Underlying Shares to be obtained through subscription for additional shares through placement have a lock-up period of 36 months, with effect from the date when the Company announces that the latest purchased Underlying Shares are transferred and registered under the name of the Holder under the Asset Management Plan.

*2. Vesting and disposal of Entitlements upon expiration of the lock-up period*

The Plan Holders are entitled to the Initial Entitlements in proportion to their respective capital contribution under the Plan. Upon expiration of the lock-up period of the Plan, the corresponding cash assets (if any) in respect of the Initial Entitlements by each of the Plan Holders shall be transferred by the Company in a lump sum to the bank account of such Plan Holder, while the corresponding Underlying Shares will be disposed of in any of the following manners through application by such Plan Holder:

- (1) The Company makes an application to the Asset Management Agency, the Shanghai Stock Exchange (“SSE”) and the China Securities Depository and Clearing Corporation Limited (“CSDC”) on his/her behalf for transferring all of the Underlying Shares to an individual account of such Plan Holder in a lump sum, provided that it is supported by the then prevailing systems and rules of the SSE and the CSDC;

- (2) The Asset Management Agency is entrusted by the Company to dispose of all the Underlying Shares in a lump sum during the term of the Plan and to deliver proceeds from the disposal to the Plan Holder; the Plan Holder shall specify the range of selling price and the time slot to sell in his/her application. If the time slot selected by the Plan Holder falls within the period when selling of the shares of the Company is prohibited by laws and regulations, the Articles of Association, the Hong Kong Listing Rules or the requirements of the Plan, the Company is entitled to require the Plan Holder to revise his/her choice, otherwise the application shall be invalid.

If no application is proposed by the Plan Holder in accordance with the aforementioned requirements, the Plan Holder is deemed to agree to entrust the Asset Management Agency to continue to hold the aforementioned Underlying Shares during the term of the Plan.

3. After all corresponding Underlying Shares in respect of the Plan Entitlements entitled to a Plan Holder are transferred to an account under the name of the Plan Holder in accordance with the above Sub-clause 2(1) or are fully disposed of in accordance with Sub-clause 2(2) with proceeds being delivered to the Plan Holder in its entirety, the Plan Holder shall withdraw from the Plan automatically.
4. The Asset Manager of the Asset Management Plan, as well as the directors, the supervisors, the senior management, and the relevant employees (as defined under the Hong Kong Listing Rules) participating in the Plan, is not permitted to deal with the shares of the Company within the following periods:
  - (1) the shorter of 60 days prior to the publication date of the annual results, or the period commencing from the relevant financial year and ending on the publication date of the results; the shorter of 30 days prior to the publication date of the quarterly results (if any) or 30 days prior to the publication date of the interim results, or the period commencing from the quarter or interim period and ending on the publication date of the results. If the publication date of results is postponed due to special reasons, the abovementioned lock-up period will be extended to the actual publication date;
  - (2) 10 days prior to the announcement of the results highlight or the preliminary results of the Company;

- (3) the period commencing from the date when they are aware that significant matters that may have a material effect on the trading price of the shares of the Company have occurred or are under the decision-making process or the date when the inside information comes to their knowledge, and ending on two trading days after the disclosure is made according to the law;

The Asset Manager, the directors, the supervisors, the senior management, and the relevant employees (as defined under the Hong Kong Listing Rules) participated in the Plan shall promptly consult the secretary of the Board of Directors about whether the trading of the shares fall within the sensitivity period when making decision to deal with the shares of the Company.

#### **5. *Rights attached to the Underlying Shares***

- (1) Prior to the vesting by the Company under the Plan and the transfer of the Underlying Shares in respect of the Vested Entitlements to the account of the Plan Holder according to the aforesaid Sub-clause 2, such Plan Holder and the Underlying Shares under the Plan shall not be entitled to voting rights and power. Following the transfer of the Underlying Shares to the account of the Plan Holder or the disposal of the Underlying Shares to any third party, respectively, the voting rights and power and other shareholders' rights attached to the said shares held by such Plan Holder or such third party shall rank *pari passu* with those of the other shareholders of the Company.
- (2) During the term, in the event of share dividend distribution or share capital transfer and increase by the Company, the Plan shall hold additional shares derived from the Underlying Shares it held, and shall update the status of the Plan Entitlements based on the original Plan Entitlements of each of the Plan Holders and increase the number of Underlying Shares corresponding to their Plan Entitlements.
- (3) During the term, the Plan shall hold the cash dividend distributed by the Company as derived from the Underlying Shares held under the Plan, which shall be first applied to pay for the relevant management fees charged by the entrusted Asset Management Agency and custodian bank. The remaining portion of the proceeds shall be used to increase the amount of cash assets corresponding to the Plan Entitlements of each of the Plan Holders based on their original Plan Entitlements.

