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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt about any aspect of this supplemental 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 adviser.

If you have sold or transferred all your shares in China CITIC Financial Asset Management Co., Ltd., you should at once hand this supplemental circular with the accompanying supplemental proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**中国中信金融资产**  
**China CITIC Financial AMC**

**中國中信金融資產管理股份有限公司**  
**China CITIC Financial Asset Management Co., Ltd.**

*(A joint stock limited liability company incorporated in the People's Republic of China)*  
(Stock Code: 2799)

**MAJOR TRANSACTION AND CONNECTED TRANSACTION  
ENTERING INTO OF THE SHARE TRANSFER AGREEMENT  
AND  
SUPPLEMENTAL NOTICE OF EGM**

**Independent Financial Adviser to the Independent Board Committee and  
the Independent Shareholders**



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This supplemental circular (the “**Supplemental Circular**”) shall be read in conjunction with the circular of the EGM (the “**First Circular**”) dated 5 June 2024.

Notice of the EGM of the Company to be held at 4:00 p.m. on Wednesday, 26 June 2024 at Conference Room 1221, No. 8 Financial Street, Xicheng District, Beijing, the PRC is set out in the First Circular. The supplemental notice of the EGM dated 11 June 2024 is set out in this Supplemental Circular. The resolution as set out in this Supplemental Circular will be submitted to the EGM for consideration. The supplemental proxy form for the EGM (the “**Supplemental Proxy Form**”) is enclosed in this Supplemental Circular and is published on the websites of the Company ([www.chamc.com.cn](http://www.chamc.com.cn)) and the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

If you wish to appoint a proxy to attend the EGM on your behalf, you are required to complete and return the accompanying Supplemental Proxy Form in accordance with the instructions printed thereon no later than 24 hours before the time scheduled for holding the EGM (i.e. before 4:00 p.m. on Tuesday, 25 June 2024) or any adjournment thereof (as the case may be). Completion and return of the Supplemental Proxy Form will not preclude you from attending and voting in person at the EGM or at any adjournment thereof should you so wish. The proxy form enclosed in the First Circular (the “**First Proxy Form**”) that has been returned to the H Share Registrar of the Company will remain valid and effective to the extent applicable if correctly completed.

Unless otherwise indicated, capitalised terms used herein shall have the same meanings as those defined in the First Circular.

11 June 2024

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## CONTENTS

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|  | <i>Page</i> |
|--|-------------|
| <b>DEFINITIONS</b> .....   | 1           |
| <b>LETTER FROM THE BOARD</b> .....   | 4           |
| 1. Introduction .....  | 4           |
| 2. Matters to be Considered at the EGM .....                               | 4           |
| 3. The Share Transfer Agreement.....                                       | 5           |
| 4. The EGM .....   | 11          |
| 5. Recommendation .....  | 12          |
| 6. Responsibility Statement .....  | 12          |
| <b>APPENDIX I LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....        | 13          |
| <b>APPENDIX II LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b> .....     | 14          |
| <b>APPENDIX III SUMMARY OF ASSET VALUATION REPORT</b> .....                | 33          |
| <b>APPENDIX IV FURTHER INFORMATION ON THE ASSET VALUATION REPORT</b> ..... | 63          |
| <b>APPENDIX V FINANCIAL INFORMATION OF THE GROUP</b> .....                 | 76          |
| <b>APPENDIX VI GENERAL INFORMATION</b> .....                               | 81          |
| <b>SUPPLEMENTAL NOTICE OF EGM</b> .....                                    | 87          |

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## DEFINITIONS

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

|                                   |   |
|-----------------------------------|---|
| “Articles of Association”         | the Articles of Association of the Company, as amended from time to time  |
| “associate(s)”                    | has the meaning ascribed thereto under the Listing Rules  |
| “Board”                           | the board of Directors of the Company   |
| “CITIC Group”                     | CITIC Group Corporation, a substantial shareholder of the Company, whose ultimate beneficial owner is the MOF   |
| “close associate(s)”              | has the meaning ascribed thereto under the Listing Rules  |
| “Company”                         | China CITIC Financial Asset Management Co., Ltd., a joint stock limited liability company incorporated in the PRC, the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange     |
| “Completion Date”                 | the date on which CITIC Group paid the total consideration of the Disposal to the Company   |
| “connected person(s)”             | has the meaning ascribed thereto under the Listing Rules  |
| “Debt-to-Equity Swap(s)” or “DES” | the practice of converting indebtedness owed by the obligors to equity  |
| “Director(s)”                     | the director(s) of the Company  |
| “Disposal”                        | the related matters of the Company’s transfer of the Target Shares to CITIC Group pursuant to the Share Transfer Agreement  |
| “Domestic Share(s)”               | ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for or credited as fully paid in RMB   |
| “Domestic Shareholder(s)”         | the holder(s) of Domestic Shares  |
| “EGM”                             | the third extraordinary general meeting of 2024 to be convened by the Company at 4:00 p.m. on Wednesday, 26 June 2024 at Conference Room 1221, No. 8 Financial Street, Xicheng District, Beijing, the PRC |
| “Financial Leasing Company”       | China Huarong Financial Leasing Co., Ltd., a joint stock limited liability company incorporated in the PRC  |
| “Financial Leasing Company Group” | Financial Leasing Company and its subsidiaries  |
| “Group”                           | the Company and its subsidiaries  |

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## DEFINITIONS

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|---|--|
| “H Share(s)”  | ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in HKD and listed on the Main Board of the Hong Kong Stock Exchange  |
| “H Shareholder(s)”                                    | the holder(s) of H Shares  |
| “HK\$” or “HKD”                                       | the lawful currency of Hong Kong   |
| “Hong Kong”   | the Hong Kong Special Administrative Region of the PRC   |
| “Hong Kong Stock Exchange”                            | The Stock Exchange of Hong Kong Limited  |
| “Huarong Consumer Finance”                            | BNB Consumer Finance Ltd. (formerly known as Huarong Consumer Finance Co., Ltd.)   |
| “Huarong Securities”                                  | China Reform Securities Co., Ltd. (formerly known as Huarong Securities Co., Ltd.)   |
| “Huarong Trust”                                       | Huarong International Trust Co., Ltd.  |
| “Huarong Xiangjiang Bank”                             | Bank of Hunan Co., Ltd. (formerly known as Huarong Xiangjiang Bank Corporation Limited)  |
| “Independent Board Committee”                         | the independent board committee comprising Mr. Shao Jingchun, Mr. Zhu Ning, Ms. Chen Yuanling and Mr. Lo Mun Lam, Raymond, all being independent non-executive Directors, established by the Company to advise the Independent Shareholders on the Share Transfer Agreement and the transaction contemplated thereunder                                      |
| “Independent Financial Adviser” or “Zero2IPO Capital” | Zero2IPO Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Share Transfer Agreement and the transaction contemplated thereunder |
| “Independent Shareholder(s)”                          | Shareholder(s) other than those required to abstain from voting on the resolution in relation to the Share Transfer Agreement and the transaction contemplated thereunder to be proposed at the EGM pursuant to the Listing Rules  |
| “Latest Practicable Date”                             | 7 June 2024, being the latest practicable date prior to the printing of this Supplemental Circular for the purpose of ascertaining certain information contained herein  |
| “Listing Rules”                                       | the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended from time to time  |
| “MOF”   | the Ministry of Finance of the PRC   |
| “NFRA”  | the National Financial Regulatory Administration of the PRC  |

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## DEFINITIONS

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|--------------------------------------|--|
| “PRC” or “China”                     | the People’s Republic of China   |
| “RMB”                                | the lawful currency of the PRC   |
| “SFO”                                | Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), as amended from time to time                                       |
| “Share(s)”                           | share(s) of the Company, including Domestic Share(s) and H Share(s)  |
| “Share Transfer Agreement”           | the share transfer agreement dated 28 May 2024 entered into between the Company and CITIC Group in relation to the Disposal              |
| “Shareholder(s)”                     | holder(s) of the Share(s) of the Company   |
| “subsidiary(ies)”                    | has the meaning ascribed thereto under the Listing Rules   |
| “substantial shareholder(s)”         | has the meaning ascribed thereto under the Listing Rules   |
| “Supervisor(s)”                      | supervisor(s) of the Company   |
| “Target Shares”                      | 60% of the issued shares in Financial Leasing Company held by the Company (being 7,538,222,567 shares as of the Latest Practicable Date) |
| “Valuation Reference Date”           | 30 June 2023   |
| “Valuer” or<br>“China United Assets” | China United Assets Appraisal Group Co., Ltd.  |
| “%”                                  | per cent   |



**中国中信金融资产**  
**China CITIC Financial AMC**

**中國中信金融資產管理股份有限公司**  
**China CITIC Financial Asset Management Co., Ltd.**

*(A joint stock limited liability company incorporated in the People's Republic of China)*  
**(Stock Code: 2799)**

*Executive Directors:*

Mr. Liu Zhengjun (*Chairman*)  
Mr. Li Zimin (*President*)

*Non-executive Directors:*

Ms. Zhao Jiangping  
Mr. Xu Wei  
Mr. Tang Hongtao

*Independent Non-executive Directors:*

Mr. Shao Jingchun  
Mr. Zhu Ning  
Ms. Chen Yuanling  
Mr. Lo Mun Lam, Raymond

*Registered Office:*

No. 8 Financial Street, Xicheng District  
Beijing  
the PRC

*Principal Place of Business  
in Hong Kong:*

40th Floor, Dah Sing Financial Centre  
No. 248 Queen's Road East  
Wanchai, Hong Kong

11 June 2024

Dear Sir or Madam,

**MAJOR TRANSACTION AND CONNECTED TRANSACTION  
ENTERING INTO OF THE SHARE TRANSFER AGREEMENT  
AND  
SUPPLEMENTAL NOTICE OF EGM**

**1. INTRODUCTION**

Reference is made to the circular of the EGM dated 5 June 2024 of the Company. The purpose of this Supplemental Circular is to provide you with the information regarding the supplemental resolution to be proposed at the EGM to enable you to make an informed decision on whether to vote for or against the supplemental resolution at the EGM.

**2. MATTERS TO BE CONSIDERED AT THE EGM**

The supplemental resolution to be proposed at the EGM for consideration and approval by Shareholders is to consider and approve the entering into of the Share Transfer Agreement and the transaction contemplated thereunder. The above resolution is a special resolution.

Details of the matters to be considered at the EGM are set out in the supplemental notice of EGM on pages 87 to 89 in this Supplemental Circular. In order to enable you to have a better understanding of the supplemental resolution to be proposed at the EGM and to make well-informed decisions, this Supplemental Circular provides detailed information on matters to be supplementarily considered at the EGM.

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## LETTER FROM THE BOARD

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### 3. THE SHARE TRANSFER AGREEMENT

The Company transfers the Target Shares to CITIC Group by virtue of an agreement pursuant to the requirements of the MOF on the transfer of state-owned assets in financial enterprises. On 28 May 2024 (after trading hours), the Company entered into the Share Transfer Agreement with CITIC Group, pursuant to which the Company conditionally agreed to transfer and CITIC Group conditionally agreed to purchase the Target Shares, representing 60% of the issued shares of Financial Leasing Company. The total consideration of the Disposal is RMB11,997,543,239.36. Upon completion of the Disposal, the Company will hold 19.92% of the issued shares of Financial Leasing Company, Financial Leasing Company will cease to be the Company's subsidiary and its financial results will not be consolidated into the Group's financial statements.

#### **Share Transfer Agreement**

Principal terms of the Share Transfer Agreement are set out as follows:

#### ***Date***

28 May 2024

#### ***Parties***

The Company, as transferor; and

CITIC Group, as transferee.

#### ***Disposal***

As at the Latest Practicable Date, the Company held 10,041,001,883 shares of Financial Leasing Company, representing 79.92% of the issued shares of Financial Leasing Company. The Company conditionally agreed to transfer and CITIC Group conditionally agreed to purchase the Target Shares, representing 60% of the issued shares of Financial Leasing Company.

#### ***Consideration***

The total consideration for the Disposal is RMB11,997,543,239.36 (excluding the related transaction costs). CITIC Group shall make a lump sum payment to the receiving account designated by the Company of the total consideration for the Disposal within 10 business days after the various regulatory approvals relating to the Disposal (the approval from the MOF and the NFRA) and the Share Transfer Agreement become effective.

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## LETTER FROM THE BOARD

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The consideration for the Disposal was determined after arm's length negotiations between the Company and CITIC Group on normal commercial terms, after taking into consideration various factors, including (a) the valuation of 100% equity interests in Financial Leasing Company as assessed by the Valuer of RMB19,995.9054 million as at the Valuation Reference Date, being 30 June 2023; (b) the audited net asset value of Financial Leasing Company being RMB19,707,669,685 as at 31 December 2023; and (c) the factors set out in the section headed "Reasons for and Benefits of the Share Transfer Agreement and the Transaction contemplated thereunder", such as capital will be released through the Disposal to be used for the development of the Group's core business, which is beneficial to the Group in reinforcing and strengthening its core business, concentrating more resources and energy on the development of its core business of distressed asset management. As such, the Board is of the view that the consideration is appropriate and in the interests of the Company and Shareholders.

The Company has selected China United Assets as the asset appraiser for the Disposal. The asset valuation of Financial Leasing Company has been completed and reported to the MOF for its record, a summary of which and supplementary information are set out in Appendices III and IV to this Supplemental Circular. The Valuation Reference Date of the asset valuation is on 30 June 2023. The Valuation Reference Date was determined based on the comprehensive consideration of factors such as the asset size, workload, expected time required and compliance requirements of Financial Leasing Company. Having considered the above factors, China United Assets appraised the value of Financial Leasing Company based on the Valuation Reference Date. According to the rules in relation to the transfer of state-owned assets, the validity period of the asset valuation report is one year. According to Article 10 of the Practice Standards for Assets Appraisal — Asset Valuation Reports (Zhong Ping Xie [2018] No. 35): the valuation report should specify the validity period for the use of valuation conclusions. Generally, the asset valuation report can only be used when the period between the valuation reference date and the economic behavior realization date (i.e., the date of entering into of the transactional agreement) does not exceed one year. As such, the date of the Share Transfer Agreement must be within one year after the Valuation Reference Date. After the Company started the preparation for the transfer of Financial Leasing Company, in July 2023, it selected and commissioned China United Assets to carry out asset value due diligence and assessment. China United Assets commenced on-site due diligence at the end of July 2023, including conducting interviews to understand the current and expected business operation of Financial Leasing Company, collecting and reviewing material contract information, investigating and verifying material assets, collecting relevant ownership information, and conducting spot check and verification towards the original accounting information of business, etc. China United Assets prepared the draft report in early September 2023 and submitted it for the internal review of Financial Leasing Company. The report passed the internal review of Financial Leasing Company in mid-September 2023, and the pre-valuation report was issued. The Company also conducted internal review on the pre-valuation report. In December 2023, the Company requested China United Assets to issue the formal valuation report upon obtaining economic behavior documents for the transfer, and performed internal approval procedure on the asset valuation report. Meanwhile, the Company applied to the MOF for asset valuation project filing according to the requirements of state-owned financial asset valuation management. The Company received the first round of review comments from the appraisal experts of the MOF in mid-February 2024, and was approved for filing by the MOF in late April 2024 after going through multiple responses. The above procedures took nearly ten months. There has been no material change to the business operation or financial performance of Financial Leasing Company since the Valuation Reference Date. Based on the above, the Directors consider that the Valuation Reference Date is reasonable.



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## LETTER FROM THE BOARD

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### *Conditions Precedent*

The Share Transfer Agreement will become effective upon the fulfilment of the following conditions:

- (1) each of the Company and CITIC Group has obtained relevant internal approvals and authorizations required by the laws of the PRC and its articles of association in relation to the Disposal (including the Independent Shareholders' approval);
- (2) the Disposal has been approved by the MOF;
- (3) the shareholders' meeting of Financial Leasing Company considered and approved the change of equity and the corresponding amendments to its articles of association; and
- (4) the NFRA has approved the change in Financial Leasing Company's equity in relation to the Disposal.

As at the Latest Practicable Date, none of the above conditions had been fulfilled save for (2) above. Under the Share Transfer Agreement, there is no specific circumstance mentioned therein where the above conditions precedent may be waived.

### *Transitional Period Arrangements*

The period from the Valuation Reference Date to the last day of the month in which the Completion Date falls shall be the transitional period of the Disposal. CITIC Group shall be entitled to any profit or loss of Financial Leasing Company during the transition period. According to the rules in relation to the transfer of state-owned assets, the validity period of the asset valuation report is one year. Due to the internal procedures of the Company and the procedures in relation of state-owned assets transfer, the asset valuation report prepared by China United Assets was finalised and approved on 29 March 2024. Based on the Group's past practice and as the consideration for the Disposal was determined primarily based on the valuation of Financial Leasing Company as at the Valuation Reference Date, and there is no consideration adjustment arrangement under the Share Transfer Agreement, the Directors considered that the profits or losses of Financial Leasing Company after the Valuation Reference Date entitled to or borne by CITIC Group is reasonable although the Valuation Reference Date is 30 June 2023.

In addition to the above, all rights, obligations and risks in respect of the Target Shares will be transferred to CITIC Group from the Completion Date. After the Completion Date, the Company and CITIC Group shall jointly urge and cooperate with Financial Leasing Company in the industrial and commercial registration and filing of changes in relation to the Disposal.

### *Completion*

Completion of the Disposal shall take place on the date on which CITIC Group pays the total consideration to the Company.

### **Information of Financial Leasing Company**

Financial Leasing Company is a joint stock limited liability company incorporated in the PRC. Financial Leasing Company is a national non-banking financial institution regulated by the NFRA. It is held by the Company as at the date of the Share Transfer Agreement as to 79.92% of its issued shares and is a subsidiary of the Company. Its main scope of business is to carry out financial leasing business and other businesses approved by the NFRA.

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## LETTER FROM THE BOARD

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Set out below is the relevant financial information of Financial Leasing Company Group as extracted from its financial statements:

|              | <b>As at<br/>31 December<br/>2023</b><br><i>(in millions of RMB)</i><br>(audited) |  |
|--------------|---|--|
| Total assets | 117,642   |  |
| Net assets   | 19,708  |  |

  

|                        | <b>As at<br/>31 December<br/>2022</b><br><i>(in millions of<br/>RMB)</i><br>(audited) | <b>As at<br/>31 December<br/>2023</b><br><i>(in millions of<br/>RMB)</i><br>(audited) |
|------------------------|---|---|
| Revenue                | 7,557   | 5,850   |
| Profit before taxation | 1,617   | 132   |
| Net profit             | 1,228   | 158   |

### **Reasons for and Benefits of the Share Transfer Agreement and the Transaction contemplated thereunder**

The Board is of the view that the Disposal helps the Company to return to its source and focus on core business to ensure its sustainable operation and development, which is in compliance with the requirements from regulatory authorities on financial asset management companies to gradually exit the non-core business. In addition, the gains and losses from disposal generated in the parent company's financial statements due to the disposal of this part of the equity can replenish the core tier-one capital of the parent company in one go. After taking into account the impact of income tax and stamp duty, a capital replenishment effect of more than RMB6.3 billion can be achieved and the released capital can be used for the development of the Group's core business of distressed assets, which is beneficial to the Group in reinforcing and strengthening its core business, concentrating more resources and energy on the development of its core business of distressed asset management, and is beneficial to the Group's future development and the long-term benefits of the Shareholders. Upon the completion of the Disposal, the securities, banks, trusts, leasing and consumer finance business in the original financial services business segment have been sold, and the Company will hold non-controlling equity interest of Financial Leasing Company, being 19.92% of issued shares of Financial Leasing Company. Subsequently, the Company will readjust the description of the Company's principal businesses in the annual report and other external disclosure documents.

After implementing the transfer of five licensed subsidiaries, including Huarong Securities and Huarong Trust, the Company has been proceeding with the transfer of the remaining licensed subsidiaries in an orderly manner under the market-oriented and law-based principle. The Disposal is an important measure to implement the regulatory requirements in the early stage. Upon completion of the Disposal, it will be conducive to the Company's focus on its core business, giving full play to its functional advantages, preventing and resolving financial risks, supporting small and medium-sized financial institutions in reforming and reducing risks, contributing to the maintenance of the stable operation and healthy development of the financial market.

In view of the above factors, the Directors (including the independent non-executive Directors) are of the view that although the Share Transfer Agreement and the transaction contemplated thereunder are not entered into in the ordinary and usual course of business of the Group, the terms and conditions of the Share Transfer Agreement and the transaction contemplated thereunder have been entered into on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. As (1) Mr. Liu Zhengjun and Mr. Xu Wei hold positions in CITIC Group; and (2) Mr. Li Zimin was recommended by CITIC Group as a Director, Mr. Liu Zhengjun, Mr. Li Zimin and Mr. Xu Wei are deemed to be interested in the Share Transfer Agreement and the transaction contemplated thereunder and they have abstained from voting on the Board resolution in relation to approving the entering into of the Share Transfer Agreement and the transaction contemplated thereunder. Save as aforesaid, none of the Directors have a material interest in the Share Transfer Agreement and the transaction contemplated thereunder.

## LETTER FROM THE BOARD

### Financial Impact of the Disposal on the Group

As at the Latest Practicable Date, Financial Leasing Company is a direct non-wholly-owned subsidiary of the Company, and its financial results and financial position are consolidated into the Group's financial statements. Upon completion of the Disposal, the Company will hold and retain 2,502,779,316 shares of Financial Leasing Company, representing 19.92% of its issued shares. After the Disposal, Financial Leasing Company will become an associate of the Company and cease to be the Company's subsidiary, and its financial results will not be consolidated into the Group's financial statements. The Company will account for its remaining equity interest in Financial Leasing Company under "interest in associates and joint ventures".

Based on preliminary assessment, assuming that the Disposal had taken place as at 31 December 2023, upon the Completion Date, the unaudited net profit after tax expected to be recognised in the unconsolidated financial statements of the Company due to the Disposal amounted to approximately RMB6.378 billion. The details of the unaudited net profit and loss after tax to be recognized by the Group and the Company due to the Disposal based on the consolidated financial statements of the Group and the unconsolidated financial statement of the Company are set out in the table below:

Unit: RMB

|     | Items   | The Group         | The Company       |
|-----|---|-------------------|-------------------|
| (1) | Total consideration of the Disposal   | 11,997,543,239.36 | 11,997,543,239.36 |
| (2) | Fair value of 2,502,779,316 shares of Financial Leasing Company retained by the Group   | 3,965,025,479.29  | N/A               |
| (3) | Proportion of net assets of Financial Leasing Company attributable to the Group as at 31 December 2023  | 15,750,369,612.37 | N/A               |
| (4) | Carrying amount of 7,538,222,567 shares of Financial Leasing Company disposed of by the Company   | N/A               | 4,855,505,058.98  |
| (5) | Amount of other comprehensive income related to its equity investment in Financial Leasing Company reclassified to profit or loss for the period when the Group lost control thereof as at 31 December 2023 | 56,379,846.29     | N/A               |
| (6) | Gains from the Disposal*  | 212,199,106.28    | 7,142,038,180.38  |
| (7) | Estimated amount of tax to be accrued based on the consideration and investment cost*   | 795,966,787.96    | 795,966,787.96    |
| (8) | 2023 net profit of Financial Leasing Company enjoyed by the Company calculated by using the equity methods based on the percentage of remaining shareholding  | N/A               | 31,475,791.90     |
|     | Unaudited net profit/(loss) after tax to be recognised due to the Disposal*   | (527,387,835.39)  | 6,377,547,184.32  |

\*Note: The gains expected to accrue to the Group from the Disposal = (1) + (2) – (3); the gains expected to accrue to the Company from the Disposal = (1) – (4).

The estimated amount of tax to be accrued based on the consideration and investment cost is estimated based on the theoretical maximum. Taking into account the actual tax liability of the taxpayer, the ultimate and actual tax cost may not lead to a decrease in the net profit of the Group attributable to the parent company.

The unaudited net profit/(loss) after tax to be recognised by the Group due to the Disposal = (1) + (2) – (3) + (5) – (7); the unaudited net profit/(loss) after tax to be recognised by the Company due to the Disposal = (1) – (4) – (7) + (8).

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## LETTER FROM THE BOARD

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Assuming that the Disposal had taken place as at 31 December 2023, upon the Completion Date, the Group's total assets and total liabilities will decrease by approximately RMB101,679 million and approximately RMB97,138 million, respectively, as a result of the Disposal. Assuming that the Disposal had been completed as at 1 January 2023, the net profit attributable to the Shareholders of the Company in 2023 would be expected to decrease by RMB95 million, without taking into account the impact on nonrecurring profit and loss resulting from the Disposal during the year.

The financial impact of the Disposal on the Group is subject to final audit by the Company's auditor upon completion of the Disposal.

Upon the Completion Date, the proceeds from the Disposal will be used to replenish the Company's capital and general working capital for the purpose of conducting the distressed asset management business.