**(II) Term of the Plan**

The term of the Plan is 10 years, with effect from the date when the Plan is approved at the general meeting of the Company. Upon expiration of the term, the Plan will be terminated automatically, or terminated earlier or extended by an approval at the general meeting or the requirements as set forth under the relevant laws and regulations.

**(III) Management Model and Management Agency**

As the management agency of the Plan, the Asset Manager manages the Plan according to the relevant business rules promulgated by the CSRC and other regulatory authorities and the agreements under the legal documents related to the Plan. In addition, the Asset Manager protects the legal rights of the Plan, and ensures the safety of the assets under the Plan.

**VI. RIGHTS AND OBLIGATIONS OF HOLDERS, HOLDERS' MEETING AND VOTING PROCEDURES****(I) Rights and obligations of the Holders**

1. The Holders are entitled to:
  - (1) the rights to participate in the Holders' Meetings and cast a vote;
  - (2) the voting rights at the Holders' Meetings in proportion to the amount contributed under the Plan;
  - (3) the Plan Entitlements and the corresponding proprietary interests according to the Plan;
  - (4) other rights as stipulated under the laws and regulations and the Plan.
2. The Holders are obliged to:
  - (1) make capital contributions for the subscription amount as agreed under the Plan within the agreed period;
  - (2) assume the risks arising from the Plan to the extent of the contribution amount made under the Plan.

**(II) Holders' Meeting**

1. The Holders' Meeting represents the ultimate authority of the internal management under the Plan. Where Holders entitled to over 10% of the total Entitlements request for a meeting, a Holders' Meeting shall be convened. All Holders are entitled to participate in such Holders' Meeting. The Holders may in person attend such Holders' Meeting and cast a vote, or appoint proxies to attend such Holders' Meeting and cast a vote. The travel expenses, accommodation fees, and other expenses incurred by such Holders and their proxies for attending such meeting shall be borne by themselves.
2. Any of the following matters are subject to consideration at the Holders' Meeting:
  - (1) a member is elected to or removed from the Management Committee;
  - (2) change and termination of the Plan and the extension of its term, which is subject to the proposal by the Board of Directors for the consideration and approval at the general meeting;
  - (3) when the Company raises fund through rights issue, issuance of new shares, convertible bonds, and other means within the term of the Plan, the Asset Management Agency and the Management Committee shall discuss as to whether or not to participate in the financing arrangement, and submit such proposal for consideration at the Holders' Meeting;
  - (4) the Management Committee is authorized to supervise the daily management of the Plan;
  - (5) the Management Committee is authorized to exercise the shareholders' right or the Asset Management Agency is authorized to exercise such shareholders' right;
  - (6) the Management Committee is authorized to take responsibility for the coordination with the Asset Management Agency;
  - (7) other matters that are considered by the Management Committee to be necessary for consideration by convening a Holders' Meeting.
3. The first Holders' Meeting shall be convened and chaired by the secretary of the Board, and subsequent Holders' Meetings will be convened by the Management Committee and chaired by the head of the Management Committee. If the head of the Management Committee fails to perform his/her duties, a member of the Management Committee as designated by the same will chair such meeting.

4. To convene a Holders' Meeting, the Management Committee shall issue a five-day prior written notice through direct service, mailing, fax, e-mail, or other means to all Holders. The written notice shall at least include the following:
  - (1) Time and place of the meeting;
  - (2) The way to convene the meeting;
  - (3) Proposed matters for consideration (proposals) at the meeting;
  - (4) The convener of the meeting and the chairperson, the proposer of the extraordinary meeting and its written proposal;
  - (5) The meeting materials necessary for voting at the meeting;
  - (6) The requirements for the Holders to attend the meeting in person or appoint other Holders as proxies to attend the meeting;
  - (7) Contact person and contact information; and
  - (8) Issuance date of the notice.

Oral notice for the meeting shall at least include information as set forth under items (1) and (2) above and explanations on the circumstances necessary to convene a Holders' Meeting on an urgent basis.

**5. *Voting procedures of the Holders' Meeting***

- (1) After each proposal has been fully discussed, the chairperson shall timely submit it to Holders present at the meeting for voting. The chairperson may also decide to submit all proposals to Holders present at the meeting for voting upon the completion of discussion of all proposals presented at the meeting. Voting is carried out by paper ballot.
- (2) Plan Holders shall have one vote for each share held corresponding to the Plan Entitlements of the Plan Holders.
- (3) Voting intention of Holders consists of the affirmative vote, negative vote and abstention. The Holders present at the meeting shall choose one of them. If any Holder fails to choose or chooses two or more options at the same time, it shall be deemed as abstention. The Holders who refuse to choose or fail to return after leaving the meeting without making any choice shall be deemed to have abstained from voting. Votes made after the chairperson of the Holders' Meeting announced the voting results or after the specified deadline for voting expired shall not be counted.