### **Listing Rules Implications**

As the highest applicable percentage ratio in respect of the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, CITIC Group held 21,230,929,783 Domestic Shares of the Company, representing 26.46% of the total issued Shares of the Company. CITIC Group is a substantial shareholder of the Company and constitutes a connected person of the Company under Chapter 14A of the Listing Rules. The Share Transfer Agreement and the transaction contemplated thereunder therefore constitute connected transactions of the Company, and are subject to the reporting, announcement, circular (including independent financial adviser) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **General Information**

The Company mainly engages in distressed asset management, financial services, and asset management and investment businesses in PRC.

As a company incorporated in the PRC with limited liability, CITIC Group is a large state-owned comprehensive multinational corporation operating in five business sectors: comprehensive financial service, advanced intelligent manufacturing, advanced materials, new consumption, and new-type urbanization. The ultimate beneficial owner of CITIC Group is the MOF.

The above resolution has been considered and passed by the Board and is being submitted to the EGM for the Independent Shareholders' consideration.

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## LETTER FROM THE BOARD

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### 4. THE EGM

The Supplemental Proxy Form in respect of the supplemental resolution is enclosed in this Supplemental Circular. The First Proxy Form enclosed in the First Circular that has been returned to the H Share Registrar of the Company will remain valid and applicable to the permissible extent if correctly completed. The Supplemental Proxy Form will not affect the validity of any proxy form duly completed and returned by you in respect of the resolution set out in the notice of the EGM dated 5 June 2024 (the “**First Notice**”). If you have validly appointed a proxy to attend the EGM on your behalf but do not duly complete and return the Supplemental Proxy Form, your proxy will be entitled to vote at discretion on your behalf on the supplemental resolution set out in the supplemental notice of the EGM dated 11 June 2024 (the “**supplemental notice**”). If you do not duly complete and return the First Proxy Form but have duly completed and returned the Supplemental Proxy Form and validly appointed a proxy to attend the EGM on your behalf, your proxy will be entitled to vote at discretion on your behalf on the resolution set out in the First Notice.

Please refer to the First Notice and the First Circular for details of the other resolution to be submitted to the EGM for consideration, eligibility for attending, proxy, registration procedures, closure of register of members and other matters.

We hereby remind you that, according to Article 65 of the Articles of Association, where the number of equity interests of the Company pledged by a Shareholder reaches or exceeds 50% of the equity interests held by such Shareholder in the Company, no voting right in respect of the pledged equity interests shall be exercised at the Company’s general meeting of Shareholders until the ceasing of the relevant condition.

In accordance with Rules 2.15 and 14A.36 of the Listing Rules, where a transaction or arrangement is subject to shareholders’ approval, any shareholder and its close associates that have a material interest in the transaction or arrangement shall abstain from voting on the resolution approving the transaction or arrangement at the relevant general meeting. As at the Latest Practicable Date, CITIC Group held 21,230,929,783 Domestic Shares of the Company, representing 26.46% of the total issued Shares of the Company, which shall abstain from voting at the EGM on the resolution approving the entering into of the Share Transfer Agreement and the transaction contemplated thereunder.

Save as disclosed above, to the best knowledge, information and belief of the Directors, no other Shareholders are required to abstain from voting on the supplemental resolution to be proposed at the EGM.

Voting at the EGM shall be taken by way of registered poll.

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## LETTER FROM THE BOARD

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### 5. RECOMMENDATION

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that although the entering into of the Share Transfer Agreement and the transaction contemplated thereunder is not in the ordinary and usual course of business of the Group, the terms and conditions of the Share Transfer Agreement and the transaction contemplated thereunder are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution in relation to the entering into of the Share Transfer Agreement and the transaction contemplated thereunder. The letter from the Independent Board Committee is set out in Appendix I to this Supplemental Circular.

The Directors (including the independent non-executive Directors) are of the view that although the entering into of the Share Transfer Agreement and the transaction contemplated thereunder is not in the ordinary and usual course of business of the Group, the terms and conditions of the Share Transfer Agreement and the transaction contemplated thereunder are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Shareholders to vote in favour of the supplemental resolution to be proposed at the EGM.

As (i) Mr. Liu Zhengjun and Mr. Xu Wei hold positions in CITIC Group; and (ii) Mr. Li Zimin was recommended by CITIC Group as a Director, Mr. Liu Zhengjun, Mr. Li Zimin and Mr. Xu Wei are deemed to be interested in the Share Transfer Agreement and the transaction contemplated thereunder and they have abstained from voting on the Board resolution in relation to approving the entering into of the Share Transfer Agreement and the transaction contemplated thereunder. Save as aforesaid, none of the Directors have a material interest in the Share Transfer Agreement and the transaction contemplated thereunder.

You should pay attention to other sections of and the appendices to this Supplemental Circular.

### 6. RESPONSIBILITY STATEMENT

This Supplemental 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 Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this Supplemental 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 Supplemental Circular misleading.

By order of the Board  
**China CITIC Financial Asset Management Co., Ltd.**  
**LIU Zhengjun**  
*Chairman*



**中国中信金融资产**  
**China CITIC Financial AMC**

**中國中信金融資產管理股份有限公司**  
**China CITIC Financial Asset Management Co., Ltd.**

*(A joint stock limited liability company incorporated in the People's Republic of China)*  
**(Stock Code: 2799)**

*To the Independent Shareholders,*

Dear Sir or Madam,

11 June 2024

**MAJOR TRANSACTION AND CONNECTED TRANSACTION  
ENTERING INTO OF THE SHARE TRANSFER AGREEMENT**

We refer to the circular of the Company dated 5 June 2024 (the “**Circular**”) and the supplemental circular of the Company dated 11 June 2024 (the “**Supplemental Circular**”), of which this letter forms part. Unless otherwise indicated, capitalized terms used in this letter shall have the same meanings as those defined in the Circular and the Supplemental Circular.

We have been appointed by the Board as members of the Independent Board Committee to consider and advise the Independent Shareholders as to the Share Transfer Agreement and the transaction contemplated thereunder. Zero2IPO Capital has been appointed as the Independent Financial Adviser in this regard.

We wish to draw your attention to the “Letter from the Board” and the “Letter from the Independent Financial Adviser” as set out in the Supplemental Circular. Having considered the principal factors and reasons, and the advice of Zero2IPO Capital as set out in the “Letter from the Independent Financial Adviser”, we consider that although the entering into of the Share Transfer Agreement and the transaction contemplated thereunder is not in the ordinary and usual course of business of the Group, the terms and conditions of the Share Transfer Agreement and the transaction contemplated thereunder are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favor of the resolution in relation to the entering into of the Share Transfer Agreement and the transaction contemplated thereunder at the EGM.

Yours faithfully

On behalf of the Independent Board Committee of  
**China CITIC Financial Asset Management Co., Ltd.**

**SHAO Jingchun**  
*Independent  
non-executive  
Director*

**ZHU Ning**  
*Independent  
non-executive  
Director*

**CHEN Yuanling**  
*Independent  
non-executive  
Director*

**Lo Mun Lam, Raymond**  
*Independent  
non-executive  
Director*

*Set out below is the text of a letter received from Zero2IPO Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal for the purpose of inclusion in this Supplemental Circular.*



Unit No. 1506B, Level 15,  
International Commerce Centre,  
1 Austin Road West, Kowloon,  
Hong Kong

11 June 2024

*To the Independent Board Committee and the Independent Shareholders  
of China CITIC Financial Asset Management Co., Ltd.*

*Dear Sirs/Madams,*

## **MAJOR TRANSACTION AND CONNECTED TRANSACTION ENTERING INTO OF THE SHARE TRANSFER AGREEMENT**

### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the entering into of the Share Transfer Agreement and the transaction contemplated thereunder in this supplemental circular, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the supplemental circular dated 11 June 2024 issued by the Company to the Shareholders (the “**Supplemental Circular**”), of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as defined in the Supplemental Circular unless the context requires otherwise.

With reference to the Board Letter, the Company transfers the Target Shares to CITIC Group by virtue of an agreement pursuant to the requirements on the transfer of state-owned assets in financial enterprises. On 28 May 2024 (after trading hours), the Company entered into the Share Transfer Agreement with CITIC Group, pursuant to which the Company conditionally agreed to transfer and CITIC Group conditionally agreed to purchase the Target Shares, representing 60.0% of the issued shares of Financial Leasing Company. The total consideration of the Disposal is RMB11,997,543,239.36 (excluding the related transaction costs). Upon completion of the Disposal, the Company will hold 19.92% of the issued shares of Financial Leasing Company, Financial Leasing Company will cease to be the Company’s subsidiary and its financial results will not be consolidated into the Group’s financial statements.

As the highest applicable percentage ratio in respect of the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement, circular and shareholders’ approval requirements under Chapter 14 of the Listing Rules. In addition, as at the Latest Practicable Date, CITIC Group held 21,230,929,783 Domestic Shares of the Company, representing 26.46% of the total issued Shares of the Company. CITIC Group is a substantial shareholder of the Company and constitutes a connected person of the Company under Chapter 14A of the Listing Rules. The Share Transfer Agreement and the transaction contemplated thereunder therefore constitute a connected transaction of the Company, and is subject to the reporting, announcement, circular (including independent financial adviser) and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.



The Independent Board Committee consisting of all the independent non-executive Directors, namely Mr. Shao Jingchun, Mr. Zhu Ning, Ms. Chen Yuanling and Mr. Lo Mun Lam, Raymond has been formed for the purposes of advising the Independent Shareholders on (i) whether the terms of the Disposal are on normal commercial terms and are fair and reasonable; (ii) whether the Disposal is in the interests of the Company and the Shareholders as a whole and in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Disposal at the EGM. We, Zero2IPO Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

## OUR INDEPENDENCE

Zero2IPO Capital Limited is a licensed corporation to carry out regulated activities of advising on corporate finance under the SFO. As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Group, CITIC Group or any other parties that could be reasonably regarded as a hindrance to our independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders. Apart from the advisory fee payable to us in connection with our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

## BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the information and facts supplied, opinions expressed and representations made to us by the Directors, the management of the Group (the “**Management**”) (including but not limited to those contained or referred to in the Supplemental Circular). We have assumed that the information and facts supplied, opinions expressed and representations made to us by the Directors and the Management were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the EGM. We have also assumed that all statements of belief, opinions, expectation and intention made by the Management in the Supplemental Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Supplemental Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have been provided to us.

The Directors have collectively and individually accept full responsibility for the accuracy of the information contained in the Supplemental Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Supplemental 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 in the Supplemental Circular or the Supplemental Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Supplemental Circular, save and except for this letter of advice.

We have reviewed currently available information and documents, among others: i) the Share Transfer Agreement; ii) the Announcement; iii) the annual report of the Company for the years ended 31 December 2022 and 2023 (the “**2022 Annual Report**” and the “**2023 Annual Report**”); iv) the valuation report of the Target Share (the “**Valuation Report**”) issued by an independent valuer, China United Assets Appraisal Group Co., Ltd., (中聯資產評估集團有限公司) (the “**Valuer**”), in respect of the market value of Financial Leasing Company as at 30 June 2023; v) the audited financial statements of Financial Leasing

Company for the years ended 31 December 2022 and 2023 issued by Ernst&Yong Hua Ming (LLP) (安永華明會計師事務所); vi) other information as set out in the Supplemental Circular; and vii) relevant market data and information available from public source which are made available to us and enable us to reach an informed view and justify our reliance on the information provided so as to provide a reasonable basis for our advice. We also held discussion with the Directors and the Management of the Company from time to time. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or prospects of the Group, CITIC Group, Financial Leasing Company or their respective shareholders, subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of entering the Share Transfer Agreement. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to consider events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources but we did not conduct any independent investigation into the accuracy and completeness of such information.

## PRINCIPAL FACTORS AND REASONS CONSIDERED

The principal factors and reasons we have considered in assessing the Share Transfer Agreement and the transaction contemplated thereunder in giving our recommendation to the Independent Board Committee and the Independent Shareholders are set out below:

### Information on the Group

With reference to 2023 Annual Report of the Company, the Company mainly engages in such businesses as distressed asset management, financial services, and asset management and investment business, with distressed asset management being its core business.

China CITIC Financial Asset Management Co., Ltd., with its predecessor being China Huarong Asset Management Corporation founded on November 1, 1999, is one of the four state-owned financial asset management companies established in response to the Asian financial crisis and for mitigating financial risks, promoting the reform of state-owned banks and the reform and difficulty relief of state-owned enterprises. It was converted into a joint stock limited company upon the approval of the State Council on September 28, 2012. In January 2024, the Company officially changed its name to “China CITIC Financial Asset Management Co., Ltd.” with the approval of the superior authorities. As at the Latest Practicable Date, the major shareholders of the Company included CITIC Group, the Ministry of Finance of People’s Republic China (“MOF”), National Council for Social Security Fund, China Insurance Rongxin Private Fund Co., Ltd., China Life Insurance (Group) Company and Warburg Pincus LLC.

Set out below are the consolidated financial information of the Group for the years ended 31 December 2022 and 2023, as extracted from the Company's 2023 Annual Report:

*Table 1 Summarised financial results of the Group*

|   | <b>For the year ended 31 December</b> |                    |
|---|---------------------------------------|--------------------|
|   | <b>2023</b>                           | <b>2022</b>        |
|   | <i>RMB million</i>                    | <i>RMB million</i> |
|   | <i>(audited)</i>                      | <i>(audited)</i>   |
| Total income from continuing operations                     | 75,800.1                              | 36,933.2           |
| Total expense from continuing operations                    | (75,329.7)                            | (74,801.9)         |
| (Loss)/profit attributable to Equity holders of the Company | 1,766.2                               | (27,587.1)         |

The Group's total income from continuing operations for the year ended 31 December 2023 amounted to RMB75,800.1 million, representing an increase of 105.2% as compared with the previous year. With reference to the 2023 Annual Report, such is mainly due to changes in fair value of other financial assets and liabilities, as well as a significant increase in the Group's other income and other net gains or losses mainly deriving from the income of investment in associates. The total expenses of continuing operations of the Group amounted to RMB75,329.7 million for the year ended 31 December 2023, representing an increase of 0.7% as compared with the previous year.

The Group's loss attributable to shareholders of the Company amounted to RMB27,587.1 million for the year ended 31 December 2022. With reference to the 2022 Annual Report, the major factors that affected the full year performance were as follows: (i) change in the fair value of some equity financial assets, listed and unlisted shares and funds as a result of fluctuations in the capital market; (ii) the impairment losses under expected credit loss model caused by the macroeconomic situation and the downturn in the real estate industry; and (iii) the decrease in scale and income of acquisition-and-restructuring distressed debt assets.

The net profit attributable to equity holders of the Company amounted to RMB1,766.2 million for the year ended 31 December 2023. With reference to the 2023 Annual Report, main reasons for the turnaround from loss to profit in the operating results were as follows, (i) deepening of business synergy, proactive efforts in market expansion, and strengthening of asset management, coupled with a year-on-year increase in gains and losses from changes in fair value of equity assets due to improving trend in the capital market as compared to a year ago, contributed positively to the Company's profit for the year; (ii) actively conducting market-oriented DES business and special situations investment business to improve asset structure and optimize asset allocation; and (iii) the impact of economic environment and industry as a whole resulted in the Group recognizing asset impairment losses and losses on change of fair value of RMB41.0 billion in order to further consolidate assets, laying the foundation for sustainable and healthy development in the future.

Table 2: Summarised financial position of the Group

|  | As at 31 December |             |
|--|-------------------|-------------|
|  | 2023              | 2022        |
|  | RMB million       | RMB million |
|  | (audited)         | (audited)   |
| Assets   | 968,103.2         | 957,803.9   |
| Liabilities  | 920,066.4         | 907,060.0   |
| Equity attributable to equity holders of the Company | 47,995.4          | 49,353.3    |

As at 31 December 2023, the total assets of the Group amounted to RMB968,103.2 million, representing an increase of 1.1% as compared with the end of the previous year, which mainly consisted of: (i) financial assets at fair value through profit or loss (“FVTPL”); (ii) debt instruments at fair value through other comprehensive income (“FVTOCI”); (iii) inventories; (iv) debt instruments at amortised cost; and (v) interests in associates and joint ventures.

As at 31 December 2022, the total assets amounted to RMB957,803.9 million and the total liabilities amounted to RMB907,060.0 million. With reference to the 2022 Annual Report, the Group has completed the share transfer of Huarong Consumer Finance, Huarong Securities, Huarong Xiangjiang Bank and Huarong Trust, the scale of asset and debt was reduced to within one trillion as schedule.

### Information on CITIC Group

With reference to the Board Letter, as a company incorporated in the PRC with limited liability, CITIC Group is a large state-owned comprehensive multinational enterprise group which have five major business segments, namely comprehensive financial service, advanced intelligent manufacturing, advanced materials, new consumption, and new-type urbanization. MOF is the ultimate beneficial owner of CITIC Group. As at the Latest Practicable Date, CITIC Group was interested in approximately 26.46% share interests in the Company. Hence, CITIC Group is a connected person of the Company under Chapter 14A of the Listing Rules.

### Information on Financial Leasing Company

With reference to the Board Letter and 2023 Annual Report of the Company, Financial Leasing Company is a joint stock limited liability company incorporated in the PRC. Financial Leasing Company is a national non-banking financial institution regulated by the NFRA. It is held by the Company as at the date of the Share Transfer Agreement as to 79.92% of its issued shares and is a subsidiary of the Company. Its main scope of business is to carry out financial leasing business and other businesses approved by the NFRA.

### Financial information of Financial Leasing Company

The table below sets forth the summarised financial information of Financial Leasing Company for the years ended 31 December 2022 and 2023 according to the Board Letter and the audited financial statements for the year ended 31 December 2023 of Financial Leasing Company provided by the Management.

Table 3: Summarized financial results of Financial Leasing Company

|                        | For the year ended 31 December |             |
|------------------------|--------------------------------|-------------|
|                        | 2023                           | 2022        |
|                        | RMB million                    | RMB million |
|                        | (audited)                      | (audited)   |
| Revenue                | 5,850.5                        | 7,557.4     |
| Profit before taxation | 132.3                          | 1,617.1     |
| Net profit             | 158.0                          | 1,228.4     |

Based on the discussion with the Management, the revenue of Financial Leasing Company decreased by 22.6% from RMB 7,557.4 million for the year ended 31 December 2022 to RMB5,850.5 million for the year ended 31 December 2023. The total net profit from Financial Leasing Company decreased by 87.1% from RMB1,228.4 million for the year ended 31 December 2022 to RMB158.0 million for the year ended 31 December 2023, mainly due to the decrease in the other income from the disposal of investment properties and increase in impairment losses in 2023. With reference to the 2023 Annual Report of the Company, after the application of the Accounting Standards for Enterprises No. 21 — Leases (《企業會計準則第 21 號 — 租賃》) in 2019, interest income of receivables arising from sales and leaseback arrangements is presented in interest income. In 2023, Financial Leasing Company achieved a total of finance lease income and interest income of receivables arising from sales and leaseback arrangements of RMB4,920.3 million, representing an increase of 0.7% as compared with the previous year. As at 31 December 2023, the total amount of finance lease receivables and receivables arising from sales and leaseback arrangements was RMB104,515.0 million, representing an increase of 14.4% as compared with the end of the previous year.

Table 4: Summarised financial position of Financial Leasing Company

|              | As at 31 December |             |
|--------------|-------------------|-------------|
|              | 2023              | 2022        |
|              | RMB million       | RMB million |
|              | (audited)         | (audited)   |
| Total assets | 117,641.5         | 108,032.0   |
| Net assets   | 19,707.7          | 19,494.0    |

As set out in the Board Letter and based on the Financial Leasing Company's audited report, as at 31 December 2023, the total assets of Financial Leasing Company amounted to RMB117,641.5 million, which mainly consisted of the finance lease receivables. The net asset of Financial Leasing Company as at 31 December 2023 is RMB19,707.7 million and the net assets of Financial Leasing Company attributable to the Company as at 31 December 2023 is RMB15,750.4 million.

### Reasons and benefits for Disposal

As stated in the Board Letter, the Board is of the view that the Disposal helps the Company to return to its source and focus on core business to ensure its sustainable operation and development, which is in compliance with the requirements from regulatory authorities on financial asset management companies to gradually exit the non-core businesses. In addition, the gains and losses from disposal generated in the parent company's financial statements due to the disposal of this part of the equity can replenish the core tier-one capital of the parent company in one go. After taking into account the impact of income tax and stamp duty, a capital replenishment effect of more than RMB6.3 billion can be achieved and the released capital can be used for the development of the Group's core business of distressed assets, which is beneficial to the Group in reinforcing and strengthening its core business, concentrating more resources and energy on the development of its core business of distressed asset management, and is beneficial to the Group's future development and the long term benefits of the Shareholders. Upon the completion of the Disposal, the securities, banks, trusts, leasing and consumer finance business in the original financial services business segment have been sold, and the Company will hold non-controlling equity interest of Financial Leasing Company, being 19.92% of issued shares of Financial Leasing Company. Subsequently, the Company will readjust the description of the Company's principal businesses in the annual report and other external disclosure documents.

After implementing the transfer of five licensed subsidiaries, including Huarong Securities and Huarong Trust, the Company has been proceeding with the transfer of the remaining licensed subsidiaries in an orderly manner under the market-oriented and law-based principle, and in strict compliance with the relevant system requirements of the MOF regarding the transfer of state-owned assets in financial enterprises. The Disposal is a continuation of the previous implementation of regulatory requirements and related work. Upon completion of the Disposal, it will be conducive to the Company's focusing on its core business, giving full play to its functional advantages, preventing and resolving financial risks supporting small and medium-sized financial institutions in reforming and reducing risks, and the scale of distressed asset acquisitions has increased significantly year-on-year, contributing to the maintenance of the stable operation and healthy development of the financial market.

For our due diligence purpose, we reviewed the related notice from regulatory authorities the such as "Notice on the state-owned financial institutions should focus on their core business and the reduction of management levels" MOF [2020] No. 111 (關於國有金融機構聚焦主業、壓縮層級等相關事項的通知(財金[2020]111號)), and understand that the regulatory authorities require the state-owned financial institutions shall, in accordance with the development strategy, withdraw from business field that deviate from their main businesses and concentrate of the capital in the core business. And as discussed with the Management, we understand the financial leasing business is the non-core business according to the Company's development strategy.

Having considered that:(i) the Disposal is a good opportunity to streamline the Group's investment portfolio by phasing out its non-core assets and meet the requirements from regulatory authorities on financial asset management companies; (ii) the net proceeds from the Disposal can improve the Group's ability to meet its financial obligation and strengthen its financial position taking into account the needs of the Group in term of its long-term development goals; (iii) based on our due diligence work on the Valuation Report, the consideration for the Disposal of approximately RMB11,997.5 million is fair and reasonable as mentioned under section headed "Evaluation of the Consideration"; and (iv) the Disposal would not have a substantial adverse impact on the Group, based on the Group's total assets will decrease by approximately RMB101,679.0 million, representing 10.5% of the total assets (assuming that the Disposal had taken place as at 31 December 2023) do not represent a major proportion in its total asset, we concur with the Directors that the Disposal is in the interests of the Company and the Shareholders as a whole.

**Principal Terms of the Share Transfer Agreement**

Principal terms of the Share Transfer Agreement are set out as follows, details of which are set out in the section headed “3. Share Transfer Agreement” of the Board Letter:

***Date***

28 May 2024

***Parties***

The Company, as transferor; and  
CITIC Group, as transferee.

***Disposal***

As at the Latest Practicable Date, the Company held 10,041,001,883 shares of Financial Leasing Company, representing 79.92% of the issued shares of Financial Leasing Company. The Company conditionally agreed to transfer and CITIC Group conditionally agreed to purchase the Target Shares, representing 60.0% of the issued shares of Financial Leasing Company.

***Consideration***

The total consideration for the Disposal is RMB11,997,543,239.36 (excluding the related transaction costs). CITIC Group shall make a lump sum payment to the receiving account designated by the Company of the total consideration for the Disposal within 10 business days after the various regulatory approvals relating to the Disposal (the approval from the MOF and the NFRA) and the Share Transfer Agreement become effective.

***Conditions Precedent***

The Share Transfer Agreement will become effective upon the fulfilment of the following conditions:

- (1) each of the Company and CITIC Group has obtained relevant internal approvals and authorizations required by the laws of the PRC and its articles of association in relation to the Disposal (including the Independent Shareholders’ approval);
- (2) the Disposal has been approved by the MOF;
- (3) the shareholders' meeting of Financial Leasing Company considered and approved the change of equity and the corresponding amendments to its articles of association; and
- (4) NFRA has approved the change in Financial Leasing Company’s equity in relation to the Disposal.

As at the Latest Practicable Date, none of the above conditions had been fulfilled save for (2) above. Under the Share Transfer Agreement, there is no specific circumstance mentioned therein where the above conditions precedent may be waived.