- (4) The chairperson of the Holders' Meeting shall announce the voting results immediately for physical meetings. Every resolution shall be deemed as having been passed and becoming the valid resolution of the Holders' Meeting only after more than 50% (excluding 50%) of the votes from Holders present at the meeting were cast in favour of such resolution.
  - (5) In the event that a resolution of Holders' Meeting must be proposed to the Company's Board of Directors or shareholders' general meeting for consideration and approval, it shall be submitted to the Company's Board of Directors or shareholders' general meeting for consideration and approval in accordance with the requirements of the Articles of Association.
  - (6) The chairperson of the meeting shall be responsible for making records of Holders' Meeting.
6. Employees who in aggregate hold more than 10% of voting rights of the Plan may submit an extraordinary proposal to Holders' Meeting and such proposal must be submitted to the Management Committee three days prior to the convening of a Holders' Meeting.

## **VII. APPOINTMENT PROCEDURES OF HOLDERS' REPRESENTATIVE OR AGENT**

### **(I) Management Committee**

1. The Plan shall establish a Management Committee as the day-to-day supervisory and administrative body of the Plan to exercise the rights of shareholders on behalf of the Holders. The Management Committee shall be responsible for the Plan.
2. The Management Committee comprises five members, namely four members and one head of the Management Committee. All members of the Management Committee shall be chosen from the Holders and be elected by Plan Holders presenting more than 50% (excluding 50%) voting rights of the Holders present at the Holders' Meeting, and persons receiving the highest number of votes in descending order shall be elected. The term of office of members of the Management Committee shall be the term of the Plan (including extension period).
3. Members of the Management Committee shall comply with laws and administrative regulations and shall perform duty of loyalty to the Plan as follows:
  - (1) not to abuse his position to accept bribes or other illegal income or embezzle the properties of the Plan;

- (2) not to misappropriate the capital of the Plan;
  - (3) not to set up accounts in his own name or in any other name to deposit any of the assets or capital of the Plan without the consent of the Management Committee;
  - (4) not to take advantage of his position to prejudice the interests of the Plan. Members of the Management Committee shall be accountable by indemnifying the Plan against any losses incurred by the Plan due to the violation of duty of loyalty.
4. The Management Committee shall have the following functions and responsibilities:
- (1) responsible for convening Holders' Meetings;
  - (2) supervise the daily administration of the Plan on behalf of all Plan Holders;
  - (3) to exercise the rights of shareholders on behalf of all Plan Holders or to authorise the Assets Management Agency to exercise the rights of shareholders;
  - (4) responsible for the coordination with the Asset Management Agency;
  - (5) to sign relevant agreements or contracts which the Management Committee is entrusted by the Company to sign for matters in connection with the Plan;
  - (6) to manage the distribution of interests from the Plan;
  - (7) to decide on the vesting of the remaining interests and the compulsorily transferred interests under the Plan;
  - (8) to handle the inheritance and registration of shares under the Plan;
  - (9) other responsibilities as authorized by the Holders' Meeting.



5. The head of the Management Committee shall have the following functions and powers:
  - (1) preside over the Holders' Meetings and convene and preside over meetings of the Management Committee;
  - (2) supervise and inspect the implementation of resolutions of Holders' Meetings and the Management Committee;
  - (3) other functions and powers as granted by the Management Committee.
6. Meetings of the Management Committee may be convened by the head of the Management Committee from time to time. Notice of meeting shall be sent to all members of the Management Committee three days prior to the convening of the meeting in writing or by post, telephone, facsimile, and other means.
7. Holders representing more than 10% of the voting rights of the Holders and over one-third of members of the Management Committee may propose an extraordinary meeting of the Management Committee. The head of the Management Committee shall convene and preside over the meeting of the Management Committee within five days after receiving such proposal.
8. A notice convening the meeting of the Management Committee shall include the following details:
  - (1) date and place of the meeting;
  - (2) term of the meeting;
  - (3) subject and agenda;
  - (4) date when the notice is issued.
9. The quorum of meetings of the Management Committee shall be a majority of members of the Management Committee. Any resolution of the Management Committee must only be valid upon passing by more than half of the members of the Management Committee. Each member of the Management Committee has one vote at meetings of the Management Committee.