*Transitional Period Arrangements*

The period from the Valuation Reference Date to the last day of the month in which the Completion Date falls shall be the transitional period of the Disposal. Any profit or loss of Financial Leasing Company during the transitional period will be entitled to or borne by CITIC Group. With reference to the Board Letter, according to the rules in relation to the transfer of state-owned assets, the validity period of the asset valuation report is one year. Due to the internal procedures of the Company and the procedures in relation of state-owned assets transfer, the asset valuation report prepared by China United Assets was finalised and approved on 29 March 2024. Based on the Group's past practice and as the consideration for the Disposal was determined primarily based on the valuation of Financial Leasing Company as at the Valuation Reference Date, and there is no consideration adjustment arrangement under the Share Transfer Agreement, the Directors considered that the profits or losses of Financial Leasing Company after the Valuation Reference Date entitled to or borne by CITIC Group is reasonable although the Valuation Reference Date is 30 June 2023.

In addition to the above, all rights, obligations and risks in respect of the Target Shares will be transferred to CITIC Group from the Completion Date. After the Completion Date, the Company and CITIC Group shall jointly urge and cooperate with Financial Leasing Company in the industrial and commercial registration and filing of changes in relation to the Disposal.

*Completion*

Completion of the Disposal shall take place on the date on which CITIC Group pays the total consideration to the Company.

For our due diligence purpose, (i) we have reviewed the Share Transfer Agreement, and noted the terms stated above are the same with the terms of the Share Transfer Agreement, (ii) we have compared principal terms of the Share Transfer Agreement to those equity disposal and connected transactions disclosed on the Hong Kong Stock Exchange, out of the 39 transactions during the period from May 2023 to May 2024, we noted over 20 of them have the similar principal terms (e.g. for conditions precedent, agreements to be effective upon relevant approvals; for payment terms, to make the payment within certain business days after the approvals; for completion terms, completion of the disposal to take place on the date on which transferee pays the total consideration to the transferor). Based on aforesaid, we conclude that the principal terms in the Share Transfer Agreement are the standard terms of normal equity transfer agreements. For the transitional period arrangements, as discussed with the Management, we note that the it aims to protect the transferor due to it may be a long period from Valuation Reference Date to the Completion Date of the Disposal, while the consideration of the Disposal is based on the Valuation Reference Date and there is no consideration adjustment arrangement under the Share Transfer Agreement. For protection of the Company's benefit, it is a common practice that any profit or loss of the transferor during the transitional period to be entitled to or borne by the transferee, CITIC Group. And we further reviewed the share transfer agreements of the five licensed subsidiaries including Huarong Securities and Huarong Trust, which have implemented the share transfer, there is a similar transitional period arrangement in the share transfer agreements, and (iii) as discussed with the Management, the payment terms was determined after arm's length negotiations between the Company and CITIC Group. Based on above, we consider that the principal terms of Share Transfer Agreement are on normal commercial terms to the Company and the Shareholders.



**Evaluation of the Consideration**

With reference to the Board Letter, the consideration for the Disposal was determined after arm's length negotiations between the Company and CITIC Group on normal commercial terms after taking into consideration various factors, including (i) the valuation of 100% equity interests in Financial Leasing Company as assessed by the Valuer at approximately RMB19,995.9 million as at Valuation Reference Date, being 30 June 2023; (ii) the audited net asset value of Financial Leasing Company, being approximately RMB19,707.7 million as at 31 December 2023; and (iii) the factors set out in the section headed "Reasons for and Benefits of the Share Transfer Agreement and the Transaction contemplated thereunder", such as capital will be released through the Disposal to be used for the development of the Group's core businesses, which is beneficial to the Group in reinforcing and strengthening its core business concentrating more, resources and energy on the development of its core business of distressed asset management. As such, the Board is of the view that the consideration is appropriate and in the interests of the Company and Shareholders. And the asset valuation of Financial Leasing Company has been completed and reported to the MOF for its record.

With reference to the Board Letter, the Valuation Reference Date of the asset valuation is on 30 June 2023. The Valuation Reference Date was determined based on the comprehensive consideration of factors such as the asset size, workload, expected time required and compliance requirements of Financial Leasing Company. Having considered the above factors, the Valuer appraised the value of Financial Leasing Company based on the Valuation Reference Date. According to the rules in relation to the transfer of state-owned assets, the valid period of the asset valuation report is one year. Due to the internal procedures of the Company and the procedures in relation of state-owned assets transfer, the asset valuation report prepared by the Valuer was finalised and approved on 29 March 2024. Based on the above, the Directors consider that the Valuation Reference Date is reasonable.

To assess the fairness and reasonableness of the consideration for the Disposal, we obtained and reviewed the Valuation Report, and analysed the changes on the financial statements of Financial Lease Company between 30 June 2023 and 31 December 2023. We noted from the Valuation Report that the valuation of Financial Leasing Company as at 30 June 2023 was approximately RMB19,995.9 million, increased by 1.5% as compared with the net asset of Financial Leasing Company as at 31 December 2023. As discussed with the Valuer, we understood the Valuer has considered the financial statements of the Financial Leasing Company for the year ended 31 December 2023, and based on the business scope and operation of Financial Leasing Company disclosed in 2023 Annual Report and the interim report of the Company for the six months ended 30 June 2023, we found that there was no material change in Financial Leasing Company's business scope and operation, of which Financial Leasing Company still mainly involves in the financial leasing business of water, environment and public utilities management, manufacturing, transportation, logistics, postal services and other industries. From 1 July 2023 to 31 December 2023, and the net asset of Financial Leasing Company as at 31 December 2023 changed within 0.5% as compared with the net assets as at 30 June 2023. Based on our review on the interim report of the Company for six months ended 30 June 2023, there was no material change in the financial performance of the Financial Leasing Company between 30 June 2023 and 31 December 2023. With reference to the Board Letter and as confirmed with the Management, there was no material change between 31 December 2023 and the Latest Practicable Date. Based on the above, we consider the consideration of the Disposal as at Valuation Reference Date, being 30 June 2023 is fair and reasonable.

We have performed the works as required under Note 1(d) to Rule 13.80 of the Listing Rules and paragraph 5.3 of the Corporate Finance Adviser Code of Conduct in respect of the Valuation Report, which included (i) the Valuer's qualification in relation to the preparation of the Valuation Report; (ii) inquiry on the Valuer's current and prior relationship with the Group and other parties to the Share Transfer Agreement; (iii) review of the terms of the Valuer's engagement; (iv) the steps and due diligence measures taken by the Valuer for conducting the Valuation Report; and (v) discussion with the Valuer regarding the bases, methodology and assumptions adopted in the Valuation Report.

**(a) Competency of the Valuer**

We have performed due diligence on the qualification of the Valuer, namely China United Assets Appraisal Group, and the competency and experience of the persons in charge of the Valuation Report. We note that (i) the Valuer is a supplier in white list of state-owned enterprises; (ii) the signatories of the Valuation Report are registered under China Appraisal Society and have over five years of experience respectively in asset valuation in the PRC; and (iii) the Valuer has provided a wide range of valuation services to numerous companies, including state-owned enterprises, A-Share companies and Hong Kong-listed companies. In the past three years, the Valuer has provided over 60 valuation services of business similar to Financial Leasing Company in different provinces in the PRC. Therefore, we were satisfied with the Valuer's qualification for preparation of the Valuation Report.

We have also enquired with the Valuer as to its independence from the Group and the parties to the Share Transfer Agreement and were given to understand that the Valuer is an independent third party of the Group. The Valuer also confirmed to us that it was not aware of any relationship or interest between itself and the Group or any other parties that would reasonably be considered to affect its independence to act as an independent valuer for the Company. The Valuer confirmed to us that apart from normal professional fees payable to it in connection with their engagement for the valuation, they had no other engagement with the Company.

Furthermore, we note from the engagement letter entered into between the Company and the Valuer that their scope of work is appropriate to form the opinion required to be given and there were no limitations on the scope of work which might adversely impact the degree of assurance given by the Valuer in the Valuation Report.

From the engagement letter and other relevant information provided by the Valuer, we were satisfied with the terms of engagement of the Valuer as well as their qualification and independence for preparation of the Valuation Report.

**(b) Valuation methodology**

Based on our discussion with the Valuer, the Valuation Report was prepared by the Valuer in accordance with various regulations or standards such as Basic Standards for Asset Valuation (Cai Zi [2017] No. 43) (《資產評估基本準則》(財資[2017]43號)) and other standards related to the appraisal work. We understand that the Valuer has carried out inspections, made relevant enquiries and searches for the purpose of the valuation, including but not limited to review on relevant the building ownership certificates, state-owned land use right certificates, motor vehicle driving permits, key asset acquisition contracts or evidential documents; and the Valuer has obtained the information for the basis of price determination, including the information on forecast of future earnings provided by the evaluated entity according to the law, relevant information of the price information database of China United Assets Appraisal Group Co., Ltd., the important business contracts and information, and other reference documents. We understand from the Valuer that all assumptions adopted are commonly adopted for a financial leasing company valuations.

To further assess the fairness and reasonableness on the assumptions adopted by the Valuer, we have reviewed the underlying working papers prepared by the Valuer, and note that general and special assumptions in the Valuation Report are adopted for a financial leasing company valuations according to the Basic Standards for Asset Valuation (Cai Zi [2017] No. 43) (《資產評估基本準則》(財資[2017]43號)), and the special assumptions in respect of the external economic environment unchanged, the enterprise operates as a going concern, the business scope and operating unchanged, all the related laws and regulations complied with, and the selected comparable transactions only based on the relevant information of the publicly disclosed comparable transaction cases, are in line with the valuation method of Financial Leasing Company under market approach, considering the key assumptions meet the requirement of the Basic Standards for Asset Valuation, and are in line with the valuation method of Financial Leasing Company under market approach, we are of the view that the assumptions adopted by the Valuer were fair and reasonable.

Based on our review on the valuation report, we note that the valuation of any asset can be broadly classified into one of three approaches, namely market approach, asset-based approach and income approach. In view of the characteristics of the asset value of Financial Leasing Company, it is difficult to estimate the value of many assets such as customer value, operation network and others that have a great impact on their future returns by using the asset-based approach, so the asset-based approach is not adopted for valuation. We further understand that despite both market approach and income approach are applicable for the valuation of Financial Leasing Company, Financial Leasing Company has its own financial leasing license and its customer network, the valuation result under income approach only focuses on judging the profitability of enterprises and reflects the corporate value and the equity value of shareholders and does not comprehensively and reasonably reflect the value of financial license and its customer network of Financial Leasing Company; and the valuation result under market approach reflects the exchange value of the company shares recognized by the market participants of the financial leasing companies, and there are sufficient transaction cases with similar business scope, business size and development stage as Financial Leasing Company in the domestic capital market and the information in relation to the transaction cases can be obtained and available to be compared with Financial Leasing Company. After taking into consideration of the disadvantages in the income approach and the available similar transaction cases under market approach, we are of the view that the market approach adopted by the Valuer is more appropriate for the valuation of Financial Leasing Company.

The Valuer applied P/B as the value ratio in the market approach for the purpose of arriving at the valuation. We note from the Valuer that (i) to assess the applicability of different ratios such as P/E, P/B, P/S, EV/EBIT, EV/EBITD and EV/S, the Valuer conducted a linear regression analysis to on the correlation between the market prices of listed companies in the industry and their net profits, net assets and operating revenues; (ii) to enhance the effectiveness of the validity of the analysis, 28 listed companies were ultimately selected for analysis after the influence of zero, negative or invalid values for the above financial indicators was removed from the statistics. After taking into consideration the results of the analysis of the data of listed companies in the industry of Financial Leasing Company, P/B is adopted as the value ratio for the valuation. We understand the P/B is the commonly adopted valuation multiples which applied to capital intensive business such as a financial business and Financial Leasing Company is a financial business with significant assets on the books, and based on the foregoing analysis, we consider the adoption of P/B ratio for the purpose of arriving at the valuation is reasonable.

The two commonly used specific methods of market approach are the comparison method of listed companies and the comparison method of transaction cases. The comparison method of transaction cases is selected for this valuation as the approach to select the valuation conclusion, considering prior to and after the Valuation Reference Date, there are sufficient equity transaction cases in the market with similar business scope, development stage and similar transaction background as the evaluated entity in the market of the financial leasing industry where the evaluated entity operates, which have strong comparability, and specific conditions affecting the transaction price and related indicator data are available through annual reports and public announcement published by comparable financial leasing companies.

For our due diligence purpose, we performed independent research on the comparable transactions and relevant companies selected by the Valuer and as discussed with the Valuer, we noted that the four comparable transactions were selected from over 40 transaction cases based on the following criteria, the cases with incomplete data or transactions that occurred too long ago were excluded:

- (i) Consistent transaction type. The type of transaction cases includes the disposal, merger or acquisition of a business (including the acquisition of common stock and the acquisition of other interests in a business). The four selected transaction cases are equity transfer and the progress of the transaction is completed or completed filing;
- (ii) Consistent company type. The companies selected should belong to the same industry and conduct similar businesses. The target enterprises in the four transaction cases selected are all in a period of rapid business development, with businesses similar to those of the target company, and basically similar future growth expectations. (a) According to the enterprise's life cycle theory, the enterprise's life cycle can be simplified into four stages: start-up stage, rapid development stage, relatively stable stage and second start-up stage. Enterprises in different stages operate in different internal and external environments with different development focus and different challenges encountered. The key factors affecting the development of enterprises are also constantly changing accordingly. The rapid development stage refers to a phase when the products or services of enterprises are good for sale, the production scale is expanded, sales capacity is enhanced and the business of enterprises grows rapidly. (b) Businesses mainly refer to the type and variety of the Company's core businesses. The comparable companies selected are similar to Financial Leasing Company, with their respective core business being financial leasing. Financial Leasing Company's revenue from leasing business accounted for 96% of its total revenue. In comparable transaction cases, such proportion of Cinda Financial Leasing, Haisheng Financial Leasing, Suyin Financial Leasing and Harbin Bank Financial Leasing was 96%, 97%, 90% and 90%, respectively. As the respective revenue from leasing business of the comparable companies accounted for around 90% of their total revenue, the comparable companies have certain similarity and comparability. (c) Growth expectations mainly refer to the expected business development and operating conditions of enterprises in the future period. Subject to the overall development trend and regulatory requirements of the financial leasing industry, all comparable companies have the same environment for future business growth, (i.e. national macroeconomic environment, industrial development environment, industrial regulatory environment and other affecting factors closely related to enterprise development), with similar affecting factors and strong comparability; and
- (iii) Similar time span. The Valuation Reference Date of the selected cases is between 2020 and 2022, and the transactions have been approved or the transfer of ownership has been completed. Considering the comparability and timeliness of the trading market, if there are enough comparable cases, the comparison method of transaction cases usually selects the cases in the past three years from the Valuation Reference Date for comparison, and can be appropriately extended under special circumstances. Through the collection of market transaction cases, the number of transaction cases within the past three years from the Valuation Reference Date, being 2020–2022, is enough to meet the basic requirements of market approach valuation. Therefore, the cases in this period are selected for valuation.

Based on our review on the Valuation Report, we understand the main criteria for selecting the transaction cases according to the Practice Standards for Assets Appraisal — Asset Appraisal Approaches (Zhong Ping Xie [2019] No. 35), we obtained and reviewed the standard as mentioned above and note the selection of comparable companies is based on the following principles: i) select comparable enterprises

that are identical or comparable in terms of the trading market; ii) select comparable enterprises that are identical or similar in terms of influence factors of value; iii) select comparable enterprises whose trading time is close to the Valuation Reference Date. We are of the view that the criteria of the selected cases aforementioned are in line with the requirement of the standard.

For the selected cases, we obtained and reviewed the transaction announcements of each case, together with the conducting the independent desktop search, to check whether the each transaction meet the criteria, including the transaction date, the transaction type; for the comparable companies related to the transaction cases, we conducted the desktop search to understand their business scopes, operating and financial performance including business structure, business model, the scale of enterprises, the lifecycles of companies, growth capacity indicators, operating risks etc. and cross checked the differences of their business between the comparable companies and Financial Leasing Company. As the result of our due diligence work aforesaid, we conclude that the selected transaction cases are within similar time span, and have the similar transaction type and business with the Financial Leasing Company, which meet the selecting criteria as in the Valuation Report.

For our due diligence purpose, we have reviewed the underlying calculation of the valuation, including the market value revision and the difference adjustments from the Valuer and noted that (i) considering the differences in transaction reference date and market environment of each comparable cases, the Shanghai Stock Exchange composite index is adopted to correct the market value differences of each comparable company; and (ii) certain differences adjustments also have been made on the P/B ratios in respect of business structure, business model, the scale of enterprises, the lifecycles of enterprises, growth capacity indicators, operating risks as well as efficiency indicators and operational capacity between the comparable companies and Financial Leasing Company. We further performed a comparison on the comparable companies selected with Financial Leasing Company to understand the necessity of adjustments, and noted that there are the differences in trading time between the comparable transaction cases (the period of transaction date from 2020 to 2022) and Financial Leasing Company (Valuation Reference Date as at 31 December 2023), with reference to the Valuation Report, the market value revision for the comparable companies are mainly considered in the following aspects: adjust the difference in trading time between the comparable companies and Financial Leasing Company, including the impact of market cycle fluctuations and price changes; and adjust the transaction price to 100% equity price based on the share ratio of the transaction. The comparable companies selected in the Valuation Report are consistent with Financial Leasing Company in certain aspects, including transaction market and value influencing factors, and no revision was made. Therefore, the formula of market value revision is simplified as follows:

Market value after revision = market value × revised coefficient as at the transaction date.

With reference to the Valuation Report, the SSE Composite Index is adopted as the revised indicator. Based on our independent desktop search, we understand all comparable companies register and operate in domestic, and SSE Composite has become the most influential stock index in China, which is as the main index reflecting the Chinese stock market. Index. We further note that as the SSE Composite Index is too large, to facilitate comparison, the Valuer measured and scored it within 100–110 points. We reviewed the underlying calculation of the adjustment factors, and noted that the adjustment factor of comparable companies was obtained by dividing the score of Financial Leasing Company by the comparable transaction case score, and the adjustment factors are in line with the differences of market value between the comparable companies and Financial Leasing Company. As aforesaid above, we are of the view that the market value revision through the SSE Composite Index adopted as the revised indicator is fair and reasonable.

Based on our review on the financial information of the comparable companies and the comparison analysis between comparable cases and Financial Leasing Company, we further note that though the comparable cases have the similar business structure, operation model and the enterprise's life cycle, there are the differences in the scale of enterprises, capacity indicators (e.g. revenue growth rate of Financial Leasing Company is relative lower than three of selected cases), operating risks (e.g. both capital adequacy ratio and non-performing loan ratio of Financial Leasing Company are higher than other comparable cases), return on equity and total assets turnover ratio, after taking into account the differences mentioned above, we consider the adjustment indicators are appropriate and necessary, and the revised coefficient applied in the Valuation Report are in line with the differences between Financial Leasing Company and the comparable companies.

After due adjustments in terms of the aforesaid aspects, the adjusted P/B of the adopted comparable companies are ranging from 0.93 to 1.05, the mean value of the adjusted P/B is 1.01.

Multiplying the adjusted P/B by the equity attributable to shareholders of the parent company of Financial Leasing Company, the benchmark value is obtained. The average comparative benchmark value for this valuation is approximately RMB19,995.9 million, which is taken as the total equity value of shareholders of Financial Leasing Company.

The table below illustrates the selected comparable companies by the Valuer.

| No. | Name                                   | Business scope    | Valuation reference date | Transaction progress            | Adjusted P/B |
|-----|--|-------------------|--------------------------|---------------------------------|--------------|
| 1   | Cinda Financial Leasing Co., Ltd.      | financial leasing | 31 December 2021         | completed                       | 1.04         |
| 2   | Haisheng Financial Leasing Co., Ltd.   | financial leasing | 31 march 2022            | completed                       | 1.02         |
| 3   | Su Zhou Financial Leasing Co., Ltd.    | financial leasing | 30 June 2021             | completed                       | 1.05         |
| 4   | Harbinbank Financial Leasing Co., Ltd. | financial leasing | 31 December 2020         | Signed share transfer agreement | 0.93         |
|     | Mean value                             |                   |                          |                                 | 1.01         |

Considering that (i) the selection criteria of the comparable transaction is fair and reasonable and valuation of the comparable companies are appropriate; (ii) the adjustment factors applied based on transaction date, business structure, business model, the scale of enterprises, the life cycles of enterprises, growth capacity indicators, operating risks, efficiency indicators and operational capacity are appropriate and necessary; and (iii) the Valuer has applied the adjustments based on its professional judgment and experience and are applied in the same manner as required by the valuation standards, we consider that it is justifiable for the Valuer to apply such adjustments in the valuation.

Having considered our due diligence work on the Valuation Report as mentioned above, we consider that the valuation approach and value ratio adopted and the comparable companies selected by the Valuer are reasonable. The consideration of the Disposal equals 60.0% of the total equity value. Accordingly, we consider the consideration of the Disposal to be fair and reasonable.

### Independent search on comparable companies

We have conducted an independent search on the comparable companies of financial leasing industry, on a best effort basis, to cross-check the results provided by the Valuer.

We have assessed a selection of comparable companies. We are of the view that the selection criteria is fair and reasonable as the criteria cover the peers engaged in the principal business in the PRC similar to Financial Leasing Company. Also, by going through the companies whose shares are listed on the Stock Exchange, Shanghai Stock Exchange and Shenzhen Stock Exchange, we conclude that the selection of comparable companies is exhaustive, fair and reasonable and representative.

Details of the selection criteria of the comparable companies are as follows: (i) being listed in Hong Kong or Mainland China (e.g. Stock Exchange (“SEHK”), Shanghai Stock Exchange (“SHSE”) and Shenzhen Stock Exchange (“SZSE”)); (ii) deriving sales mainly in financial leasing business which contributed more than 50% of the revenue in the latest financial year; (iii) being based and operating in Mainland China; (iv) having at least two years of operating histories and positive net book value based on latest information as at 31 December 2023; and (v) financial information of the comparable companies is available to the public.

The table below illustrates the P/B of the comparable companies of our independent search, which fulfill our selection criteria stated above.

| Company Name  | Stock Code/<br>Stock Exchange | Principal Business                | P/B (x)<br>(Note ii) | Market Capitalisation<br>(HKD '000)<br>(Note i) | Net Assets<br>(HKD '000)<br>(Note i) |
|---|-------------------------------|-----------------------------------|----------------------|---|--------------------------------------|
| China Development Bank<br>Financial Leasing Co., Ltd.         | 01606 SEHK                    | financial leasing                 | 0.43                 | 17,523,000                                      | 40,523,739                           |
| Haitong Unitrust International<br>Financial Leasing Co., Ltd. | 01905 SEHK                    | financial leasing                 | 0.31                 | 6,753,000                                       | 22,005,775                           |
| Jiangsu Financial Leasing<br>Co., Ltd.                        | 600901 SHSE                   | financial leasing                 | 1.15                 | 22,188,600                                      | 19,277,013                           |
| Shaanxi International Trust<br>Co., Ltd.                      | 000563 SZSE                   | trust and<br>financial<br>leasing | 0.91                 | 16,789,680                                      | 18,456,114                           |
| Bohai Leasing Co., Ltd.                                       | 000415 SZSE                   | financial leasing                 | 0.44                 | 14,293,800                                      | 49,261,900                           |

*Notes:*

- (i) The market capitalisations of the comparable companies are calculated based on their respective closing share prices and numbers of issued shares as at 31 December 2023. The consolidated net assets attributable to owners are extracted from the respective latest published financial reports of the comparable companies.
- (ii) The P/B Ratios of the comparable companies are calculated based on their respective market capitalisations and published net asset values stated in Note (i).

We note that the P/B multiples of the comparable companies ranged from around 0.31 times to 1.15 times, with a simple average and median of around 0.62 times and around 0.43 times respectively. The P/B multiple represented by the consideration of the Disposal for the share interest in Financial Leasing Company of around 1.01 times is within the range of those of the comparable companies and is higher than the median and the average of the P/B multiples of the comparable companies. The consideration is not undervalued. For the relative lower P/B multiple of Bohai Leasing Co., Ltd. (000415.SZ), its return of equity ratio was relative lower than that of other comparable companies and Financial Leasing Company, which may result in a relatively lower market value. And due to the impact by soft market sentiment and the broader macroeconomic backdrop, the Hong Kong market has a relatively lower stock valuation at the end of year 2023, that is reflected by the relatively low P/B multiples of financial companies. The P/B multiples of Haitong Unitrust International Financial Leasing Co., Ltd (01905.HK) and China Development Bank Financial Leasing Co., Ltd. (01606.HK) are 0.31 times and 0.43 times respectively, which means their market capitalisations are much lower than their book values. The P/B multiple represented by consideration of the Disposal has been adjusted in terms of the impact of market cycle fluctuations by the Valuer. Considering the Hong Kong market environment at the end of year 2023, if excluding the comparable companies in Hong Kong market, the average of P/B multiples of the comparable companies in mainland market are 0.83 times and 0.91 times respectively, which are closed to the P/B multiple represented by the consideration of the Disposal. We are of the view that the consideration of Financial Leasing Company by 1.01 times P/B multiples is close to its net assets and represents a fair and reasonable market value, and is therefore considered to be fair and reasonable to the Group.

#### **The possible financial effects of the Disposal**

With reference to the Board Letter, as at the Latest Practicable Date, Financial Leasing Company is a direct non-wholly-owned subsidiary of the Company, and its financial results and financial position are consolidated into the Group's financial statements. Upon completion of the Disposal, the Company will hold and retain 2,502,779,316 shares of Financial Leasing Company, representing 19.92% of its issued shares. After the Disposal, Financial Leasing Company will become an associate of the Company and cease to be the Company's subsidiary, and its financial results will not be consolidated into the Group's financial statements. The Company will account for its remaining equity interest in Financial Leasing Company under "interest in associates and joint ventures".



Based on the preliminary assessment, assuming that the Disposal had taken place as at 31 December 2023, upon the Completion Date, the unaudited net profit after tax expected to be recognised in the unconsolidated financial statements of the Company due to the Disposal amounted to approximately RMB6,377.5 million. The details of the unaudited net profit and loss after tax to be recognized by the Group and the Company due to the Disposal based on the consolidated financial statements of the Group and the unconsolidated financial statement of the Company are set out in the table below:

Unit: RMB

|     | Items   | The Group         | The Company       |
|-----|---|-------------------|-------------------|
| (1) | Total consideration of the Disposal   | 11,997,543,239.36 | 11,997,543,239.36 |
| (2) | Fair value of 2,502,779,316 shares of Financial Leasing Company retained by the Group   | 3,965,025,479.29  | N/A               |
| (3) | Proportion of net assets of Financial Leasing Company attributable to the Group as at 31 December 2023  | 15,750,369,612.37 | N/A               |
| (4) | Carrying amount of 7,538,222,567 shares of Financial Leasing Company disposed of by the Company   | N/A               | 4,855,505,058.98  |
| (5) | Amount of other comprehensive income related to its equity investment in Financial Leasing Company reclassified to profit or loss for the period when the Group lost control thereof as at 31 December 2023 | 56,379,846.29     | N/A               |
| (6) | Gains from the Disposal*  | 212,199,106.28    | 7,142,038,180.38  |
| (7) | Estimated amount of tax to be accrued based on the consideration and investment cost*   | 795,966,787.96    | 795,966,787.96    |
| (8) | 2023 net profit of Financial Leasing Company enjoyed by the Company calculated by using the equity methods based on the percentage of remaining shareholding  | N/A               | 31,475,791.90     |
|     | Unaudited net profit/(loss) after tax to be recognised due to the Disposal*   | (527,387,835.39)  | 6,377,547,184.32  |

\*Note: The gains expected to accrue to the Group from the Disposal = (1) + (2) – (3); the gains expected to accrue to the Company from the Disposal = (1) – (4).

The estimated amount of tax to be accrued based on the consideration and investment cost is estimated based on the theoretical maximum. Taking into account the actual tax liability of the taxpayer, the ultimate and actual tax cost may not lead to a decrease in the net profit of the Group attributable to the parent company.

The unaudited net profit/(loss) after tax to be recognised by the Group due to the Disposal = (1) + (2) – (3) + (5) – (7); the unaudited net profit/(loss) after tax to be recognised by the Company due to the Disposal = (1) – (4) – (7) + (8).

Assuming that the Disposal had taken place as at 31 December 2023, upon the Completion Date, the Group's total assets and total liabilities will decrease by approximately RMB101,679.0 million and approximately RMB97,138.0 million, respectively, as a result of the Disposal. Assuming that the Disposal had been completed as at 1 January 2023, the net profit attributable to the Shareholders of the Company in 2023 would be expected to decrease by RMB95 million, without taking into account the impact on nonrecurring profit and loss resulting from the Disposal during the year.

The financial impact of the Disposal on the Group is subject to final audit by the Company's auditor upon completion of the Disposal.

Upon the Completion Date, the proceeds from the Disposal will be used to replenish the Company's capital and general working capital for the purpose of conducting the distressed asset management business. It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon completion of the Disposal.

## RECOMMENDATION

Having considered the above factors and reasons, we are of the opinion that the entering into of the Share Transfer Agreement and the Transaction contemplated thereunder is on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favor of the resolution to be proposed at the EGM to approve the Share Transfer Agreement and the transaction contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,  
For and on behalf of  
**Zero2IPO Capital Limited**  
**Xu Shaobo**                      **Wang Qiong**  
*Executive Director*              *Senior Vice President*

*Mr. Xu Shaobo is a licensed person registered with the Securities and Futures Commission and a responsible officer of Zero2IPO Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 6 years of experience in investment banking industry.*

*Ms. Wang Qiong is a licensed person registered with the Securities and Futures Commission and a responsible officer of Zero2IPO Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over 6 years of experience in investment banking industry.*

**VALUATION PROJECT ON THE SHAREHOLDERS' ENTIRE EQUITIES OF  
CHINA HUARONG FINANCIAL LEASING CO., LTD. INVOLVED IN  
THE PROPOSED TRANSFER OF EQUITIES IN CHINA HUARONG  
FINANCIAL LEASING CO., LTD. BY CHINA CITIC FINANCIAL ASSET  
MANAGEMENT CO., LTD.  
SUMMARY OF VALUATION REPORT**

**China CITIC Financial Asset Management Co., Ltd.:**

As commissioned by the Company, in accordance with the requirements of relevant laws, administrative regulations and the principles of asset valuation, and in adherence to the principles of independence, objectivity and impartiality, and following necessary valuation procedures, China United Assets Appraisal Group Co., Ltd. has conducted a valuation on the market value of the Shareholders' entire equities of China Huarong Financial Leasing Co., Ltd. as at the Valuation Reference Date (i.e. 30 June 2023), in respect of the economic behavior of the Company's proposed transfer of equities in China Huarong Financial Leasing Co., Ltd. The asset valuation is reported as follows:

**I. The Client, Evaluated Entity and Other Users of the Asset Valuation Report**

The client is China CITIC Financial Asset Management Co., Ltd., and the evaluated entity is China Huarong Financial Leasing Co., Ltd. in the asset valuation.

**(I) Overview of the client**

Company name: China CITIC Financial Asset Management Co., Ltd. (hereinafter referred to as "CITIC FAMC")

Company type: other joint stock limited liability company (listed)

Address: No. 8 Financial Street, Xicheng District, Beijing

Legal representative: Liu Zhengjun

Registered capital: RMB80,246.679047 million

Date of incorporation: 1 November 1999

Term of operation: 1 November 1999 to non-fixed term

Social unified credit code: 911100007109255774

Scope of business: management, investment and disposal of distressed assets of financial institutions and non-financial institutions through acquisition and entrusting; management, investment and disposal of asset of debt-equity swap; external investments; securities dealing; issuance of financial debentures, inter-bank borrowing and lending and providing commercial financing to other financial institutions; bankruptcy management; consulting and advisory business on finance, investment, legal and risk management; asset and project assessment; approved asset securitization and custody and liquidation of financial institutions; other businesses approved by the banking regulatory authority of the State Council. (Market entities independently choose their own business projects under the law to carry out business activities; business activities of projects subject to approval by the relevant departments according to law shall be carried out under the approved content; market entities shall not engage in business activities that fall within industrial policy prohibitions and restrictions of the state and the city.)

## (II) Profile of the evaluated entity

### 1. Basic information of the company

Company name: China Huarong Financial Leasing Co., Ltd. (hereinafter referred to as “**Financial Leasing Company**”)

Company type: other joint stock limited liability company (unlisted)

Address: 13-22/F Zhujin B Tower, No.60–96 Jiangjin Road, Sijiqing Street, Shangcheng District, Hangzhou City, Zhejiang Province

Legal representative: Gu Jianfei

Registered capital: RMB5,926.760754 million

Date of incorporation: 28 December 2001

Term of operation: 28 December 2001 to long term

Social unified credit code: 91330000734521665X

Scope of business: conducting financial leasing business and other businesses as approved by the China Banking Regulatory Commission.

## 2. History and shareholder structure

In March 2006, China Huarong Asset Management Co., Ltd.<sup>1</sup> (hereinafter referred to as “China Huarong”) restructured Financial Leasing Company. The shareholding structure after the restructuring is as follows:

| No.          | Name of shareholder  | Number of shares<br>(Shares) | Percentage of shareholding<br>(%) |
|--------------|--|------------------------------|-----------------------------------|
| 1            | China Huarong Asset Management Corporation                               | 514,684,726                  | 99.71                             |
| 2            | Ruian State-Owned Assets Investment Holdings Co., Ltd. (瑞安市國有資產投資控股有限公司) | 798,400                      | 0.16                              |
| 3            | C&U Group Co., Ltd.  | 399,835                      | 0.08                              |
| 4            | Wenzhou Material Asset Management Co., Ltd. (溫州市物資資產管理有限公司)              | 262,749                      | 0.05                              |
| <b>Total</b> |  | <b>516,145,710</b>           | <b>100.00</b>                     |

In June 2008, the capital of Financial Leasing Company increased by RMB957.91 million, which was subscribed by China Huarong, and after the capital increase, the total share capital of the Company was 1,474 million shares. The shareholding structure is as follows:

| No.          | Name of shareholder                                    | Number of shares<br>(Shares) | Percentage of shareholding<br>(%) |
|--------------|--|------------------------------|-----------------------------------|
| 1            | China Huarong Asset Management Corporation             | 1,472,594,726                | 99.90                             |
| 2            | Ruian State-Owned Assets Investment Holdings Co., Ltd. | 798,400                      | 0.05                              |
| 3            | C&U Group Co., Ltd.                                    | 399,835                      | 0.03                              |
| 4            | Wenzhou Material Asset Management Co., Ltd.            | 262,749                      | 0.01                              |
| <b>Total</b> |  | <b>1,474,055,710</b>         | <b>100.00</b>                     |

<sup>1</sup> China Huarong Asset Management Co., Ltd. has changed its name formally in January 2024 to China CITIC Financial Asset Management Co., Ltd.

In February 2010, China Huarong, Ruian State-Owned Assets Investment Holdings Co., Ltd. and C&U Group Co., Ltd. increased their investment in Financial Leasing Company by RMB525.94429 million. After the capital increase, the total share capital of Financial Leasing Company was 2 billion shares. The shareholding structure is as follows:

| No.          | Name of shareholder                                    | Number of shares<br>(Shares) | Percentage of shareholding<br>(%) |
|--------------|--|------------------------------|-----------------------------------|
| 1            | China Huarong Asset Management Corporation             | 1,998,017,805                | 99.90                             |
| 2            | Ruian State-Owned Assets Investment Holdings Co., Ltd. | 1,083,462                    | 0.05                              |
| 3            | C&U Group Co., Ltd.                                    | 635,984                      | 0.03                              |
| 4            | Wenzhou Material Asset Management Co., Ltd.            | 262,749                      | 0.01                              |
| <b>Total</b> |  | <b>2,000,000,000</b>         | <b>100.00</b>                     |

In December 2010, Financial Leasing Company carried out private placement of 500 million shares, and 9 new shareholders such as Zhejiang Yongli Industrial Group Co., Ltd. subscribed for the additional shares. After the capital increase, the total share capital of Financial Leasing Company amounted to 2.5 billion shares. The shareholding structure is as follows:

| No.          | Name of shareholder   | Number of shares<br>(Shares) | Percentage of shareholding<br>(%) |
|--------------|---|------------------------------|-----------------------------------|
| 1            | China Huarong Asset Management Corporation                                | 1,998,017,805                | 79.92                             |
| 2            | Zhejiang Yongli Industrial Group Co., Ltd.<br>(浙江永利實業集團有限公司)              | 150,000,000                  | 6.00                              |
| 3            | Zhejiang Provincial Energy Group Financial Co., Ltd. (浙江省能源集團財務有限責任公司)    | 100,000,000                  | 4.00                              |
| 4            | China Shipbuilding Industry Financial Co., Ltd.<br>(中船重工財務有限責任公司)         | 80,000,000                   | 3.20                              |
| 5            | CITIC Information Technology Investment Co., Ltd. (中信信息科技投資有限公司)          | 50,000,000                   | 2.00                              |
| 6            | GoldStone Investment Co., Ltd.<br>(金石投資有限公司)                              | 30,000,000                   | 1.20                              |
| 7            | Weiling Group Limited (威陵集團有限公司)  | 30,000,000                   | 1.20                              |
| 8            | Zhejiang Province Development Assets Management Co., Ltd. (浙江省發展資產經營有限公司) | 20,000,000                   | 0.80                              |
| 9            | Beijing Guotong Asset Management Co., Ltd.<br>(北京市國通資產管理有限責任公司)           | 20,000,000                   | 0.80                              |
| 10           | Kangyin Investment Holding Co., Ltd.<br>(康因投資控股有限公司)                      | 20,000,000                   | 0.80                              |
| 11           | Ruian State-Owned Assets Investment Holdings Co., Ltd.                    | 1,083,462                    | 0.04                              |
| 12           | C&U Group Co., Ltd.   | 635,984                      | 0.03                              |
| 13           | Wenzhou Material Asset Management Co., Ltd.                               | 262,749                      | 0.01                              |
| <b>Total</b> |   | <b>2,500,000,000</b>         | <b>100.00</b>                     |

In January 2015, Financial Leasing Company increased its share capital by 1,500,000,000 shares with undistributed profits and issued 1,000,000,000 new shares. The newly issued shares were subscribed by three existing Shareholders, namely China Huarong, Zhejiang Yongli and Rui'an State-owned Assets Investment Group Co., Ltd., and a new investor, Zhengda Industrial Investment Co., Ltd. After the capital increase, the total share capital of Financial Leasing Company was 5,000,000,000 shares. The shareholding structure is as follows:

| No.          | Name of shareholder   | Number of shares<br>(Shares) | Percentage of shareholding<br>(%) |
|--------------|---|------------------------------|-----------------------------------|
| 1            | China Huarong Asset Management Co., Ltd.                      | 3,996,035,588                | 79.92                             |
| 2            | Zhejiang Yongli Industrial Group Co., Ltd.                    | 340,000,000                  | 6.80                              |
| 3            | Zhejiang Provincial Energy Group<br>Financial Co., Ltd.       | 160,000,000                  | 3.20                              |
| 4            | China Shipbuilding Industry Financial Co., Ltd.               | 128,000,000                  | 2.56                              |
| 5            | Zhengda Industrial Investment Co., Ltd.                       | 100,026,462                  | 2.00                              |
| 6            | CITIC Information Technology<br>Investment Co., Ltd.          | 80,000,000                   | 1.60                              |
| 7            | GoldStone Investment Co., Ltd.                                | 48,000,000                   | 0.96                              |
| 8            | Weiling Group Limited   | 48,000,000                   | 0.96                              |
| 9            | Zhejiang Province Development Assets<br>Management Co., Ltd.  | 32,000,000                   | 0.64                              |
| 10           | Beijing Guotong Asset Management Co., Ltd.                    | 32,000,000                   | 0.64                              |
| 11           | Kangyin Investment Holding Co., Ltd.                          | 32,000,000                   | 0.64                              |
| 12           | Rui'an State-owned Assets Investment<br>Group Co., Ltd.       | 2,499,977                    | 0.05                              |
| 13           | C&U Group Co., Ltd.   | 1,017,575                    | 0.02                              |
| 14           | Wenzhou Modern Service Industry<br>Investment Group Co., Ltd. | 420,398                      | 0.01                              |
| <b>Total</b> |   | <b>5,000,000,000</b>         | <b>100.00</b>                     |

(Note: Ruian State-Owned Assets Investment Holdings Co., Ltd. has changed its name to Rui'an State-owned Assets Investment Group Co., Ltd.; Wenzhou Material Asset Management Co., Ltd. has changed its name to Wenzhou Modern Service Industry Investment Group Co., Ltd.)

In November 2015, Kangyin Investment Holding Co., Ltd., a shareholder of Financial Leasing Company, transferred all of the 32 million shares held by it in Financial Leasing Company to Zhengda Industrial Investment Co., Ltd., and Weiling Group Limited transferred part of the 26.4 million shares to Zhejiang Jingneng Holding Group Limited (later renamed as “Zhejiang Chengrun Holding Group Co., Ltd.”), an external investor. After the transfer, Kangyin Investment no longer held shares of Financial Leasing Company; Zhengda Industrial held 132,026,462 shares of the Company, with a percentage of shareholding of 2.64053%; Weiling Group held 21,600,000 shares of the Company, with a percentage of shareholding of 0.432%; Jingneng Holding held 26,400,000 shares of the Company, with a percentage of shareholding of 0.528%; and the number and percentage of shares held by other shareholders remained unchanged. The shareholding structure is as follows:

| No.          | Name of shareholder   | Number of shares<br>(Shares) | Percentage of shareholding<br>(%) |
|--------------|---|------------------------------|-----------------------------------|
| 1            | China Huarong Asset Management Co., Ltd.                      | 3,996,035,588                | 79.92                             |
| 2            | Zhejiang Yongli Industrial Group Co., Ltd.                    | 340,000,000                  | 6.80                              |
| 3            | Zhejiang Provincial Energy Group<br>Financial Co., Ltd.       | 160,000,000                  | 3.20                              |
| 4            | Zhengda Industrial Investment Co., Ltd.                       | 132,026,462                  | 2.64                              |
| 5            | China Shipbuilding Industry Financial Co., Ltd.               | 128,000,000                  | 2.56                              |
| 6            | CITIC Information Technology<br>Investment Co., Ltd.          | 80,000,000                   | 1.60                              |
| 7            | GoldStone Investment Co., Ltd.                                | 48,000,000                   | 0.96                              |
| 8            | Zhejiang Province Development Assets<br>Management Co., Ltd.  | 32,000,000                   | 0.64                              |
| 9            | Beijing Guotong Asset Management Co., Ltd.                    | 32,000,000                   | 0.64                              |
| 10           | Zhejiang Jingneng Holding Group Limited                       | 26,400,000                   | 0.53                              |
| 11           | Weiling Group Limited   | 21,600,000                   | 0.43                              |
| 12           | Rui'an State-owned Assets Investment<br>Group Co., Ltd.       | 2,499,977                    | 0.05                              |
| 13           | C&U Group Co., Ltd.   | 1,017,575                    | 0.02                              |
| 14           | Wenzhou Modern Service Industry<br>Investment Group Co., Ltd. | 420,398                      | 0.01                              |
| <b>Total</b> |   | <b>5,000,000,000</b>         | <b>100.00</b>                     |



In January 2017, China Huarong, Zhejiang Yongli, Zhengda Industrial, Chengrun Holding, and Rui'an State-owned Assets Investment increased their capital contributions to Financial Leasing Company by RMB926.76 million, and after such capital increase, the total share capital of Financial Leasing Company amounted to 5,926,760,000 Shares. The shareholding structure is as follows:

| No.          | Name of shareholder   | Number of shares<br>(Shares) | Percentage of shareholding<br>(%) |
|--------------|---|------------------------------|-----------------------------------|
| 1            | China Huarong Asset Management Co., Ltd.                      | 4,736,709,379                | 79.92071                          |
| 2            | Zhejiang Yongli Industrial Group Co., Ltd.                    | 489,540,795                  | 8.25984                           |
| 3            | Zhejiang Provincial Energy Group<br>Financial Co., Ltd.       | 160,000,000                  | 2.69962                           |
| 4            | Zhengda Industrial Investment Co., Ltd.                       | 156,497,851                  | 2.64053                           |
| 5            | China Shipbuilding Industry Financial Co., Ltd.               | 128,000,000                  | 2.15970                           |
| 6            | CITIC Information Technology<br>Investment Co., Ltd.          | 80,000,000                   | 1.34981                           |
| 7            | GoldStone Investment Co., Ltd.                                | 48,000,000                   | 0.80989                           |
| 8            | Zhejiang Chengrun Holding Group Co., Ltd.                     | 38,011,403                   | 0.64135                           |
| 9            | Zhejiang Province Development Assets<br>Management Co., Ltd.  | 32,000,000                   | 0.53992                           |
| 10           | Beijing Guotong Asset Management Co., Ltd.                    | 32,000,000                   | 0.53992                           |
| 11           | Weiling Group Limited   | 21,600,000                   | 0.36445                           |
| 12           | Rui'an State-owned Assets Investment<br>Group Co., Ltd.       | 2,963,353                    | 0.05000                           |
| 13           | C&U Group Co., Ltd.   | 1,017,575                    | 0.01717                           |
| 14           | Wenzhou Modern Service Industry<br>Investment Group Co., Ltd. | 420,398                      | 0.00709                           |
| <b>Total</b> |   | <b>5,926,760,754</b>         | <b>100.00000</b>                  |

In October 2018, Zhejiang Development (浙江發展), a shareholder of Financial Leasing Company, entered into an agreement to transfer all of the 32 million shares held by it in Financial Leasing Company to Ningbo Heyuan Holding Co., Ltd., an external investor. After the transfer, Ningbo Heyuan held 32 million shares of Financial Leasing Company, and Zhejiang Development no longer held shares of Financial Leasing Company. The number and percentage of shares held by other shareholders of Financial Leasing Company remain unchanged. The shareholding structure is as follows:

| No.          | Name of shareholder   | Number of shares<br>(Shares) | Percentage of shareholding<br>(%) |
|--------------|---|------------------------------|-----------------------------------|
| 1            | China Huarong Asset Management Co., Ltd.                      | 4,736,709,379                | 79.92071                          |
| 2            | Zhejiang Yongli Industrial Group Co., Ltd.                    | 489,540,795                  | 8.25984                           |
| 3            | Zhejiang Provincial Energy Group<br>Financial Co., Ltd.       | 160,000,000                  | 2.69962                           |
| 4            | Zhengda Industrial Investment Co., Ltd.                       | 156,497,851                  | 2.64053                           |
| 5            | China Shipbuilding Industry Financial Co., Ltd.               | 128,000,000                  | 2.15970                           |
| 6            | CITIC Information Technology<br>Investment Co., Ltd.          | 80,000,000                   | 1.34981                           |
| 7            | GoldStone Investment Co., Ltd.                                | 48,000,000                   | 0.80989                           |
| 8            | Zhejiang Chengrun Holding Group Co., Ltd.                     | 38,011,403                   | 0.64135                           |
| 9            | Ningbo Heyuan Holding Co., Ltd.                               | 32,000,000                   | 0.53992                           |
| 10           | Beijing Guotong Asset Management Co., Ltd.                    | 32,000,000                   | 0.53992                           |
| 11           | Weiling Group Limited   | 21,600,000                   | 0.36445                           |
| 12           | Rui'an State-owned Assets Investment<br>Group Co., Ltd.       | 2,963,353                    | 0.05000                           |
| 13           | C&U Group Co., Ltd.   | 1,017,575                    | 0.01717                           |
| 14           | Wenzhou Modern Service Industry<br>Investment Group Co., Ltd. | 420,398                      | 0.00709                           |
| <b>Total</b> |   | <b>5,926,760,754</b>         | <b>100.00000</b>                  |

In November 2019, CITIC Information Technology Investment Co., Ltd., a shareholder of Financial Leasing Company, entered into an agreement to transfer all of the 80 million shares held by it in Financial Leasing Company to its shareholder Ningbo Heyuan Holding Co., Ltd. After the transfer, Heyuan Holding held 112 million shares of Financial Leasing Company, and CITIC Information no longer held shares of Financial Leasing Company. The number and percentage of shares held by other shareholders of Financial Leasing Company remain unchanged. The shareholding structure after the change is as follows:

| No. | Name of shareholder   | Number of<br>shares<br>(Shares) | Percentage of<br>shareholding<br>(%) |
|-----|---|---------------------------------|--------------------------------------|
| 1   | China Huarong Asset Management Co., Ltd.                      | 4,736,709,379                   | 79.92071                             |
| 2   | Zhejiang Yongli Industrial Group Co., Ltd.                    | 489,540,795                     | 8.25984                              |
| 3   | Zhejiang Provincial Energy Group Financial<br>Co., Ltd.       | 160,000,000                     | 2.69962                              |
| 4   | Zhengda Industrial Investment Co., Ltd.                       | 156,497,851                     | 2.64053                              |
| 5   | China Shipbuilding Industry Financial Co., Ltd.               | 128,000,000                     | 2.15970                              |
| 6   | Ningbo Heyuan Holding Co., Ltd.                               | 112,000,000                     | 1.88973                              |
| 7   | GoldStone Investment Co., Ltd.                                | 48,000,000                      | 0.80989                              |
| 8   | Zhejiang Chengrun Holding Group Co., Ltd.                     | 38,011,403                      | 0.64135                              |
| 9   | Beijing Guotong Asset Management Co., Ltd.                    | 32,000,000                      | 0.53992                              |
| 10  | Weiling Group Limited   | 21,600,000                      | 0.36445                              |
| 11  | Rui'an State-owned Assets Investment<br>Group Co., Ltd.       | 2,963,353                       | 0.05000                              |
| 12  | C&U Group Co., Ltd.   | 1,017,575                       | 0.01717                              |
| 13  | Wenzhou Modern Service Industry Investment<br>Group Co., Ltd. | 420,398                         | 0.00709                              |
|     | <b>Total</b>  | <b>5,926,760,754</b>            | <b>100.00000</b>                     |

In January 2020, Zhejiang Yongli Industrial Group Co., Ltd., a shareholder of Financial Leasing Company, entered into an agreement to transfer all of the 489,540,795 shares held by it in Financial Leasing Company to Shaoxing Keqiao Tiansheng Investment Management Co., Ltd., an external investor. After the transfer, Tiansheng Investment held 489,540,795 shares of Financial Leasing Company, and Zhejiang Yongli no longer held shares of Financial Leasing Company. The number and percentage of shares held by other shareholders of Financial Leasing Company remain unchanged. The shareholding structure after the change is as follows:

| No.          | Name of shareholder  | Number of shares<br>(Shares) | Percentage of shareholding<br>(%) |
|--------------|--|------------------------------|-----------------------------------|
| 1            | China Huarong Asset Management Co., Ltd.                   | 4,736,709,379                | 79.92071                          |
| 2            | Shaoxing Keqiao Tiansheng Investment Management Co., Ltd.  | 489,540,795                  | 8.25984                           |
| 3            | Zhejiang Provincial Energy Group Financial Co., Ltd.       | 160,000,000                  | 2.69962                           |
| 4            | Zhengda Industrial Investment Co., Ltd.                    | 156,497,851                  | 2.64053                           |
| 5            | China Shipbuilding Industry Financial Co., Ltd.            | 128,000,000                  | 2.15970                           |
| 6            | Ningbo Heyuan Holding Co., Ltd.                            | 112,000,000                  | 1.88973                           |
| 7            | GoldStone Investment Co., Ltd.                             | 48,000,000                   | 0.80989                           |
| 8            | Zhejiang Chengrun Holding Group Co., Ltd.                  | 38,011,403                   | 0.64135                           |
| 9            | Beijing Guotong Asset Management Co., Ltd.                 | 32,000,000                   | 0.53992                           |
| 10           | Weiling Group Limited                                      | 21,600,000                   | 0.36445                           |
| 11           | Rui'an State-owned Assets Investment Group Co., Ltd.       | 2,963,353                    | 0.05000                           |
| 12           | C&U Group Co., Ltd.  | 1,017,575                    | 0.01717                           |
| 13           | Wenzhou Modern Service Industry Investment Group Co., Ltd. | 420,398                      | 0.00709                           |
| <b>Total</b> |  | <b>5,926,760,754</b>         | <b>100.00000</b>                  |

(Note: China Shipbuilding Industry Financial Co., Ltd. was absorbed and merged into China Shipbuilding Financial Co., Ltd.; Zhejiang Chengrun Holding Group Co., Ltd. changed its name to Zhejiang Jinyihe Holding Group Co., Ltd.)