10. The voting manner for resolutions of the Management Committee shall be vote by open ballot. Meetings of the Management Committee can make resolution by fax under the premise of safeguarding full expression of opinions of members of the Management Committee and with signature of the members of the Management Committee present at the meeting.
11. Meetings of the Management Committee shall be attended by the members in person; if a member fails to attend the meeting for any reason, he may, in writing, appoint any other member to attend the meeting on his behalf. The power of attorney shall set out the name of the proxy, the subject and scope of authorization and the period of the validity of the power of attorney, which shall be signed or officially sealed by the authorizing party. A member appointed as the proxy of another member to attend the meeting shall exercise the rights of a member within the scope of authority conferred by the appointing member. Where a member is unable to attend a meeting of the Management Committee and has not appointed a proxy to attend the meeting on his behalf, he shall be deemed to have waived his right to vote at the meeting.
12. The Management Committee shall keep minutes for all decisions made at its meetings in relation to the matters discussed thereat, which minutes shall be signed by members of the Management Committee present at the meeting.
13. The minutes of a meeting of the Management Committee shall include the following:
  - (1) Date and place of the meeting and name of the convener;
  - (2) Names of members of the Management Committee who attend the meeting in person either acting for themselves or other members (as proxies);
  - (3) Meeting agenda;
  - (4) Highlights of the deliberations of members of the Management Committee at the meeting;
  - (5) The voting method and result for each resolution (voting results should state the number of each of the affirmative, dissenting or abstaining votes).

**VIII. APPOINTMENT OF MANAGEMENT AGENCY, MAJOR TERMS OF MANAGEMENT AGREEMENT, AND MANAGEMENT FEES****(I) Appointment of Management Agency**

1. The Board of Directors of the Company shall determine and appoint a qualified Asset Manager as the management agency for the Plan.
2. The Company shall, on behalf of the Plan, enter into relevant agreements with the Asset Manager.

**(II) Major Terms of Management Agreement**

1. Name of the Asset Management Plan: to be determined.
2. Type of the Asset Management Plan: defined asset management plan.
3. Target size: no cap will be set, except that the accumulative number of Underlying Shares shall not exceed 10% of the total issued share capital of the Company as at the date on which the Plan is approved at shareholders' general meeting of the Company.
4. Term of the management: the term of the Asset Management Plan is expected to be 10 years (the actual term depends on selloff of the financial assets invested by the Asset Management Plan) and is subject to extension as may be mutually agreed by the Asset Manager, the entrusting party and the custodian.

**(III) Provision and Payment of Management Fees**

1. Participation fee rate: 0
2. Retreat fee rate: 0
3. Management fee rate: the appropriate management fee rate as agreed by the entrusting party and the Asset Manager.
4. Custodian fees: the appropriate custodian fee rate as agreed by the entrusting party and the Asset Manager.
5. Performance rewards: no performance-linked rewards will be charged.
6. Other fees: other than transaction fees, stamp duty, performance rewards and custodian fees, all other fees shall be charged based on the amounts actually incurred and paid out of the assets under custody of the Asset Manager in accordance with relevant laws and regulations and the specific provisions of respective contracts or agreements.

**IX. PARTICIPATION IN FINANCING ARRANGEMENTS OF THE COMPANY**

When the Company raises funds through rights issue, issue of new shares, issue of convertible bonds or other financing methods at any time during the term of the Plan, the Asset Management Agency and the Management Committee shall discuss whether or not to participate in such financing arrangement and submit the matter to Holders' Meeting for consideration.

**X. MODIFICATION AND TERMINATION OF THE PLAN AND DECISION-MAKING PROCEDURES****(I) Modification of the Plan**

During the term of the Plan, the Management Committee may, based on the specific situations of the Company, formulate and adjust the specific implementation plans for the Plan under the framework and principles as considered and approved at general meeting of the Company and in accordance with applicable laws, regulations and regulatory requirements, and such implementation plans shall be subject to consideration and approval of the Holders' Meeting and the Board of Directors of the Company.

**(II) Termination of the Plan**

The Plan shall automatically terminate when its term expires.

The Plan may be terminated in advance after the lock-up period expires, provided that such termination has been passed at the Holders' Meeting and considered and approved by shareholders at general meeting as proposed by the Board of Directors of the Company.

After the Plan is considered and approved, the shareholders' general meeting authorizes the Board of Directors to deal with matters relating to the Plan (including modification, termination (including early termination) and extension of the Plan) and authorizes the Board of Directors to further delegate such authorization to relevant external or internal agency(ies) or person(s).