In August 2023, Financial Leasing Company held a general meeting and resolved to transfer its statutory surplus reserve and undistributed profits to share capital by 6.637 billion shares, after which the registered capital of the Company was changed from 5.927 billion shares to 12.564 billion shares. Each Shareholder participated in the transfer with the same proportion in accordance with its original proportion of shareholding, and the percentage of shareholding of each Shareholder before or after the transfer remained unchanged. In November 2023, the Zhejiang Regulatory Bureau of the National Financial Regulatory Administration officially approved this change. The shareholding structure after the change is as follows:

| No.          | Name of shareholder   | Number of shares<br>(Shares) | Percentage of shareholding<br>(%) |
|--------------|---|------------------------------|-----------------------------------|
| 1            | China Huarong Asset Management Co., Ltd.                    | 10,041,001,883               | 79.92071                          |
| 2            | Shaoxing Keqiao Tiansheng Investment Management Co., Ltd.   | 1,037,741,531                | 8.25984                           |
| 3            | Zhejiang Provincial Energy Group Financial Co., Ltd.        | 339,172,234                  | 2.69962                           |
| 4            | Zhengda Industrial Investment Co., Ltd.                     | 331,748,286                  | 2.64053                           |
| 5            | China Shipbuilding Financial Co., Ltd.                      | 271,337,787                  | 2.15970                           |
| 6            | Ningbo Heyuan Holding Co., Ltd.                             | 237,420,564                  | 1.88973                           |
| 7            | GoldStone Investment Co., Ltd.                              | 101,751,670                  | 0.80989                           |
| 8            | Zhejiang Jinyihe Holding Group Co., Ltd.                    | 80,577,578                   | 0.64135                           |
| 9            | Beijing Guotong Asset Management Co., Ltd.                  | 67,834,447                   | 0.53992                           |
| 10           | Weiling Group Limited                                       | 45,788,252                   | 0.36445                           |
| 11           | Rui'an State-owned Assets Investment Group Co., Ltd.        | 6,281,794                    | 0.05000                           |
| 12           | C&U Company Limited   | 2,157,082                    | 0.01717                           |
| 13           | Wenzhou Modern Service Industry Development Group Co., Ltd. | 891,171                      | 0.00709                           |
| <b>Total</b> |   | <b>12,563,704,279</b>        | <b>100.00000</b>                  |

(Note: C&U Group Co., Ltd. changed its name to C&U Company Limited; Wenzhou Modern Service Industry Investment Group Co., Ltd. changed its name to Wenzhou Modern Service Industry Development Group Co., Ltd.)

In January 2024, China Huarong officially changed its name to CITIC FAMC. The latest shareholding structure of Financial Leasing Company after the change is as follows:

| No.          | Name of shareholder   | Number of shares<br>(Shares) | Percentage of shareholding<br>(%) |
|--------------|---|------------------------------|-----------------------------------|
| 1            | China CITIC Financial Asset Management Co., Ltd.            | 10,041,001,883               | 79.92071                          |
| 2            | Shaoxing Keqiao Tiansheng Investment Management Co., Ltd.   | 1,037,741,531                | 8.25984                           |
| 3            | Zhejiang Provincial Energy Group Financial Co., Ltd.        | 339,172,234                  | 2.69962                           |
| 4            | Zhengda Industrial Investment Co., Ltd.                     | 331,748,286                  | 2.64053                           |
| 5            | China Shipbuilding Financial Co., Ltd.                      | 271,337,787                  | 2.15970                           |
| 6            | Ningbo Heyuan Holding Co., Ltd.                             | 237,420,564                  | 1.88973                           |
| 7            | GoldStone Investment Co., Ltd.                              | 101,751,670                  | 0.80989                           |
| 8            | Zhejiang Jinyihe Holding Group Co., Ltd.                    | 80,577,578                   | 0.64135                           |
| 9            | Beijing Guotong Asset Management Co., Ltd.                  | 67,834,447                   | 0.53992                           |
| 10           | Weiling Group Limited                                       | 45,788,252                   | 0.36445                           |
| 11           | Rui'an State-owned Assets Investment Group Co., Ltd.        | 6,281,794                    | 0.05000                           |
| 12           | C&U Company Limited   | 2,157,082                    | 0.01717                           |
| 13           | Wenzhou Modern Service Industry Development Group Co., Ltd. | 891,171                      | 0.00709                           |
| <b>Total</b> |   | <b>12,563,704,279</b>        | <b>100.00000</b>                  |

### 3. *Assets, finance and operating condition*

As of the Valuation Reference Date (i.e., 30 June 2023), the total assets of Financial Leasing Company in the consolidated statements amounted to RMB112,308.8074 million, the total liabilities amounted to RMB92,510.8813 million, and the net assets attributable to the shareholders of the parent company amounted to RMB19,797.9261 million. In January to June 2023, the operating revenue in the consolidated statements amounted to RMB2,984.4173 million, and the net profit attributable to the shareholders of the parent company amounted to RMB280.8456 million.

The table below sets forth the assets and financial position of Financial Leasing Company for the three years ended 31 December 2022 and the six months ended 30 June 2023:

**Assets, Liabilities and Financial Position in the Consolidated Statements**

Amount unit: RMB'0,000

| Item  | 2020-12-31    | 2021-12-31    | 2022-12-31    | 2023-06-30    |
|---|---------------|---------------|---------------|---------------|
| Total assets                                  | 13,828,040.68 | 11,798,198.35 | 10,789,957.98 | 11,230,880.74 |
| Liabilities                                   | 12,163,223.95 | 9,974,111.67  | 8,853,806.33  | 9,251,088.13  |
| Net assets attributable to the parent company | 1,664,816.73  | 1,824,086.68  | 1,936,151.65  | 1,979,792.61  |

  

| Item  | 2020                                  | 2021        | 2022        | January to June 2023 |
|---|---------------------------------------|-------------|-------------|----------------------|
| Operating revenue                                 | 824,518.80                            | 766,512.09  | 753,864.61  | 298,441.73           |
| Total profit                                      | 204,647.39                            | 196,549.21  | 159,734.74  | 32,537.61            |
| Net profit attributable to the parent company     | 156,040.45                            | 151,429.27  | 121,358.80  | 28,084.56            |
| Net cash flow generated from operating activities | 287,084.40                            | 682,667.39  | -147,929.77 | -32,423.35           |
| Net cash flow generated from investing activities | -4,009.78                             | 2,564.51    | 90,592.77   | 161,391.69           |
| Net cash flow generated from financing activities | -180,161.89                           | -694,270.58 | -459,597.13 | —                    |
| <b>Auditing institution</b>                       | <b>Ernst &amp; Young Hua Ming LLP</b> |             |             |                      |

*(Note: The auditing institution only audited the financial statements of such subsidiaries and sub-subsidiaries and did not issue a separate audit report)*

**(III) Relationship between the client and the evaluated entity**

The client is CITIC FAMC and the evaluated entity is Financial Leasing Company in the asset valuation. CITIC FAMC (the client) is a shareholder of Financial Leasing Company (the evaluated entity), with a shareholding of 79.9207%.

**II. PURPOSE OF VALUATION**

According to the Explanation on the Basis of Economic Behavior of CITIC FAMC (21 December 2023), CITIC FAMC intended to transfer the partial equity interest in Financial Leasing Company held by it.

The purpose of the valuation is to reflect the market value of the total shareholders' equity of Financial Leasing Company as at the Valuation Reference Date, so as to provide a value reference basis for the above economic behavior.

### III. THE VALUATION OBJECT AND SCOPE OF VALUATION

The valuation object is the total shareholders' equity of Financial Leasing Company. The scope of the valuation is all assets and relevant liabilities of Financial Leasing Company. As of the Valuation Reference Date, the total book assets in the audited consolidated statements were RMB112,308.8074 million, the total liabilities were RMB92,510.8813 million and the net assets attributable to the shareholders of the parent company were RMB19,797.9261 million.

The assets and liabilities data above were extracted from the standard and unqualified audit result under the Audited Financial Statements of China Huarong Financial Leasing Co., Ltd. in 2022 and for the period from 1 January 2023 to 30 June 2023 (Ernst & Young Hua Ming (2023) Zhuan Zi No. 61274415\_B06) issued by Ernst & Young Hua Ming LLP on 8 September 2023. The valuation was carried out on the basis that the enterprise has been audited.

The entrusted valuation object and scope of valuation are consistent with those involved in economic behavior.

### IV. TYPE OF VALUE AND ITS DEFINITION

The type of value of this valuation is determined as the market value according to the purpose of such valuation.

The market value is defined as the estimated value amount of the valuation object in a normal and arm's length transaction between a willing purchaser and a willing seller acting reasonably and without compulsion as at the Valuation Reference Date.

### V. THE VALUATION REFERENCE DATE

The asset Valuation Reference Date of this project is 30 June 2023.

The Valuation Reference Date is determined by the clients based on the comprehensive consideration of the asset scale, workload, expected time required, compliance and other factors of the evaluated entity.

### VI. BASIS FOR VALUATION

The valuation basis adopted for the asset valuation mainly includes basis of economic behavior, basis of laws and regulations, basis of valuation standards, basis of asset ownership and basis of price determination used in the valuation and estimation and other references, details of which are as follows:

#### (I) Basis of Economic Behavior

The Explanation on the Basis of Economic Behavior of CITIC FAMC (21 December 2023).



**(II) Basis of Laws and Regulations**

1. Asset Appraisal Law of the People's Republic of China (passed at the 21st meeting of the Standing Committee of the 12th National People's Congress on 2 July 2016);
2. Company Law of the People's Republic of China (revised at the sixth meeting of the Standing Committee of the 13th National People's Congress on 26 October 2018);
3. Civil Code of the People's Republic of China (passed at the third meeting of the 13th National People's Congress on 28 May 2020);
4. Law of the People's Republic of China on the State-Owned Assets of Enterprises (passed at the fifth meeting of the Standing Committee of the 11th National People's Congress on 28 October 2008);
5. Law of the People's Republic of China on Enterprise Income Tax (passed at the seventh meeting of the Standing Committee of the 13th National People's Congress on 29 December 2018);
6. Measures for the Supervision and Administration of the Transactions of State-Owned Assets of Enterprises (State Council, State-owned Assets Supervision and Administration Commission and Ministry of Finance Decree No. 32, 2016);
7. Interim Measures for the Supervision and Administration of Assessment on State-owned Assets of Financial Enterprises (Decree No. 47 of Ministry of Finance, 12 October 2007);
8. Notice of Issues concerning the Supervision and Administration of Assessment of State-owned Assets of Financial Enterprises (Cai Jin [2011] No. 59, 16 June 2011);
9. Notice on Issues concerning Further Strengthening the Administration of Equities of State-owned Financial Enterprises (Cai Jin [2016] No. 122);
10. Administrative Measures for the Transfer of State-owned Assets of Financial Enterprises (Decree No. 54 of Ministry of Finance, 17 March 2009);
11. Administrative Measures for Financial Leasing Companies (promulgated by Decree No. 3 [2014] of CBRC on 13 March 2014);
12. Notice of the General Office of CBIRC on the Issuance of Measures for the Supervision and Rating of Financial Leasing Companies (Trial) (30 June 2020, Yin Bao Jian Ban Fa [2020] No. 60);
13. Urban Real Estate Administration Law of the People's Republic of China (Decree No. 72 of the President of the People's Republic of China, as amended and took effect on 26 August 2019);
14. Provisional Regulations of the People's Republic of China on Value-added Tax (Decree No. 691 of the State Council, as adopted at the 191st executive meeting of the State Council on 30 October 2017);

15. Announcement on Relevant Policies for Deepening the Value-added Tax Reform (Announcement No. 39 [2019] of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs);
16. Other laws, regulations and rules related to the valuation work.

### (III) Basis of Valuation Standards

1. Basic Standards for Asset Valuation (Cai Zi [2017] No. 43) (《資產評估基本準則》(財資[2017]43號));
2. Code of Ethics for Asset Valuation (Zhong Ping Xie [2017] No. 30) (《資產評估職業道德準則》(中評協[2017]30號));
3. Practice Standards for Assets Appraisal — Asset Valuation Procedures (Zhong Ping Xie [2018] No. 36) (《資產評估執業準則 — 資產評估程序》(中評協[2018]36號));
4. Practice Standards for Assets Appraisal — Asset Appraisal Approaches (Zhong Ping Xie [2019] No. 35) (《資產評估執業準則 — 資產評估方法》(中評協[2019]35號));
5. Guiding Opinions on Types of Value under Asset Valuation (Zhong Ping Xie [2017] No. 47) (《資產評估價值類型指導意見》(中評協[2017]47號));
6. Practice Standards for Assets Appraisal — Asset Valuation Reports (Zhong Ping Xie [2018] No. 35) (《資產評估執業準則 — 資產評估報告》(中評協[2018]35號));
7. Practice Standards for Assets Appraisal — Enterprise Value (Zhong Ping Xie [2018] No. 38) (《資產評估執業準則 — 企業價值》(中評協[2018]38號));
8. Practice Standards for Assets Appraisal — Asset Valuation Commission Contracts (Zhong Ping Xie [2017] No. 33) (《資產評估執業準則 — 資產評估委託合同》(中評協[2017]33號));
9. Practice Standards for Assets Appraisal — Use expert work and related reports (Zhong Ping Xie [2017] No. 35) (《資產評估執業準則 — 利用專家工作及相關報告》(中評協[2017]35號));
10. Practice Standards for Assets Appraisal — Asset Valuation Files (Zhong Ping Xie [2018] No. 37) (《資產評估執業準則 — 資產評估檔案》(中評協[2018]37號));
11. Guidelines of the Appraisal Report on State-owned Assets of Financial Enterprises (Zhong Ping Xie [2017] No. 43) (《金融企業國有資產評估報告指南》(中評協[2017]43號));
12. Quality Control Guidance on the Business of Asset Valuation Agency (Zhong Ping Xie [2017] No. 46) (《資產評估機構業務質量控制指南》(中評協[2017]46號));
13. Guiding Opinions on Legal Ownership of Asset Appraisal Object (Zhong Ping Xie [2017] No. 48) (《資產評估對象法律權屬指導意見》(中評協[2017]48號));
14. Other standards related to the appraisal work.

**(IV) Asset Ownership Basis**

1. Building ownership certificates;
2. State-owned land use right certificates;
3. Motor vehicle driving permits;
4. Key asset acquisition contracts or evidential documents;
5. Other references.

**(V) Basis of Price Determination**

1. Information on forecast of future earnings provided by the evaluated entity according to the law;
2. Relevant information of the price information database of China United Assets Appraisal Group Co., Ltd.;
3. Important business contracts and information;
4. Other references.

**(VI) Other References**

1. Audited Financial Statements of China Huarong Financial Leasing Co., Ltd. for the Year 2022 and the Period from 1 January 2023 to 30 June 2023 (Ernst & Young Hua Ming (2023) Zhuan Zi No. 61274415\_B06) issued by Ernst & Young Hua Ming LLP;
2. iFind information and financial terminal;
3. Investment Valuation (by Damodaran (US), translated by Lin Qian (Canada), published by Tsinghua University Press);
4. Valuation: Measuring and Managing the Value of Companies (3rd Edition) (by Copeland, T. (US), etc., translated by Hao Shaolun and Xie Guanping, published by Publishing House of Electronics Industry);
5. Accounting Standards for Business Enterprises — Basic Standards (Decree No. 33 of the Ministry of Finance, as issued on 15 February 2006 and revised in July 2014 by the Ministry of Finance);
6. Asset Appraisal Expert Guidance No. 1 — Financial Regulatory Indicators that Should Be Paid Attention to in the Appraisal of Financial Enterprises (Zhong Ping Xie [2015] No. 62) (《資產評估專家指引第1號 — 金融企業評估中應關注的金融監管指標》(中評協[2015]62號));
7. Asset Appraisal Expert Guidance No. 3 — Income Approach Appraisal Model and Parameter Determination for Financial Enterprises (Zhong Ping Xie [2015] No. 64) (《資產評估專家指引第3號 — 金融企業收益法評估模型與參數確定》(中評協[2015]64號));

8. Asset Appraisal Expert Guidance No. 4 — Market Approach Appraisal Model and Parameter Determination for Financial Enterprises (Zhong Ping Xie [2015] No. 65) (《資產評估專家指引第4號 — 金融企業市場法評估模型與參數確定》(中評協[2015]65號));
9. Asset Appraisal Expert Guidance No. 8 — Inspection and Verification of Asset Appraisal (Zhong Ping Xie [2019] No. 39) (《資產評估專家指引第8號 — 資產評估中的核查驗證》(中評協[2019]39號));
10. Information on the websites of China Securities Regulatory Commission, Shanghai Stock Exchange and Shenzhen Stock Exchange;
11. Other references.

## VII. VALUATION APPROACHES

### (I) Selection of Valuation Approaches

According to the requirements of the Practice Standards for Assets Appraisal — Enterprise Value (Zhong Ping Xie [2018] No. 38) and the Practice Standards for Assets Appraisal — Asset Appraisal Approach (Zhong Ping Xie [2019] No. 35), in evaluating enterprise value, the applicability of the three basic approaches, namely income approach, market approach and asset-based approach shall be analysed to select the valuation approach pursuant to the valuation purpose, valuation object, value type, conditions for the applicability of the valuation approach and quality and quantity of the data on which the application of the valuation approach is based, etc.

The purpose of this valuation is to understand the total equity value of the shareholders of Financial Leasing Company. In view of the characteristics of the asset value of financial enterprises, it is difficult to estimate the value of many assets such as customer value, operation network and others that have a great impact on their future returns by using the asset-based approach, so the asset-based approach is not adopted for valuation. Based on the existence of transaction cases of financial leasing companies in the domestic capital market and the availability of transaction case data, the market approach was chosen as the approach for selecting the valuation conclusion this time.

### (II) Market Approach Overview

According to the Practice Standards for Assets Appraisal — Enterprise Value, the market approach in enterprise value appraisal refers to the valuation approach that compares the valuation object, with comparable listed companies or comparable transaction cases to determine the value of the valuation object.

#### 1. *Preconditions for the application of market approach*

The following basic preconditions shall be met for the application of market approach in evaluating enterprise value:

- (1) There should be a fully developed, active and open market in which transaction prices essentially reflect the quotation of buyers and sellers in the market, thus eliminating the chance of individual transactions.

- (2) There should be comparable enterprises and their transaction activities in the open market, and the trading activities should reflect the trend of enterprise value well. Comparability of enterprises and their transactions means that the selected comparable enterprises and their transaction activities have occurred in the open market recently and are similar to the target enterprises to be evaluated and their upcoming business activities.
- (3) The factors influencing the value of the object of reference and the evaluated entity are clear and quantifiable, and the relevant information can be collected.

## **2. *The reason and basis for selecting market approach***

The two commonly used specific methods of market approach are the comparison method of listed companies and the comparison method of transaction cases.

The comparison method of listed companies refers to a specific method of obtaining and analysing the operation and financial data of comparable listed companies, calculating the value ratio, and determining the value of the valuation object on the basis of comparative analysis with the evaluated entity.

The comparison method of transaction cases refers to the specific method of obtaining and analysing the data of the transaction, acquisition and merger cases of comparable enterprises, calculating the value ratio, and determining the value of the valuation object on the basis of comparative analysis with the evaluated entity.

Prior to and after the Valuation Reference Date, there are sufficient equity transaction cases with similar business scope, business size and development stage as the evaluated entity in the market of the financial leasing industry where the evaluated entity operates, which have strong comparability. Therefore, the comparison method of transaction cases is selected in this valuation. Please refer to “III. Selection of Comparable Companies” under Appendix IV for details.

## **3. *Valuation ideas***

Valuation by market approach is carried out in the following steps:

### ***(1) Select comparable enterprises***

Collect information about comparable companies and select and determine an appropriate number of comparable companies. Selection of comparable companies is based on the following principles:

- A. Select comparable enterprises that are identical or comparable in terms of the trading market;
- B. Select comparable enterprises that are identical or similar in terms of influence factors of value;
- C. Select comparable enterprises whose trading time is close to the Valuation Reference Date;

- D. Select comparable enterprises whose transaction background is suitable for the valuation purpose;
- E. Select comparable enterprises that are normal or can be modified to normal transaction prices.

(2) *Establish a comparison benchmark*

- 1) Adjustments of transaction prices for the comparable enterprises are mainly considered in the following aspects:
  - A. Adjust the difference in trading time between the comparable enterprises and evaluated entities, including the impact of market cycle fluctuations and price changes;
  - B. Adjust the transaction price to 100% equity price based on the share ratio of the transaction.
- 2) Calculation of the value ratio

Proper value ratio shall be selected. Value ratio usually includes profit, asset, income and other specific ratios. Relatively proper value ratio shall be selected by way of conducting linear regression analysis to factors affecting the value of the industry in which the evaluated entity and comparable companies operate in combination with data of capital market.

Each value ratio can be generated by dividing 100% of equity price by value factors of comparable companies.

3) Comparable value

Comparable value can be generated by multiplying the value ratio by each of value factors of target companies.

(3) *Calculation of valuation results*

- 1) Appraisal on differences. Differences between comparable companies and evaluated entities in respect of business structure, operation model, scale of corporation, enterprise's life cycle, growth, operation risks, efficiency indicators, operational capacity etc., are analysed and compared. Appropriate indicators are selected for quantification and appraisal.
- 2) Difference factors. Difference factors can be generated by dividing the appraisal score of each indicator of evaluated entity by the score of comparable companies, respectively.
- 3) Comparative benchmark value. Comparative benchmark values can be generated by multiplying comparable values with adjusted difference factors.

(4) *Calculation of evaluated value*

The total equity value of shareholders of evaluated entity can be generated by conducting statistical analysis to each of comparative benchmark value.

3. *Model of valuation*

The basic model of this valuation is as follows:

Total equity value of shareholders of evaluated entity = Value factors of evaluated entity × Value ratio × Difference factors.

## VIII. THE IMPLEMENTATION PROCESS AND STATUS OF THE VALUATION PROCEDURES

The overall valuation work is conducted in four phases:

(I) **Preparation**

1. *Project negotiation and acceptance of project commission*

We learned about the basic conditions of the evaluated entity and the valuation object involved in the business to be undertaken, and made clear the purpose of valuation, the valuation object, the scope of valuation, and the Valuation Reference Date; we conducted a comprehensive analysis and evaluation of professional competence, independence and business risks based on the specific circumstances such as the purpose of valuation and transaction background, and signed an asset valuation commission contract.

2. *Determination of valuation plan and formulation of work plan*

We fully communicated with the client and intermediaries of all parties related to the project to further determine the basic information of asset valuation and the assets and operating conditions of the evaluated entity; we then collected information about the basic policies, laws and regulations and market operating conditions of the industry in which the evaluated entity operates, and drew up a preliminary work plan and formulated a valuation plan on this basis.

3. *Submission of information list and interview outline*

Based on the characteristics of the appraised assets, we submitted an information list of targeted due diligence, assets list, earnings forecast and other sample forms, and requested the evaluated entity to make preparation for valuation.

4. *Counselling on form filling and preparation of valuation materials*

We contacted relevant staff of the evaluated entity and counseled the evaluated entity to prepare the required information and fill in the relevant forms in accordance with the requirements of asset valuation.

**(II) On-site valuation**

The main tasks of the project team at the on-site valuation stage are as follows:

**1. Preliminary understanding of the general situation**

We received the introduction of the overall situation of the evaluated entity and the history and status quo of appraised assets by the client and the relevant personnel of the evaluated entity, and learned about the history, financial system, operating conditions, fixed assets and technological conditions, etc. of the evaluated entity.

**2. Examination and review of information**

We reviewed and identified the information submitted by the evaluated entity, and had a comprehensive collection and inspection of the documentary proof of ownership of the appraised assets, made reconciliation to relevant financial records of the enterprise and collaborated with the enterprise to make adjustments to the identified problems.

**3. Targeted inspection**

Based on the information submitted, we conducted comprehensive inspections and verification on the main assets and operation, as well as office premises. For declared financial assets and transaction amounts, we examined and verified the statements of accounts, letters of inquiry and various business contracts to confirm their existence and analyse their risks. We conducted on-site investigation for declared physical assets, and comprehensively checked and investigated for buildings and vehicles.

**4. Due diligence interview**

Through due diligence and interviews with senior management, we learned about the industry status, market share and costs of the enterprise, and analyzed the future development trend of the enterprise. For the profit forecast data declared by the enterprise, discussions with the management of the enterprise were conducted to reach an agreement on future development trends of the evaluated entity as much as possible, and then inspection and verification were achieved through enquiries of the overall fund size, development trend and yield rate in the same industry.

**5. Determination of valuation way and approach**

We determined the specific model and approach for asset valuation based on the actual condition and characteristics of the appraised assets.

**6. Assessment and estimation**

Based on the consensus reached, we determined the valuation model, calculated the valuation results and drafted relevant textual descriptions.

**(III) Valuation summarization**

We analysed and summarized the preliminary results of various asset and liability valuations, and made necessary adjustments, amendments, and improvements to the valuation results.



**(IV) Report submission**

A preliminary asset valuation report was drafted based on the above processes, and opinions on the valuation results were exchanged with the client after preliminary review. Upon an individual analysis of relevant opinions, modifications and adjustments were made in accordance with the internal review mechanism and procedure for asset valuation reports of the valuation firm, and eventually the formal asset valuation report was issued.

**IX. VALUATION ASSUMPTIONS**

In this valuation, the valuers followed the valuation assumptions below:

**(I) General assumptions****1. Transaction assumption**

Transaction assumption is to assume that all assets to be evaluated are already in the process of transaction, and the valuers conduct valuation based on simulated market such as the trading conditions of the assets to be evaluated. The transaction assumption is one of the most basic premise assumptions for the implementation of the asset valuation.

**2. Open market assumption**

Open market assumption is to assume that with respect to the assets traded or to be traded in the market, the transacting parties are in equal position and have opportunities and time to access sufficient market information so as to make a rational judgment on the function, purpose and transaction price of the assets. The open market assumption is made on the basis that the assets can be traded openly in the market.

**3. Asset going-concern assumption**

The asset going-concern assumption means that the valuation approaches, parameters and basis shall be determined correspondingly based on the fact that the assets to be evaluated will continue to be used in consistent with their current purpose and method, scale, frequency and environment of application, or used on a change basis during the evaluation.

**(II) Special assumptions**

1. This valuation assumed that the external economic environment remains unchanged and there is no significant change in the prevailing national macroeconomics as at the Valuation Reference Date;
2. It is assumed that the enterprise operates as a going concern assumption based on the actual condition of the assets as at the Valuation Reference Date;
3. It is assumed that the operators of the evaluated entity are responsible and the management of the company is capable of performing their duties;
4. Unless otherwise specified, it is assumed that the company is fully in compliance with all the related laws and regulations;

5. It is assumed that the accounting policies to be adopted by the evaluated entity in the future are generally consistent with the accounting policies adopted at the time of preparation of this report in material respects;
6. It is assumed that the business scope and operating method of the company are in line with the current direction on the basis of the existing management methods and management levels;
7. For this valuation, it is assumed that the principal businesses, revenue and cost structures of the evaluation object will not change significantly in the future forecast period;
8. The information disclosure of comparable transaction cases is true, accurate, and complete, and there are no false statements, erroneous records or major omissions that affect the value judgment;
9. The valuers select comparison dimensions and indicators only based on the relevant information of the publicly disclosed comparable transaction cases, and do not consider the impact of other matters on the value of the evaluated entity;
10. During the forecast period, all expenses incurred by the valuation object, will be in line with the basis as of the current level, follow the trends over recent years without significant changes and move in tandem with changes in operation scale;
11. There are no significant changes in related interest rates, exchange rates, tax bases and tax rates, policy-imposed levies, etc.;
12. No other force majeure factors and unforeseeable factors will have a material adverse impact on the enterprise.

When the above conditions change, the valuation results may usually become invalid.

## **X. THE CONCLUSIONS OF VALUATION**

Based on the judgment of the evaluated entity and the management of the enterprise for future development trends and business plans and in accordance with relevant laws and regulations and asset valuation standards, we have conducted on-site investigation, market research and inquiries, valuation and calculation on the assets of shareholders of Financial Leasing Company, for which the entire equities were included in the scope of appraisal, through conducting the valuation procedures including checking and verification, on-site investigation, market research and inquiries, valuation and estimation, and the conclusions were as follows:

Under the market approach, the conclusion of the valuation of the evaluated entity as at the Valuation Reference Date, i.e. 30 June 2023 is as follows:

The carrying amount of the entire shareholders' equity amounted to RMB19,797.9261 million, and the evaluated value amounted to RMB19,995.9054 million, representing an increase of RMB197.9793 million, with an appreciation rate of 1.00%.

**XI. SPECIAL INSTRUCTIONS****(I) Reference to the Conclusions of Reports Issued by Other Institutions**

None.

**(II) Incomplete Ownership Information or Defective Ownership Matters**

After checking and verification, except for the land of Hang Jiang Guo Yong (2015) No. 100067 (杭江國用(2015)第100067號) and the land of Hang Xi Guo Yong (1991) No. 41 (杭西國用(1991)第41號), the ownership information of other assets of Financial Leasing Company is complete and clear.

**1. The land of Hang Jiang Guo Yong (2015) No. 100067**

In 2008, Financial Leasing Company, together with the Business Department of Industrial and Commercial Bank of China Zhejiang Branch (now renamed as ICBC Hangzhou Branch, hereinafter referred to as ICBC), Zhejiang Xinhua Futures Brokerage Co., Ltd. (whose investment property has been succeeded by Zhejiang Mintai Commercial Bank Co., Ltd.) and China ZheShang Bank Co., Ltd., jointly bid for the land parcel D09 of Jianggan District in Hangzhou (now known as Shangcheng District). The land parcel D09 was divided into three sub-parcels, namely, D09-1, D09-2 and D09-3, of which Financial Leasing Company and ICBC were the main developers of the land parcel D09-1. The land parcel D09-1 was divided into Tower A and Tower B. Tower A is the building of ICBC, which was developed and constructed by ICBC, and Tower B is Huarong Building, which was developed and constructed by Financial Leasing Company, but actually jointly invested and constructed by Financial Leasing Company and Yinli Construction Group Co., Ltd. (浙江銀力建設集團有限公司). Upon the transfer of the development rights from Yinli Construction Group Co., Ltd. to ICBC, the property rights of Huarong Building were vested in Financial Leasing Company and ICBC. According to the Agreement on Property Rights Allocation, Property Division Registration and Use Management of Zhujin A Tower and B Tower (《關於祝錦大廈A樓、B樓產權分配和析產分割登記及使用管理的協議書》) between Financial Leasing Company and ICBC, the area of Huarong Building (i.e. Zhujin B Tower or Zhujin Building 2) which is solely owned by Financial Leasing Company is 14,827.21 sq.m. (including 55.53 sq.m. of property management rooms).

Huarong Building project was commenced in June 2012, and the completion acceptance record was completed in November 2018. Since four units jointly won the bidder for the right of development and construction of the land parcel D09, the government authorities required that the real estate certificate should be jointly handled by four units, and the property rights should be allocated to each unit through property analysis after the four units jointly handled the major certificate. During the process of the application for the real estate certificate, the functional departments of the government identified the house and land use rights as jointly owned, which may result in the problems of undue tax payment when the four units transfer the ownership to each unit according to the “ownership transfer registration method”. Therefore, the four construction units of D09 have been communicating and coordinating with the functional departments. There is no objection to the ownership of the property rights, although the real estate certificate, in which the ownership is registered separately in the name of each unit, has not yet been handled. Financial Leasing Company has issued the explanation documents of ownership defects based on the actual situation.

**2. The land of Hang Xi Guo Yong (1991) No. 41**

Financial Leasing Company, Bank of Ningbo Co., Ltd. and Hangzhou Yinyu Investment Co., Ltd. (杭州銀譽投資有限公司) jointly developed and constructed the Minlin Financial Center project (business and commercial buildings project of Hang Zheng Chu Chu (2013) No. 35 parcel), and entered into Contract for Assignment of State-owned Construction Land Use Right with Hangzhou Bureau of Land and Resources in May 2013. The project was commenced in March 2015, and the completion acceptance record was completed in June 2022.

According to the “Agreements on the Distribution of Ownership and Registration of Division of Assets of Minlin Financial Center” of the three parties to the Joint Construction, the aggregate area of ownership of the buildings attributed to Financial Leasing Company was 53,746.08 square meters, of which 31,410.43 square meters was publicly listed and transferred through the Shanghai United Assets and Equity Exchange in December 2022, and the remaining 22,335.65 square meters (of which 19,822.22 square meters is not for sale) is under collective leasing process.

Due to the fact that the actual completion time of the project is later than the prescribed time limit as stipulated in the Contract for Assignment of State-owned Construction Land Use Right, the three parties to the Joint Construction have communicated and coordinated with the relevant functional departments of the government in respect of the extension of the completion and the application of the real estate certificate, but there is no objection to the ownership of the property rights. Financial Leasing Company has issued the explanation documents of ownership defects based on the actual situation.

This valuation conducted a normal valuation on the above properties according to the explanation documents of ownership defects and the ownership commitments issued by Financial Leasing Company. If there is any issue or dispute arising from the ownership of the property rights, it may have an impact on this valuation.

**(III) Restricted Valuation Procedure or Incomplete Valuation Materials**

None.

**(IV) Legal, Economic and Other Pending Matters as of the Valuation Reference Date**

As of the Valuation Reference Date, Financial Leasing Company, as a defendant, has been involved in four litigations with an amount of RMB36.6090 million, the details of which are set out below:

Amount unit: RMB'0,000

| No. | Plaintiff/Applicant  | Defendant/<br>Third party/<br>Respondent           | Total claim<br>amount | Cause                          | Stage of the case |
|-----|--|--|-----------------------|--------------------------------|-------------------|
| 1   | Hangzhou Ruihe<br>Electromechanical<br>Equipment Co., Ltd.<br>(杭州銳禾機電設備<br>有限公司) | China Huarong<br>Financial<br>Leasing<br>Co., Ltd. | 168.70                | Dispute over<br>sales contract | Case closed       |

| No.          | Plaintiff/Applicant  | Defendant/<br>Third party/<br>Respondent  | Total claim<br>amount  | Cause                        | Stage of the case   |
|--------------|--|---|------------------------|------------------------------|---|
| 2            | Zhejiang Tenyen Import & Export Co., Ltd.<br>(浙江騰盈進出口有限公司) | China Huarong Financial Leasing Co., Ltd. | 62.25                  | Dispute over sales contract  | Case closed   |
| 3            | Xu Huan  | China Huarong Financial Leasing Co., Ltd. | 338.70                 | Dispute over contract        | All of the plaintiff's claims were rejected in the first instance |
| 4            | Chengdu Fufeng Investment Holding Co., Ltd. (成都富豐投資控股有限公司) | China Huarong Financial Leasing Co., Ltd. | 3,091.25               | Dispute over private lending | In the second instance trial                                      |
| <b>Total</b> |  |   | <b><u>3,660.90</u></b> |                              |   |

This time, the auditor has not made any provision for estimated liabilities for the foregoing cases. If the foregoing unclosed cases involving litigations are ultimately unsuccessful, it is expected to have adverse impacts on Financial Leasing Company.

**(V) Nature and Amount of Guarantees, Leasing and its Contingent Liabilities (Contingent Assets) and Other Matters and their Relationship with the Valuation Object**

As of the Valuation Reference Date, the balance of guarantees provided by Financial Leasing Company to overseas SPV companies totalled USD235.7914 million, the details of which are set out below:

Amount unit: USD\*0,000

| No.          | Borrowing entity                                     | Currency | Balance                 | Date of commencement | Date of termination | Way of guarantee  |
|--------------|--|----------|-------------------------|----------------------|---------------------|---|
| 1            | CTBC BANK CO., LTD.                                  | USD      | 736.90                  | 2019-01-03           | 2025-01-03          | Financial leasing guarantee                                   |
| 2            | CTBC BANK CO., LTD.                                  | USD      | 1,842.24                | 2019-01-31           | 2025-01-03          | Financial leasing guarantee                                   |
| 3            | Bank of Hangzhou Co., Ltd. Shanghai Branch           | USD      | 2,000.00                | 2022-12-07           | 2023-12-05          | Financial leasing guarantee                                   |
| 4            | Malayan Banking Berhad, Hong Kong Branch             | USD      | 8,000.00                | 2023-04-04           | 2024-03-18          | SBLC (Standby Letter of Credit) provided by financial leasing |
| 5            | China CITIC Bank Corporation Limited Shanghai Branch | USD      | 8,000.00                | 2023-03-24           | 2024-03-23          | Financial leasing guarantee                                   |
| 6            | Shanghai Pudong Development Bank Yangpu Sub-branch   | USD      | 3,000.00                | 2023-03-30           | 2023-10-09          | Financial leasing guarantee                                   |
| <b>Total</b> |  |          | <b><u>23,579.14</u></b> |                      |                     |   |

As of the Valuation Reference Date, the above guarantees have been fulfilled normally. If there is any default or other significant change subsequently, it is expected to have adverse impacts on Financial Leasing Company.

**(VI) Significant Subsequent Events**

1. In August 2023, Financial Leasing Company held a general meeting and resolved to transfer its statutory surplus reserve and undistributed profits to share capital by 6.637 billion shares, after which the registered capital of the Company was changed from 5.927 billion shares to 12.564 billion shares. Each shareholder shall participate in the transfer according to the original shareholding ratio in the same proportion, and the shareholding ratio of each shareholder shall remain unchanged before and after the transfer, and each shareholder shall enjoy the shareholders' interests according to its shareholding ratio. In November 2023, the Zhejiang Regulatory Bureau of the National Financial Regulatory Administration officially approved the changes in registered capital. The evaluators have taken the above matters into full consideration in this evaluation.
2. In this market approach evaluation, the transaction date of the transaction case is revised based on the time point of the reference date, and the impact of post-period market fluctuations is not considered at this time, which shall be brought to the attention of the users of the report.

**(VII) Defects in the economic behavior corresponding to this evaluation that may have a significant impact on the valuation conclusion**

None.

**(VIII) Other matters to be clarified**

1. The legal responsibility of valuers and valuation institutions is to make professional judgments on the asset value under the valuation purpose mentioned in this report, not involving any judgment of valuers and valuation institutions on the economic behavior corresponding to the valuation purpose. The valuation work depends heavily on the relevant information provided by the clients and the evaluated entities. Accordingly, the valuation work is based on the precondition that the relevant economic behavior documents, asset ownership documents, certificates and accounting documents, as well as the relevant legal documents offered by the clients and evaluated entities, are true and lawful.
2. During the valuation process, the evaluators observed the exterior appearance of the buildings and constructions assessed, and as far as possible viewed the interior decoration conditions and usage conditions of the constructions, and no structural nor material testing had been made. For inspections of the equipment, due to the restraints of the testing methods and the fact that some equipment was in operation, this task was mainly done by exterior observation by the evaluators and the recent testing information provided by the evaluated entities as well as the enquiries to the relevant operators in order to judge the conditions of the equipment.
3. The valuers are carrying out the asset valuation business to estimate the value of the valuation object and express professional opinions, and do not assume the responsibility of decision-making of relevant parties. The valuation conclusions should not be deemed as the guarantee of the realizable price of the valuation object.

4. As for the scope of this valuation and the data, statements and relevant information provided by the evaluated entity used in this valuation, the client and the evaluated entity are responsible for the authenticity and completeness of the information provided by them.
5. The relevant documentary proof of ownership and related information involved in the valuation report shall be provided by the evaluated entity, and the client and the evaluated entity shall bear legal responsibility for the authenticity and legality.
6. If the quantity of assets and pricing standard change within the validity period after the Valuation Reference Date, it shall be addressed according to the following principles:
  - (1) When the quantity of assets changes, corresponding adjustments shall be made to the quantity of assets in accordance with the original valuation approach;
  - (2) When the price standard of assets changes and significantly affects the asset valuation results, the client shall engage qualified asset valuation institutions to reconfirm the evaluated value in a timely manner;
  - (3) When actually pricing assets, the client shall give full consideration to the changes in the quantity and price standard of the assets after the Valuation Reference Date and make adjustments accordingly.
7. The conclusion of this valuation is based on the assumption that the owner of property rights and the management of the valuation object make accurate judgments on the development trend of the enterprise in the future and related plans will be duly implemented as well as its continuous operation. If the future actual operation conditions of the enterprise deviate from the operation plans, and the evaluated entity and its then management fail to adopt remedies to correct such deviation, the conclusion of this valuation will change substantially. Therefore, users of the report are strongly advised to pay close attention in this regard.
8. The scope of valuation is only based on the schedule of asset valuation provided by the client and the evaluated entity, without covering any contingent assets and contingent liabilities that may exist other than the list provided by the client and the evaluated entity.

## **XII. RESTRICTIONS ON UTILIZATION OF VALUATION REPORT**

- (I) This valuation report can only be used for the valuation purposes and usages set out in this report. In the meantime, this valuation conclusions reflect the current fair market value of the evaluated entity determined on the basis of open market principles under this valuation purposes, without taking into account the impacts of the possible security, guarantee matters in the future and the additional price by special dealers, etc., on the evaluated price. Meanwhile, this report does not take into account the impacts of changes in national macroeconomic policies and natural forces and other forces majeure on asset price. When the foregoing conditions and on-going business principle followed in the valuation, etc. change, the valuation conclusions generally will expire. The valuation institution takes no legal responsibility for the expiry of valuation results resulting from those changes in conditions.

- (II) This valuation report is made under the premise that this economic behavior is in compliance with the relevant requirements of national laws and regulations and is approved by the relevant departments.
- (III) This valuation report can only be used by the valuation report users set forth in the valuation report. The right to use the valuation report belongs to the client, and this valuation institution would not make it open to others without the client's permission.
- (IV) In case that the client or other users of the asset valuation report do not use it within the scope set forth in the laws, requirements of administrative regulations and asset valuation report, the asset valuation institution and its asset valuers take no responsibility for it.
- (V) Except for the client, users of other asset valuation report stipulated in asset valuation commission contracts and laws and administrative regulations, any other institution and individuals could not be the users of the asset valuation report.
- (VI) Without permission from this valuation institution and verifying the relevant content, the whole or part of the valuation report must not be extracted, quoted or disclosed to the public media, except those provided by laws and regulations and agreed by relevant parties.
- (VII) The users of the asset valuation report shall understand and use valuation conclusions correctly. The valuation conclusions are not equivalent to the realizable price of the valuation object, and should not be deemed as the guarantee of the realizable price of the valuation object.
- (VIII) The validity period for the use of valuation conclusions: according to relevant laws and regulations of asset valuation, the client shall use the asset valuation report involving mandatory valuation business upon performing supervision and administration procedures of asset valuation as required by the laws and regulations. The validity period for the use of valuation results is one year from 30 June 2023 (Valuation Reference Date) to 29 June 2024. After the one-year period, asset valuation should be conducted again.

### **XIII. VALUATION REPORT DATE**

The valuation report date is 29 March 2024.

Legal representative: Hu Zhi

Asset valuer: Wang Xuan

Asset valuer: Hu Chao

**China United Assets Appraisal Group Co., Ltd.**

29 March 2024



## **I. Selection of Comparison Method of Transaction Cases**

The two commonly used specific methods of market approach are comparison method of listed companies and comparison method of transaction cases.

The comparison method of listed companies refers to the specific method of obtaining and analyzing the operation and financial data of comparable listed companies, calculating the value ratio, and determining the value of the valuation object on the basis of comparative analysis with the evaluated entity.

The comparison method of transaction cases refers to the specific method of obtaining and analyzing the information of the transaction, acquisition and merger cases of comparable enterprises, calculating the value ratio, and determining the value of the valuation object on the basis of comparative analysis with the evaluated entity.

Prior to and after the Valuation Reference Date, there are sufficient equity transaction cases with similar business scope, business size and development stage as the evaluated entity in the market of the financial leasing industry where the evaluated entity operates, which have strong comparability. Therefore, the comparison method of transaction cases is selected in this valuation.

## **II. Reasons for Selection of Value Ratio**

Value ratio is a “ratio multiplier” of asset value to its operating profitability indicator, asset value or other specific non-financial indicators. The value ratios commonly used include: P/E, P/B, P/S, EV/EBIT, EV/EBITDA, EV/S, etc.

Based on the analysis of the data of listed companies in the industry of the evaluated entity, the correlation between P/B and market value of the enterprise is the highest. Therefore, P/B is adopted as the value ratio.

## **III. Selection of Comparable Companies**

### **(I) Selection of comparable transaction cases**

In this valuation, cases from the financial leasing industry were selected as comparable companies. Cases with incomplete data or transactions that occurred too long ago were excluded. In comparison, four cases with similar operating conditions and business models to those of the Company were selected as comparable transaction cases. According to the Practice Standards for Assets Appraisal — Asset Appraisal Approaches (Zhong Ping Xie [2019] No. 35), the main criteria for selecting the transaction cases are analyzed as follows:

#### **1. Consistent transaction type**

Sale, merger or acquisition of business (including acquisition of a company’s ordinary shares and acquisition of other equity interests in the company) is required. Based on the completeness of the data disclosed for the available cases, the four transaction cases selected are all about equity acquisitions, and the transaction progress is either completed or has been filed.

#### **2. Consistent company type**

The companies selected should belong to the same industry and conduct similar businesses.

## APPENDIX IV FURTHER INFORMATION ON THE ASSET VALUATION REPORT

The target enterprises in the four transaction cases selected are all in a period of rapid business development, with businesses similar to those of the target company, and basically similar future growth expectations. (1) According to the enterprise's life cycle theory, the enterprise's life cycle can be simplified into four stages: start-up stage, rapid development stage, relatively stable stage and second start-up stage. Enterprises in different stages operate in different internal and external environments with different development focus and different challenges encountered. The key factors affecting the development of enterprises are also constantly changing accordingly. The rapid development stage refers to a phase when the products or services of enterprises are good for sale, the production scale is expanded, sales capacity is enhanced and the business of enterprises grows rapidly. (2) Businesses mainly refer to the type and variety of the Company's core businesses. The comparable companies selected are similar to Financial Leasing Company, with their respective core business being financial leasing. Financial Leasing Company's revenue from leasing business accounted for 96% of its total revenue. In comparable transaction cases, such proportion of Cinda Financial Leasing, Haisheng Financial Leasing, Suyin Financial Leasing and Harbin Bank Financial Leasing was 96%, 97%, 90% and 90%, respectively. As the respective revenue from leasing business of the comparable companies accounted for around 90% of their total revenue, the comparable companies have certain similarity and comparability. (3) Growth expectations mainly refer to the expected business development and operating conditions of enterprises in the future period. Subject to the overall development trend and regulatory requirements of the financial leasing industry, all comparable companies have the same environment for future business growth (i.e. national macroeconomic environment, industrial development environment, industrial regulatory environment and other affecting factors closely related to enterprise development), with similar affecting factors and strong comparability.

### 3. Similar time span

The valuation reference dates of the selected cases are between 2020 and 2022, and the transactions have been approved or the transfer of ownership has been completed. Considering the comparability and timeliness of the trading market, if there are enough comparable cases, the comparison method of transaction cases usually selects the cases in the past three years from the Valuation Reference Date for comparison, and can be appropriately extended under special circumstances. Through the collection of market transaction cases, the number of transaction cases within the past three years from the Valuation Reference Date, being 2020–2022, is enough to meet the basic requirements of market approach valuation. Therefore, the cases in this period are selected for valuation.