**XI. MEASURES TO BE TAKEN FOR ENTITLEMENTS OF EMPLOYEES WHO CEASED TO BE QUALIFIED**

1. Except for certain special circumstances agreed in the Plan, any Entitlements subscribed for by the Holders (other than those being vested under their names) under the Plan shall not be transferred or withdrawn, or used for the purposes of creating any charge, pledge or security thereon or repaying of debts during the term of the Plan.

2. In the event of incapacity of a Holder, the vested shares of such Holder or the Entitlements such Holder has subscribed for and paid subscription monies shall not be affected.

In the event of retirement of a Holder due to reaching the age of statutory retirement, no change shall be made to the vested shares of such Holder or the Entitlements such Holder has subscribed for and paid subscription monies.

In the event of death of a Holder, no change shall be made to the vested shares of such Holder or the Entitlements such Holder has subscribed for and paid subscription monies, which shall be inherited by his/her lawful successor.

3. In the event that a Holder terminates employment with the Company due to expiration of his/her service contract, being held criminally responsible, resignation or dismissal by the Company as a result of violating regulations of the Company during the term of the Plan, the Entitlements he/she has subscribed for and paid subscription monies shall be subject to mandatory assignment.
4. In the event of mandatory assignment of the Entitlements a Holder has subscribed for and paid subscription monies, the assignee shall be determined by the Management Committee, who shall pay the Holder the consideration of the assignment which shall be the lower of the subscription costs of such Entitlements and the corresponding market value.

## **XII. MEASURES TO BE TAKEN FOR SHARES HELD AFTER EXPIRATION OF THE PLAN**

The term of the Plan may be extended two months in advance prior to its expiry, provided that such extension shall be subject to consideration and approval at a Holders' Meeting and consideration and approval by the shareholders at general meeting of the Company as proposed by the Board of Directors of the Company.

In the event that the term of the Plan is not extended upon expiry, liquidation shall be completed within 15 working days after the expiration and relevant assets will be distributed to the Holders in proportion to their respective actual contributions.

## **XIII. OTHER IMPORTANT MATTERS**

### **1. Procedures for Implementing the Plan**

- (1) This Draft Plan shall be subject to consideration of the Board of Directors of the Company, and independent directors and the supervisory committee shall give their opinions as to whether the Plan is conducive to the sustainable development of the Company, or whether the Plan would jeopardize the interests of the Company and its shareholders as a whole, or whether there exists any circumstance where employees are forced to participate in the Plan by way of apportionment, compulsory allocation and other methods.

- (2) The Company shall make timely announcement on the Board resolutions and the summary of the Draft Plan, and disclose the full text of the Draft Plan, opinions of the independent directors, opinions of the supervisory committee and the asset management agreement entered into with the Asset Management Agency on the website of the Shanghai Stock Exchange.
  - (3) The Company shall fully solicit the views of its employees on the Plan proposed by the Board of Directors of the Company through employee representatives meeting and other means, and make timely disclosures of the consultation and relevant resolutions.
  - (4) A law firm shall be engaged by the Company to issue a legal opinion on the Plan.
  - (5) A general meeting shall be convened for shareholders to consider and approve the Plan, at which both onsite and online voting will be adopted. The Plan shall be implemented upon approval by shareholders at the general meeting.
  - (6) A Holders' Meeting shall be convened for the purposes of electing members of the Management Committee and determining the specific matters relating to implementation of the Plan. The convening of, and resolutions passed at, the meeting shall be disclosed on a timely basis.
  - (7) Other procedures as required by the CSRC, stock exchanges (including the Shanghai Stock Exchange and the Hong Kong Stock Exchange) and relevant State-owned assets supervision authorities.
2. The consideration and approval of the Plan by the Board of Directors and the general meeting of the Company does not mean that the Holders shall have rights to continue their services with the Company or its subsidiaries nor does it constitute commitments of the Company or its subsidiaries to their respective employment term. The rights and obligations as the employer and employee between the Company or its subsidiaries and relevant Holder shall be performed in accordance with the service contract.
  3. The tax burden incurred by any Holder for participating in the Plan shall be governed by relevant tax regulations and borne by the Holder.

4. Shareholders' general meeting will authorize the Board of Directors to handle the matters relating to the Plan, including, but not limited to, the following:
  - (1) Authorization to the Board of Directors to handle the registration and settlement matters relating to the Plan;
  - (2) Authorization to the Board of Directors to handle other necessary matters required for the Plan, other than the rights required to be exercised by general meeting under relevant documents.
5. The power of interpretation of the Plan shall be vested in the Board of Directors of Haitong Securities Co., Ltd.

The Board of Directors of  
**Haitong Securities Co., Ltd.**

July 2015