**Table of Comparable Transaction Cases**

| No. | Company abbreviation          | Number of shares involved in the transactions (shares) | Total share capital as at the reference date (shares) | Share ratio of the transaction | Transaction price (RMB'0,000) | Transaction progress                   |
|-----|-------------------------------|--|---|--------------------------------|-------------------------------|--|
| 1   | Cinda Financial Leasing       | 101,700.00   | 3,505,248,838.00                                      | 0.003%                         | 25.37                         | Completed                              |
| 2   | Haisheng Financial Leasing    | 180,000,000.00   | 2,000,000,000.00                                      | 9.00%                          | 30,600.00                     | Completed                              |
| 3   | Suyin Financial Leasing       | 250,000,000.00   | 4,000,000,000.00                                      | 6.25%                          | 73,250.00                     | Completed                              |
| 4   | Harbin Bank Financial Leasing | 300,000,000.00   | 2,000,000,000.00                                      | 15.00%                         | 48,900.00                     | The transfer agreement has been signed |

**(II) Basic information of comparable companies**

**1. Cinda Financial Leasing**

Company name: Cinda Financial Leasing Co., Ltd.

Company type: limited liability company

Address: 26/F, Lanzhou Fortune Center, No. 638, Donggang West Road, Lanzhou

Legal representative: Zhang Donghui

Registered capital: RMB3,505.248838 million

Date of incorporation: 28 December 1996

Term of operation: 28 December 1996 to 27 December 2036

Social credit code: 916200002243416057

Scope of business: licensed items: financial leasing services. (Business activities of items subject to approval by the relevant departments according to law shall be carried out upon the relevant approval is obtained, and the specific business items shall be subject to the approval documents or license documents issued by the relevant departments)

The background of this transaction: using 31 December 2021 as the reference date, Changqing Petroleum Exploration Bureau Co., Ltd. (長慶石油勘探局有限公司) transferred its 0.003% equity in Cinda Financial Leasing by means of public tender. The industrial and commercial registration alternation for the transaction is in process.

The financial position of Cinda Financial Leasing as at the transaction reference date is as follows:

**Financial Position of Cinda Financial Leasing**

Amount unit: RMB'0,000

| Date       | Total assets | Total liabilities | Net assets                         | Operating revenue | Net profit                         |
|------------|--------------|-------------------|------------------------------------|-------------------|------------------------------------|
|            |              |                   | attributable to the parent company |                   | attributable to the parent company |
| 2021-12-31 | 7,094,114.33 | 6,311,055.91      | 783,058.42                         | 357,870.23        | 28,694.26                          |
| 2020-12-31 | 5,401,508.48 | 4,644,481.87      | 757,026.60                         | 283,811.80        | 24,874.94                          |

## APPENDIX IV FURTHER INFORMATION ON THE ASSET VALUATION REPORT

### 2. Haisheng Financial Leasing

Company name: Foshan Haisheng Financial Leasing Company Limited

Company type: other joint stock limited liability company (unlisted)

Address: 27–29/F, Main Block of Rural Commercial Bank Building, No. 26 Nanhai Avenue North, Guicheng Street, Nanhai District, Foshan (subject to domicile declaration)

Legal representative: Zeng Jiantao

Registered capital: RMB2,000.00 million

Date of incorporation: 28 June 2016

Term of operation: 28 June 2016 to non-fixed term

Social credit code: 91440600MA4UR3K557

Scope of business: (i) financial leasing business; (ii) transfer and assignment of financial leasing assets; (iii) fixed-income securities investment business; (iv) accepting lease deposits from lessees; (v) accepting fixed deposits of three months or more from non-bank shareholders; (vi) inter-bank borrowing and lending; (vii) borrowing from financial institutions; (viii) overseas borrowing; (ix) disposal and handling of leased products; (x) economic consulting; (xi) establishment of project companies in domestic bonded areas to carry out financial leasing business; (xii) provision of guarantees for external financing of project companies (For items that require approval by law, business activities can only be carried out after approval by relevant departments) (Business activities of items subject to approval by the relevant departments according to law shall be carried out upon the relevant approval is obtained)

The background of this transaction: using 31 March 2022 as the reference date, Guangdong Nanhai Industrial Group Co., Ltd (廣東南海產業集團有限公司) entered into an agreement to transfer its 9.00% equity in Haisheng Financial Leasing. The transaction has been completed.

The financial position of Haisheng Financial Leasing close to the transaction reference date is as follows:

#### Financial Position of Haisheng Financial Leasing

Amount unit: RMB'0,000

| Date       | Total assets | Total liabilities | Net assets attributable to the parent company | Operating revenue | Net profit attributable to the parent company |
|------------|--------------|-------------------|---|-------------------|---|
| 2021-12-31 | 2,496,699.97 | 2,208,974.18      | 287,725.78                                    | 151,448.98        | 33,651.78                                     |
| 2020-12-31 | 2,026,474.84 | 1,771,531.78      | 254,943.07                                    | 112,127.77        | 21,128.49                                     |

## APPENDIX IV FURTHER INFORMATION ON THE ASSET VALUATION REPORT

### 3. *Suyin Financial Leasing*

Company name: Suyin Financial Leasing Co., Ltd.

Company type: joint stock limited liability company (unlisted)

Address: 21/F, 22/F and 28/F, Zhidi Plaza, No. 55, Hongwu North Road, Nanjing City, Jiangsu Province

Legal representative: Lu Songsheng

Registered capital: RMB4,000.00 million

Date of incorporation: 13 May 2015

Term of operation: 13 May 2015 to non-fixed term

Social credit code: 91320000339022591N

Scope of business: financial leasing; transfer and assignment of financial leasing assets; fixed-income securities investment business; acceptance of the leasing deposit from the lessee; accepting fixed deposits of three months or more from non-bank shareholders; inter-bank borrowing and lending; borrowing from financial institutions; sales and disposal of leased property; economic consulting; other businesses approved by the China banking regulatory authority. (For items subject to approval according to law, business activities shall be carried out after approval by relevant departments)

Background of this transaction: using 30 June 2021 as the reference date, HOdo Group Co., Ltd. entered into an agreement to transfer its 6.25% equity of Suyin Financial Leasing, and the industrial and commercial registration alternation for the transaction has been completed.

The financial position of Suyin Financial Leasing close to the transaction reference date is as follows:

#### Financial Position of Suyin Financial Leasing

Amount unit: RMB'0,000

| Date       | Total assets | Total liabilities | Net assets attributable to the parent company | Operating revenue | Net profit attributable to the parent company |
|------------|--------------|-------------------|---|-------------------|---|
| 2020-12-31 | 5,865,598.15 | 5,058,330.81      | 807,267.34                                    | 410,610.22        | 118,622.96                                    |
| 2019-12-31 | 5,022,281.01 | 4,301,636.64      | 720,644.37                                    | 353,837.07        | 82,845.10                                     |

## APPENDIX IV FURTHER INFORMATION ON THE ASSET VALUATION REPORT

### 4. Harbin Bank Financial Leasing

Company name: Harbin Bank Financial Leasing Co., Ltd.

Company type: other limited liability company

Address: Room 211, No. 66 Shimao Avenue, Building 12, Innovation and Entrepreneurship Square, Science and Technology Innovation City, High-tech Zone, Harbin

Legal representative: Lv Tianjun

Registered capital: RMB2,000.00 million

Date of incorporation: 11 June 2014

Term of operation: 11 June 2014 to non-fixed term

Social credit code: 9123010930082516XL

Scope of business: financial leasing in the financial industry, transfer and assignment of financial leasing assets, fixed-income securities investment business, acceptance of the leasing deposit from the lessee, accepting fixed deposits of three months or more from non-bank shareholders, inter-bank borrowing and lending, borrowing from financial institutions, overseas borrowing, sales and disposal of leased property, economic consulting, other businesses approved by the CBRC (the validity period of the financial license is long-term)

Background of this transaction: using 31 December 2020 as the reference date, Dongning Lizhi Architecture and Decoration Engineering Company Limited entered into an agreement to transfer its 15.00% equity of Harbin Bank Financial Leasing, and the industrial and commercial registration alternation for the transaction is currently in process.

The financial position of Harbin Bank Financial Leasing as at the transaction reference date is as follows:

#### Financial Position of Harbin Bank Financial Leasing

Amount unit: RMB'0,000

| Date       | Total assets | Total liabilities | Net assets attributable to the parent company | Operating revenue | Net profit attributable to the parent company |
|------------|--------------|-------------------|---|-------------------|---|
| 2020-12-31 | 2,532,479.53 | 2,206,388.51      | 326,091.02                                    | 181,653.85        | 30,618.44                                     |
| 2019-12-31 | 2,484,387.98 | 2,188,915.40      | 295,472.58                                    | 196,061.14        | 27,567.95                                     |

**IV. Establishment of Comparison Benchmark**

**(I) Market values of comparable companies**

Based on the transaction information of comparable companies, including transaction or capital increase price, share ratio of the transaction or share capital before capital increase, the converted corresponding market values of comparable companies are shown in the following table:

**Table of Trading Market Values of Comparable Companies**

Amount unit: RMB'0,000

| No. | Name of comparable company    | Number of shares involved in the transactions (shares) | Total share capital as at the reference date (shares) | Transaction price | Share ratio of the transaction | Market value |
|-----|-------------------------------|--|---|-------------------|--------------------------------|--------------|
| 1   | Cinda Financial Leasing       | 101,700.00   | 3,505,248,838.00                                      | 25.37             | 0.003%                         | 874,416.55   |
| 2   | Haisheng Financial Leasing    | 180,000,000.00   | 2,000,000,000.00                                      | 30,600.00         | 9.00%                          | 340,000.00   |
| 3   | Suyin Financial Leasing       | 250,000,000.00   | 4,000,000,000.00                                      | 73,250.00         | 6.25%                          | 1,172,000.00 |
| 4   | Harbin Bank Financial Leasing | 300,000,000.00   | 2,000,000,000.00                                      | 48,900.00         | 15.00%                         | 326,000.00   |

**(II) Market value revision**

The comparable companies selected in this valuation are consistent with the evaluated entity in certain aspects, including transaction market and value influencing factors, and no revision was made. Therefore, the formula of market value revision is simplified as follows:

$$\text{Market value after revision} = \text{market value} \times \text{revised coefficient as at the transaction date}$$

Considering the differences in transaction reference date and market environment of each comparable case, the SSE Composite Index is adopted to correct the above market differences.

**Date Adjustment Table**

| No.    | Company abbreviation          | Transaction date | SSE Composite Index <sup>(Note 1)</sup> | Score <sup>(Note 2)</sup> | Adjustment factor <sup>(Note 3)</sup> |
|--------|-------------------------------|------------------|---|---------------------------|---------------------------------------|
| 1      | Cinda Financial Leasing       | 2021-12-31       | 3,615.36                                | 110.00                    | 0.91                                  |
| 2      | Haisheng Financial Leasing    | 2022-03-31       | 3,327.01                                | 103.00                    | 0.97                                  |
| 3      | Suyin Financial Leasing       | 2021-06-30       | 3,569.82                                | 109.00                    | 0.92                                  |
| 4      | Harbin Bank Financial Leasing | 2020-12-31       | 3,397.36                                | 104.00                    | 0.96                                  |
| Target | Financial Leasing Company     | 2023-06-30       | 3,224.11                                | 100.00                    | 1.00                                  |

Notes:

- The SSE Composite Index is adopted as the revised indicator. Considering the stock market fluctuation, in order to avoid the deviation caused by the extreme value at a certain time point, the arithmetic mean of the closing prices of the index for 30 days before the valuation reference date of each comparable transaction case is adopted as the specific indicator to correct the factors influencing time. The SSE Composite Index is the public data obtained by China United Assets from the IFIND (同花順), a mainstream financial data provider in China, which regularly purchase relevant data from the Shanghai and Shenzhen stock exchanges.

## APPENDIX IV FURTHER INFORMATION ON THE ASSET VALUATION REPORT

2. As the SSE Composite Index is large, to facilitate comparison, China United Assets measured and scored it within 100–110 points.
3. The adjustment factor of comparable companies is obtained by dividing the score of Financial Leasing Company by the comparable transaction case score.

The market values after revision are calculated by multiplying the market values of comparable companies by the revised coefficient as at the transaction date, as shown in the following table:

**Market Value Correction Table**

Amount unit: RMB'0,000

| No. | Company abbreviation          | Total market value | Date adjustment factor | 100% equity value P <sup>(Note)</sup> |
|-----|-------------------------------|--------------------|------------------------|---------------------------------------|
| 1   | Cinda Financial Leasing       | 874,416.55         | 0.91                   | 794,924.14                            |
| 2   | Haisheng Financial Leasing    | 340,000.00         | 0.97                   | 330,097.09                            |
| 3   | Suyin Financial Leasing       | 1,172,000.00       | 0.92                   | 1,075,229.36                          |
| 4   | Harbin Bank Financial Leasing | 326,000.00         | 0.96                   | 313,461.54                            |

*Note: The calculation basis of 100% equity value P under the market value correction: this valuation is based on the original PB of each comparable company's transaction, and is revised through time factor and individual factors, among which the date revision mainly revises the difference in trading time between the comparable companies and the evaluated entity, including the impact of market cycle fluctuations and price changes; the revision of individual factors includes the analysis of the differences between the comparable companies and the evaluated entity in respect of business structure, operation model, the scale of corporation, the enterprise's life cycle, growth, operation risks, performance indicators and operating capacity, etc., to determine the 100% equity value P accordingly.*

### (III) Calculation of value ratios

The value ratios of comparable companies are calculated based on the revised market value P and various value factors of comparable companies. The results are shown in the table below:

**Calculation Table for Value Ratios**

Amount unit: RMB'0,000

| No. | Name of comparable company    | 100% equity value P | Net assets of comparable company B <sup>(Note)</sup> | Value ratio P/B |
|-----|-------------------------------|---------------------|--|-----------------|
| 1   | Cinda Financial Leasing       | 794,924.14          | 783,058.42   | 1.02            |
| 2   | Haisheng Financial Leasing    | 330,097.09          | 295,840.08   | 1.12            |
| 3   | Suyin Financial Leasing       | 1,075,229.36        | 875,500.31   | 1.23            |
| 4   | Harbin Bank Financial Leasing | 313,461.54          | 326,091.02   | 0.96            |

*Note: The net assets of the comparable company B are from the data of net assets of each transaction case at the transaction reference date.*



## **VI. Difference Adjustment**

### **(I) Difference valuation**

Differences between comparable companies and evaluated entity in respect of business structure, operation model, scale of corporation, enterprise's life cycle, growth, operation risks, performance indicator, operating capacity, etc., are analysed and compared. Appropriate indicators are selected for quantification and valuation. The differences are adjusted to make the comparable cases more comparable to the evaluated entity.

#### **1. Business structure valuation**

Both of the evaluated entity and comparable companies belong to the financial leasing industry, with their main business being financial leasing. Therefore, the business structure of the evaluated entity is similar to that of comparable companies.

#### **2. Operation model valuation**

Both the evaluated entity and comparable companies belong to the financial leasing industry, which has a clear and stable operating model across the industry with no significant differences.

#### **3. Life cycle valuation**

The life cycle of an enterprise is mainly divided into four stages: start-up, developing, developed and degenerating stage. The evaluated entity and comparable companies are both in the developed stage.

#### **4. Evaluation of scale of corporation**

In this valuation, the net profit attributable to the parent company is used as the indicator for adjusting differences in scale of corporation. As analyzed by the valuers, five scoring categories were formed, and the scores were corrected according to the categories of comparable companies.

#### **5. Growth valuation**

Growth is an indicator reflecting a company's sustainable profitability in the future. In this valuation, the revenue growth rate is selected as the adjustment indicator for the difference in corporate growth. As analyzed by the valuers, five scoring categories were formed, and the scores were corrected according to the categories of comparable companies.

#### **6. Valuation of operation risks**

Operation risk is a crucial indicator for measuring the safety of a company's operations. In this valuation, capital adequacy ratio and non-performing loan ratio are selected as indicators of operation risk, chosen from the available financial data. The capital adequacy ratio is a positive indicator, while the non-performing loan ratio is a negative indicator. The evaluation criteria for operation risk are similar to those for the growth indicator.

## APPENDIX IV FURTHER INFORMATION ON THE ASSET VALUATION REPORT

### 7. Valuation of performance indicator

Performance indicator primarily reflects a company's ability to generate revenue for shareholders. In this valuation, net return on assets is selected as the performance indicator, chosen from the available range of financial data. This indicator is a positive indicator, and the evaluation criteria are similar to those for the growth indicator.

### 8. Valuation of operating capacity

Operating capacity primarily reflects a company's ability to utilize funds. In this valuation, total assets turnover rate is selected as the operating capacity indicator, chosen from the available financial data. This indicator is a positive indicator, and the evaluation criteria are similar to those for the growth indicator.

## (II) Difference adjustment coefficient

By analyzing and comparing the differences between comparable companies and evaluated entities in respect of business structure, operation model, scale of corporation, enterprise's life cycle, growth, operation risks, performance indicator, operating capacity, etc., this valuation selects appropriate indicators for quantification, and based on the average of the minimum value and 1/4th quartile, the average of the 1/4th quartile and the median, the average of the median and the 3/4th quartile, and the average of the 3/4th quartile and the maximum value of an indicator, they are divided into five categories successively: excellent, good, moderate, low and poor, thus forming an evaluation criteria table, which is used to determine the specific category of the evaluated entity and comparable companies' indicators and assign a corresponding evaluation score. The adjusted coefficients of each difference factor can be generated by dividing the appraisal score of each indicator of the evaluated entity by the score of comparable companies, respectively. Based on the above-mentioned evaluation criteria and scoring rules, scoring is conducted between the comparable companies and the evaluated entity across various aspects including business structure, operation model, scale of corporation, enterprise's life cycle, growth capacity indicator, operation risks, as well as performance indicator and operating capacity. The adjustment coefficients obtained upon scoring are illustrated in the table below:

Adjusted Indicator of Difference

| No.    | Company abbreviation          | Business structure | Operation model | Scale of corporation                          |                         | Growth capacity | Operation risks        |                           | Performance indicator | Operating capacity |
|--------|-------------------------------|--------------------|-----------------|---|-------------------------|-----------------|------------------------|---------------------------|-----------------------|--------------------|
|        |                               |                    |                 | Net profit attributable to the parent company | Enterprise's life cycle |                 | Capital adequacy ratio | Non-performing loan ratio |                       |                    |
| 1      | Cinda Financial Leasing       | Similar            | Similar         | 28,694.26                                     | Developed stage         | 26.09%          | 13.26%                 | 1.54%                     | 3.73%                 | 5.73%              |
| 2      | Haisheng Financial Leasing    | Similar            | Similar         | 33,651.78                                     | Developed stage         | 35.07%          | 12.68%                 | 0.33%                     | 12.40%                | 6.70%              |
| 3      | Suyin Financial Leasing       | Similar            | Similar         | 118,622.96                                    | Developed stage         | 16.04%          | 15.03%                 | 0.58%                     | 15.53%                | 7.54%              |
| 4      | Harbin Bank Financial Leasing | Similar            | Similar         | 30,618.44                                     | Developed stage         | -7.35%          | 14.50%                 | 1.50%                     | 9.85%                 | 7.24%              |
| Target | Financial Leasing Company     | Similar            | Similar         | 98,894.07                                     | Developed stage         | 6.40%           | 17.09%                 | 2.12%                     | 5.13%                 | 6.57%              |

## APPENDIX IV FURTHER INFORMATION ON THE ASSET VALUATION REPORT

According to the aforementioned scoring criteria, the scoring for each indicator is as follows:

### Adjusted Score of Difference

| No.    | Company abbreviation          | Business structure | Operation model | Scale of corporation | Enterprise's life cycle | Growth capacity | Operation risks | Performance indicator | Operating capacity |
|--------|-------------------------------|--------------------|-----------------|----------------------|-------------------------|-----------------|-----------------|-----------------------|--------------------|
| 1      | Cinda Financial Leasing       | 100.00             | 100.00          | 95.00                | 100.00                  | 98.75           | 190.00          | 95.00                 | 95.00              |
| 2      | Haisheng Financial Leasing    | 100.00             | 100.00          | 97.50                | 100.00                  | 100.00          | 195.00          | 98.75                 | 96.25              |
| 3      | Suyin Financial Leasing       | 100.00             | 100.00          | 100.00               | 100.00                  | 97.50           | 197.50          | 100.00                | 100.00             |
| 4      | Harbin Bank Financial Leasing | 100.00             | 100.00          | 95.00                | 100.00                  | 95.00           | 195.00          | 97.50                 | 98.75              |
| Target | Financial Leasing Company     | 100.00             | 100.00          | 98.75                | 100.00                  | 95.00           | 195.00          | 95.00                 | 95.00              |

Each of adjusted coefficient of factors can be generated by dividing the different factor score of the evaluated entity by that of comparable companies respectively, and adjusted coefficient of difference of comparable companies can be generated by multiplying all adjusted coefficient of factors, as illustrated in the table below:

### Adjusted Coefficient of Difference

| No. | Company abbreviation          | Business structure | Operation model | Scale of corporation | Enterprise's life cycle | Growth capacity | Operation risks | Performance indicator | Operating capacity | Adjusted coefficient |
|-----|-------------------------------|--------------------|-----------------|----------------------|-------------------------|-----------------|-----------------|-----------------------|--------------------|----------------------|
| 1   | Cinda Financial Leasing       | 1.00               | 1.00            | 1.04                 | 1.00                    | 0.96            | 1.03            | 1.00                  | 1.00               | 1.02                 |
| 2   | Haisheng Financial Leasing    | 1.00               | 1.00            | 1.01                 | 1.00                    | 0.95            | 1.00            | 0.96                  | 0.99               | 0.91                 |
| 3   | Suyin Financial Leasing       | 1.00               | 1.00            | 0.99                 | 1.00                    | 0.97            | 0.99            | 0.95                  | 0.95               | 0.85                 |
| 4   | Harbin Bank Financial Leasing | 1.00               | 1.00            | 1.04                 | 1.00                    | 1.00            | 1.00            | 0.97                  | 0.96               | 0.97                 |

### (III) Adjusted value ratio

Multiplying the value ratio by the adjusted coefficient of difference, the adjusted value ratio is obtained, as shown in the table below:

**Table of Adjusted Value Ratio**

| No. | Company abbreviation          | Value ratio P/B | Adjusted coefficient of difference | Adjusted value ratio P/B |
|-----|-------------------------------|-----------------|------------------------------------|--------------------------|
| 1   | Cinda Financial Leasing       | 1.02            | 1.02                               | 1.04                     |
| 2   | Haisheng Financial Leasing    | 1.12            | 0.91                               | 1.02                     |
| 3   | Suyin Financial Leasing       | 1.23            | 0.85                               | 1.05                     |
| 4   | Harbin Bank Financial Leasing | 0.96            | 0.97                               | 0.93                     |

## VII. Calculation of Evaluated Value

As of the Valuation Reference Date, the equity of the evaluated entity attributable to shareholders of the parent company was RMB19,797.9261 million. Multiplying the adjusted value ratio by the value factor B (equity attributable to shareholders of the parent company) of the evaluated entity, the comparative benchmark value is obtained. The results are as follows:

**Statistics Table of Comparative Benchmark Value**

Amount unit: RMB'0,000

| No. | Target of transaction         | Adjusted P/B | Comparative benchmark value |
|-----|-------------------------------|--------------|-----------------------------|
| 1   | Cinda Financial Leasing       | 1.04         | 2,058,984.32                |
| 2   | Haisheng Financial Leasing    | 1.02         | 2,019,388.46                |
| 3   | Suyin Financial Leasing       | 1.05         | 2,078,782.24                |
| 4   | Harbin Bank Financial Leasing | 0.93         | 1,841,207.13                |
|     | <b>Mean value</b>             | <b>1.01</b>  | <b>1,999,590.54</b>         |

As shown in the table above, the average comparative benchmark value for this valuation is RMB19,995.9054 million, which is taken as the total equity value of shareholders of evaluated entity.

## VIII. Valuation Results

The evaluated value of total shareholders' equity of Financial Leasing Company is RMB19,995.9054 million, representing an increase of RMB197.9793 million as compared to the net assets of RMB19,797.9261 million as at the Valuation Reference Date, with an appreciation rate of 1.00%.

## IX. Opinions of the Board of Directors

The Valuer is an Independent professional valuer, an institution which was established upon the approval of the financial department of the PRC and provides asset valuation services in the PRC. To the best of the Directors' knowledge, information and belief, and after having made all reasonable enquiries, the Valuer and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

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## APPENDIX IV FURTHER INFORMATION ON THE ASSET VALUATION REPORT

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The Board has reviewed the asset valuation report prepared by China United Assets and discussed the valuation approach, valuation assumptions and value ratios selected and used in the asset valuation report with China United Assets. The Board considered the following factors: (a) there are several equity transaction cases on the market with similar business scope, business size and development stage as Financial Leasing Company and the specific conditions and related data which affect transaction price can be obtained through public information, which allowed China United Assets to make a reasonable analysis on the transaction price, (b) the financial leasing companies are highly regulated in the PRC and have relatively stringent requirements on information disclosure, and it is reasonable to rely on the relevant information of the selected comparable companies obtained by China United Assets, (c) the comparable transaction cases selected by China United Assets were conducted between 2020 and 2022 and the comparable companies are in the same industry as the Financial Leasing Company which are relevant for purposes of conduct of the valuation, (d) China United Assets has taken into consideration of various adjustment factors, such as profitability, life cycle, growth capacity, operation risks, etc., and (e) asset valuation report has been prepared by China United Assets in accordance with relevant laws and regulations and the asset valuation report has been filed with the MOF. Having considered the above, the Directors concur with the valuation approach and value ratio adopted, the valuation assumptions used and the comparable companies selected by the Valuer and are of the view that the valuation is fair and reasonable.

## 1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three financial years ended 31 December 2021, 2022 and 2023 is set out in the relevant annual reports, which have been published by the Company on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.chamc.com.cn>). Please also refer to the hyperlinks for the following annual reports:

- (i) the annual report of the Company for the year ended 31 December 2023 published on 26 April 2024 (pages 206 to 414):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0426/2024042603323.pdf>

- (ii) the annual report of the Company for the year ended 31 December 2022 published on 26 April 2023 (pages 218 to 430):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0426/2023042602058.pdf>

- (iii) the annual report of the Company for the year ended 31 December 2021 published on 27 April 2022 (pages 158 to 362):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0427/2022042701339.pdf>

## 2. INDEBTEDNESS STATEMENT

As of the close of business on 30 April 2024, the latest practicable date for the purpose of this indebtedness statement, the indebtedness of the Group is as follows:

### **Borrowings**

The Group has arranged borrowings from banks, other financial institutions, and non-financial enterprises to fund its acquisitions of distressed debt assets and other investments. As at 30 April 2024, being the latest practicable date for the purpose of this indebtedness statement, the Group's borrowings from banks, other financial institutions and non-financial enterprises amounted to RMB743,651.59 million.

|                                  | <b>As at<br/>30 April 2024</b><br><i>(in millions of RMB)</i> |
|----------------------------------|---|
| Unsecured and unguaranteed loans | 722,123.95  |
| Guaranteed but unsecured loans   | 5,747.91  |
| Secured but unguaranteed loans   | <u>15,799.73</u>  |
| <b>Total</b>                     | <b><u><u>743,651.59</u></u></b>                               |

*Note:* The borrowings are classified into three categories: (i) unsecured and unguaranteed loans, (ii) guaranteed but unsecured loans, (iii) secured but unguaranteed loans.

Unsecured and unguaranteed loans refer to loans without any collaterals, pledges or guarantors. Guaranteed but unsecured loans refer to loans guaranteed by a guarantor without any collaterals or pledges; the whole balance was borrowed by subsidiaries of the Company and guaranteed by the Company or other subsidiaries, and there was no balance guaranteed by a third-party guarantor. Secured but unguaranteed loans refer to loans secured by collaterals or pledges without any guarantors.

#### **Bonds and notes issued**

As at 30 April 2024, the total carrying amount of the Group's outstanding bonds and notes issued amounted to RMB180,310.10 million, all of which were unsecured and unguaranteed.

|                          | <b>As at<br/>30 April 2024</b><br><i>(in millions of RMB)</i> |
|--------------------------|---|
| Due in 1 year            | 28,955.71   |
| Due in 1–2 years         | 7,550.26  |
| Due in 2–3 years         | 94,485.25   |
| Due in 3–4 years         | 37,869.03   |
| Due in 4–5 years         | —   |
| Due in more than 5 years | <u>11,449.85</u>  |
| <b>Total</b>             | <b><u><u>180,310.10</u></u></b>                               |

**Lease liabilities**

As at 30 April 2024, lease liabilities recognized by the Group as a lessee which arose from its signing of non-cancellable operating leases agreements are set out as follows:

|   | <b>As at<br/>30 April 2024</b><br><i>(in millions of RMB)</i> |
|---|---|
| Within one year   | 109.27  |
| Within a period of more than one year but not more than two years   | 80.91   |
| Within a period of more than two years but not more than five years | 174.16  |
| Within a period of more than five years                             | <u>93.27</u>  |
| <b>Total</b>  | <b><u><u>457.61</u></u></b>                                   |

**Capital Commitments**

|  | <b>As at<br/>30 April 2024</b><br><i>(in millions of RMB)</i> |
|--|---|
| Contracted but not yet paid for<br>— Commitments for the acquisition of long-term assets | <u>11,561.79</u>  |
| <b>Total</b>   | <b><u><u>11,561.79</u></u></b>                                |

**Credit Enhancements**

As at 30 April 2024, the Group did not provide any credit enhancements to the borrowings of external transaction counterparties.

**Off-balance Sheet Arrangements**

As at 30 April 2024, there were no material off-balance sheet arrangements as defined under International Financial Reporting Standards (IFRS) in the Company and the subsidiaries.



**Contingent Liabilities**

Due to the nature of our businesses, the Company and subsidiaries are involved in various legal proceedings in the ordinary course of business, including litigations and arbitrations. We make provisions for probable losses arising from these claims when the management can reasonably estimate the outcome of the proceedings, in light of legal advice we have received. We do not make provisions for pending litigations when the outcome cannot be reasonably estimated or when the management believes that the probability of losses is remote or that any resulting liabilities will not have a material adverse effect on our financial position or business performance. As at 30 April 2024, in accordance with court judgments or the advice of legal counsels, the Group have confirmed that the estimated contingent liabilities as follows:

|                   | <b>As at<br/>30 April 2024</b><br><i>(in millions of RMB)</i> |
|-------------------|---|
| Legal proceedings | 13.41   |
| <b>Total</b>      | <b>13.41</b>  |

In addition, as at 30 April 2024, the Group's indebtedness also included placements from financial institutions, financial assets sold under repurchase agreements, and other commitments that arise from the normal course of business of the Company and its financial leasing and international subsidiaries.

Other than disclosed above and apart from intra-group liabilities, as at 30 April 2024, the Group did not have any other material outstanding bonds and notes issued, borrowings, bank overdrafts, mortgages or charges, liabilities under acceptance or other similar indebtedness, finance lease commitments, or any material guarantees or other material contingent liabilities.

Our Directors have confirmed that there have been no material adverse changes in the indebtedness or contingent liabilities of the Group since 30 April 2024.

**3. WORKING CAPITAL**

The Directors, after prudent and careful consideration, are of the opinion that after taking into account the current available banking facilities, the internal resources of the Group and the consideration expected to be received from the Disposal, the working capital available to the Group is sufficient for the Group's requirements for at least 12 months from the date of this Supplemental Circular.

**4. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2023 (being the date on which the latest audited consolidated financial statements of the Group were made up).

## 5. DEVELOPMENT OUTLOOK

Looking ahead to 2024, risks and uncertainties in global economic development will persist for a long time. Although the world economy avoided a severe recession in 2023, the recovery is sluggish. Against this background, global inflation has shown a downward trend, the growth rate of developed economies has further slowed down, emerging economies are facing differentiated growth prospects, and the possibility of a “soft landing” for the global economy is increasing. However, the pace of economic recovery is still slow.

The Central Economic Work Conference pointed out that the basic trend of China’s economic recovery and long-term improvement has not changed. In 2024, China will adhere to the principle of seeking progress while maintaining stability, promoting stability through progress, establishing the new before abolishing the old, and introduce a series of policies conducive to stabilizing expectations, growth and employment, whereby the proactive fiscal policy should be appropriately strengthened for better quality and effect, and the prudent monetary policy should be flexible, appropriate, precise and effective to enhance the consistency of macro policy orientation. China will continue to lead the construction of a modern industrial system with scientific and technological innovation, focus on expanding domestic demand, deepen reforms in key areas, expand high-level opening up, and continue to effectively prevent and resolve risks in key areas. China will persist in the work of “agriculture, rural areas and farmers”, promote urban-rural integration and coordinated regional development, further promote the construction of ecological civilization and green and low-carbon development, and effectively guarantee and improve people’s livelihood. It is expected that China’s economic development will be more powerful, of higher quality and more resilient in 2024.

Through the lens of the distressed asset industry, with the gradual recovery of China’s economy, the non-performing loan ratio of commercial banks is expected to further improve. However, the increase in the loan scale is driving the continuous increase in the supply scale of the distressed asset market. The Central Financial Work Conference has elevated finance to the level of national strategy for the first time, proposing to build a financial superpower, with emphasis on preventing and resolving risks, especially in the three major areas of real estate, local debt and small and medium-sized financial institutions. Financial asset management companies have special functions and a variety of tools to play an important role in the prevention and resolution of risks and the revitalization of inefficient resources. Regulatory authorities are expected to further strengthen policy support, and there is great potential for financial asset management companies to give full play to the advantages of their main business.

In 2024, the Company will fully follow the spirit of the 20th National Congress of the Communist Party of China and conscientiously implement the spirit of the Central Financial Work Conference, the Central Economic Work Conference and the Group’s Annual Work Conference. On the one hand, the Company will seize development opportunities of the industry, take the initiative to lay out the “major non-performing” areas, strengthen the main business of distressed asset, continue to focus on increasing the income of the main business, accelerate the construction of the marketing body, and leverage CITIC Group’s advantages in the parallel development of industry and finance to continuously enhance its ability to serve the real economy; on the other hand, the Company will improve the quality and efficiency of risk resolution, strengthen comprehensive risk control and active liquidity management, improve the level of standardized and refined management, and strive to build a benchmark for the distressed asset management industry. The Company will always adhere to the general tone of “seeking progress while maintaining stability, promoting stability through progress, establishing the new before abolishing the old”. With the development task of “implementing national strategies, serving the real economy and mitigating financial risks” and the development prospect of “focusing on the main business of distressed assets and building a first-class financial asset management company”, the Company will build up its strength, take advantage of the momentum to embark on a new journey of “significantly improving quality and efficiency in three years” and strive to achieve the “One-Three-Five” strategic objectives.

## 1. RESPONSIBILITY STATEMENT

This Supplemental 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 Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this Supplemental 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 Supplemental Circular misleading.

## 2. DISCLOSURE OF INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OF THE COMPANY

As at the Latest Practicable Date, none of the Directors, Supervisors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which any such Directors, Supervisors or chief executive of the Company were taken or deemed to have under such provisions of the SFO); (ii) required to be recorded in the register kept pursuant to Section 352 of the SFO; or (iii) as notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules.

## 3. DISCLOSURE OF INTERESTS HELD BY THE SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, to the best of the Directors' knowledge, the following persons (except for the Directors, Supervisors and chief executive of the Company) have their interests or short positions held in the Company's Shares and underlying Shares to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO, or interests or short positions which were recorded in the register kept pursuant to Section 336 of the SFO or notified to the Company and the Hong Kong Stock Exchange:

| Name of Shareholders   | Class of Shares | Holding Capacity   | Number of Shares interested or deemed to be interested (Shares) | Approximate percentage to the same class of share capital of the Company (%) <sup>(1)</sup> | Approximate percentage to the total share capital of the Company (%) <sup>(2)</sup> |
|--|-----------------|--------------------|---|---|---|
| CITIC Group <sup>(3)</sup>                                       | Domestic Shares | Beneficial owner   | 21,230,929,783 (L)  | 47.30 (L)   | 26.46 (L)   |
| MOF <sup>(3)</sup>   | Domestic Shares | Beneficial owner   | 7,493,684,063 (L)   | 16.70 (L)   | 9.34 (L)  |
|  | H Shares        | Beneficial owner   | 12,376,355,544 (L)  | 35.00 (L)   | 15.42 (L)   |
| China Life Insurance (Group) Company <sup>(4)</sup>              | Domestic Shares | Beneficial owner   | 1,650,000,000 (L)   | 3.68 (L)  | 2.06 (L)  |
|  | H Shares        | Beneficial owner   | 1,960,784,313 (L)   | 5.54 (L)  | 2.44 (L)  |
| China Life Franklin Asset Management Co., Limited <sup>(4)</sup> | H Shares        | Investment manager | 1,960,784,313 (L)   | 5.54 (L)  | 2.44 (L)  |

| Name of Shareholders  | Class of Shares | Holding Capacity                   | Number of Shares interested or deemed to be interested (Shares) | Approximate percentage to the same class of share capital of the Company (%) <sup>(1)</sup> | Approximate percentage to the total share capital of the Company (%) <sup>(2)</sup> |
|---|-----------------|------------------------------------|---|---|---|
| Warburg Pincus & Co. <sup>(5)(6)</sup>                                      | H Shares        | Interest of controlled corporation | 2,060,000,000 (L)   | 5.83 (L)  | 2.57 (L)  |
| Warburg Pincus Financial International Ltd <sup>(5)(6)</sup>                | H Shares        | Beneficial owner                   | 2,060,000,000 (L)   | 5.83 (L)  | 2.57 (L)  |
| China Insurance Rongxin Private Fund Co., Ltd.                              | Domestic Shares | Beneficial owner                   | 14,509,803,921 (L)  | 32.33 (L)   | 18.08 (L)   |
| China Cinda Asset Management Co., Ltd.                                      | H Shares        | Beneficial owner                   | 3,921,568,627 (L)   | 11.09 (L)   | 4.89 (L)  |
| National Council for Social Security Fund of The People's Republic of China | H Shares        | Beneficial owner                   | 2,475,271,109 (L)   | 7.00 (L)  | 3.08 (L)  |
| Central Huijin Investment Ltd. <sup>(7)</sup>                               | H Shares        | Interest of controlled corporation | 1,960,784,313 (L)   | 5.54 (L)  | 2.44 (L)  |
| ICBC Financial Asset Investment Co., Ltd. <sup>(7)</sup>                    | H Shares        | Beneficial owner                   | 1,960,784,313 (L)   | 5.54 (L)  | 2.44 (L)  |

*Note:* (L) refers to long position

*Notes:*

- (1) Calculated based on 44,884,417,767 Domestic Shares or 35,362,261,280 H Shares in issue of the Company as at the Latest Practicable Date.
- (2) Calculated based on a total of 80,246,679,047 Shares in issue of the Company as at the Latest Practicable Date.
- (3) According to the Corporate Substantial Shareholder Notices from CITIC Group filed with the Hong Kong Stock Exchange on 10 March 2023, CITIC Group directly holds 21,230,929,783 Domestic Shares of the Company and is a substantial shareholder of the Company. The ultimate beneficial owner of CITIC Group is the MOF.
- (4) According to the Corporate Substantial Shareholder Notice from China Life Franklin Asset Management Co., Limited filed with the Hong Kong Stock Exchange on 15 February 2023 and to the best of the Company's knowledge, China Life Franklin Asset Management Co., Limited, who was appointed as an investment manager to manage the 1,960,784,313 H Shares of the Company held by China Life Insurance (Group) Company.

- (5) According to the Corporate Substantial Shareholder Notices from Warburg Pincus & Co., Warburg Pincus Private Equity XI, L.P., Warburg Pincus XI, L.P., WP Global LLC and WP XI International II Ltd filed with the Hong Kong Stock Exchange, respectively on 24 November 2022, Warburg Pincus Financial International Ltd directly holds 2,060,000,000 H Shares of the Company. As WP Global LLC, Warburg Pincus XI, L.P., Warburg Pincus Private Equity XI, L.P., Warburg Pincus International Capital LLC, WP XI International II Ltd, WP Financial L.P., Warburg Pincus International L.P. and Warburg Pincus Financial International Ltd are all corporations directly or indirectly controlled by Warburg Pincus & Co., therefore, for the purpose of the SFO, Warburg Pincus & Co., WP Global LLC, Warburg Pincus XI, L.P., Warburg Pincus Private Equity XI, L.P., Warburg Pincus International Capital LLC, WP XI International II Ltd, WP Financial L.P. and Warburg Pincus International L.P. are deemed to be interested in the long positions held by Warburg Pincus Financial International Ltd.
- (6) These Shares are under pledge for the purpose of obtaining financing from banks.
- (7) According to the Corporate Substantial Shareholder Notices from Central Huijin Investment Ltd., Industrial and Commercial Bank of China Limited and ICBC Financial Asset Investment Co., Ltd. filed with the Hong Kong Stock Exchange, respectively on 28 November 2022, ICBC Financial Asset Investment Co., Ltd. directly holds 1,960,784,313 H Shares of the Company. As ICBC Financial Asset Investment Co., Ltd. is the corporation directly or indirectly controlled by Central Huijin Investment Ltd. and Industrial and Commercial Bank of China Limited, therefore, for the purpose of the SFO, both Central Huijin Investment Ltd. and Industrial and Commercial Bank of China Limited are deemed to be interested in the long positions held by ICBC Financial Asset Investment Co., Ltd.

Save as disclosed in this Supplemental Circular, the Directors are not aware of any person that is entitled to exercise or control 5% or more voting rights at the general meeting of the Company as at the Latest Practicable Date and has the substantial capacity to direct or affect the management of the Company at the same time.

Save for Mr. Liu Zhengjun and Mr. Xu Wei who hold positions in CITIC Group, as at the Latest Practicable Date, no other Director or Supervisor acted as director or employee of any company having any interests or short position in the Shares or underlying Shares of the Company or otherwise was required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO.

#### **4. SERVICE CONTRACTS OF THE DIRECTORS AND SUPERVISORS**

As at the Latest Practicable Date, no service contract has been entered into or proposed to be entered into between any member of the Group and the Directors or Supervisors of the Company which may not be terminated within one year without compensation (other than statutory compensation).

#### **5. DIRECTORS' INTERESTS IN ASSETS OR CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP**

As at the Latest Practicable Date, none of the Directors or Supervisors, directly or indirectly, had any interests in any assets which have been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2023 (being the date on which the latest published audited consolidated financial statements of the Group were made up).

As at the Latest Practicable Date, there was no contract or arrangement in which the Directors or Supervisors have material interest and which is significant to the business of the Group.

## 6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates have an interest, which shall be disclosed pursuant to Rule 8.10 of the Listing Rules as if each of them was a controlling shareholder of the Company, in a business which competes or is likely to compete with the Group's business.

## 7. MATERIAL CONTRACTS

The Company or any of subsidiaries has entered into the following material contracts within the two years immediately before the date of this Supplemental Circular and up to the Latest Practicable Date, which were not entered into in the ordinary course of business:

- (a) The unlisted state-owned equity transaction contract of financial enterprise dated 9 June 2022 entered into between the Company and Hunan Chasing Financial Holding Group Co., Ltd. and Central Huijin Investment Ltd. in relation to the disposal of equity in Huarong Xiangjiang Bank at a consideration of RMB11,980,668,000.
- (b) The unlisted state-owned equity transaction contract of financial enterprise dated 16 August 2022 entered into between the Company and China Trust Protection Fund Co., Ltd. in relation to the disposal of equity in Huarong Trust at a consideration of RMB6,152.3407 million.
- (c) The share transfer agreement dated 15 November 2023 entered into between the Company and CITIC Group and CITIC Polaris Limited in relation to the acquisition of 1,457,422,158 shares of CITIC Limited at a consideration of HK\$13,626,897,177.3.
- (d) the Share Transfer Agreement.

## 8. MATERIAL LITIGATION

To the best knowledge of the Directors, as of the Latest Practicable Date, none of the members of the Group was involved in any other material litigation or arbitration or claim, neither were the Directors aware of other material litigation or claim that is pending or threatening by or against by any member of the Group.

## 9. EXPERTS' QUALIFICATION AND CONSENT

The qualification of the experts or professional advisers who have expressed opinions and suggestions in this Supplemental Circular is as follows:

| <b>Name</b>         | <b>Qualification</b>  |
|---------------------|---|
| Zero2IPO Capital    | A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO  |
| China United Assets | Independent professional valuer, an institution which was established upon the approval of the financial department of the PRC and provides asset valuation services in the PRC |

- (a) Each of the experts above has given its consent to the issue of this Supplemental Circular with the inclusion of its letter or the reference to its name in the form and context in which it is set out, and no withdrawal of the consent has been effected to date.
- (b) As at the Latest Practicable Date, each of the experts above does not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate other persons to subscribe for the securities of any member of the Group.
- (c) As at the Latest Practicable Date, each of the experts above does not, directly or indirectly, had any interests in any assets which have been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2023 (being the date on which the latest published audited consolidated financial statements of the Group were made up).

## 10. MISCELLANEOUS

- (a) The registered office and head office of the Company is at No. 8, Financial Street, Xicheng District, Beijing, the PRC.
- (b) The principal place of business in Hong Kong of the Company is at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wan Chai, Hong Kong, the PRC.
- (c) The H Share Registrar of the Company is Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, the PRC.
- (d) The joint company secretaries of the Company are Wang Yongjie (the Secretary to the Board) and Ngai Wai Fung (a fellow member of the Association of Chartered Certified Accountants in the United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of The Chartered Governance Institute in the United Kingdom, a fellow member of The Hong Kong Chartered Governance Institute, and a member of the Chartered Institute of Arbitrators).

**11. DOCUMENTS ON DISPLAY**

Copies of the following documents will be on display on the website of the Company ([www.chamc.com.cn](http://www.chamc.com.cn)) and the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) for the period from the date of this Supplemental Circular to the date of the EGM (inclusive):

- (a) the Share Transfer Agreement;
- (b) the letter from the Independent Financial Adviser issued by Zero2IPO Capital on 11 June 2024, the full text of which is set out in Appendix II to this Supplemental Circular;
- (c) the asset valuation report issued by China United Assets, the summary of which is set out in Appendix III to this Supplemental Circular; and
- (d) consent of experts mentioned in the paragraph headed “Experts’ Qualification and Consent” in this appendix.





**中国中信金融资产**  
**China CITIC Financial AMC**

**中國中信金融資產管理股份有限公司**  
**China CITIC Financial Asset Management Co., Ltd.**

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

**(Stock Code: 2799)**

## **SUPPLEMENTAL NOTICE OF EXTRAORDINARY GENERAL MEETING**

**References are made to** the notice of the third extraordinary general meeting of Shareholders for 2024 (the “**First Notice**”) and the circular of the third extraordinary general meeting of Shareholders for 2024 (the “**First Circular**”) dated 5 June 2024 of China CITIC Financial Asset Management Co., Ltd. (the “**Company**”), in which the time and venue of the third extraordinary general meeting of Shareholders (the “**EGM**”) of the Company for 2024 and the resolution to be submitted at the EGM for Shareholders’ consideration were set out.

**SUPPLEMENTAL NOTICE IS HEREBY GIVEN** that the EGM will be held as originally scheduled at Conference Room 1221, No. 8 Financial Street, Xicheng District, Beijing, the People’s Republic of China (the “**PRC**”) at 4:00 p.m. on Wednesday, 26 June 2024 for the purpose of considering and, if thought fit, passing, in addition to the resolution contained in the First Notice, the following resolution:

### **SPECIAL RESOLUTION**

2. To consider and approve the entering into of the Share Transfer Agreement and the transaction contemplated thereunder

**“THAT**

- (a) the Share Transfer Agreement and the transaction contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) the Directors be and are hereby authorised for and on behalf of the Company and in its name to execute all such documents, instruments and agreements and do all such acts, matters and things as they may in their absolute discretion consider necessary, desirable or expedient for the purposes of or in connection with implementing, completing and giving effect to the Share Transfer Agreement and the transaction contemplated thereunder and to agree to such variations of the terms of the Share Transfer Agreement as they may in their absolute discretion consider necessary or desirable and all such acts and things the Directors have done, all such documents the Directors have executed, and all such steps the Directors have taken be and are hereby approved, confirmed and ratified.”

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## SUPPLEMENTAL NOTICE OF EGM

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Details of the above resolution are set out in the supplemental circular of EGM published by the Company on 11 June 2024 (the “**Supplemental Circular**”), and should be read in conjunction with the First Circular. Unless otherwise stated, terms used in this notice shall have the same meanings as defined in the First Circular and the Supplemental Circular.

By order of the Board  
**China CITIC Financial Asset Management Co., Ltd.**  
**Liu Zhengjun**  
*Chairman*

Beijing, the PRC  
11 June 2024

*As at the date of this notice, the Board comprises Mr. LIU Zhengjun and Mr. LI Zimin as executive Directors; Ms. ZHAO Jiangping, Mr. XU Wei and Mr. TANG Hongtao as non-executive Directors; Mr. SHAO Jingchun, Mr. ZHU Ning, Ms. CHEN Yuanling and Mr. Lo Mun Lam, Raymond as independent non-executive Directors.*

*Notes:*

1. The register of members of the Company will be closed from Friday, 21 June 2024 to Wednesday, 26 June 2024 (both days inclusive). H Shareholders and Domestic Shareholders of the Company whose names appear on the register of members of the Company at the close of business on Thursday, 20 June 2024 will be entitled to attend and vote at the EGM. H Shareholders who wish to attend and vote at the EGM shall deposit all the transfer documents together with the share certificates with the H Share Registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Thursday, 20 June 2024.
2. The supplemental proxy form (the “**Supplemental Proxy Form**”) concerning the resolution set forth in this supplemental notice is enclosed in the Supplemental Circular. The first proxy form enclosed in the First Circular (the “**First Proxy Form**”) that has been returned to the H Share registrar of the Company will remain valid and applicable to the permissible extent if correctly completed. The Supplemental Proxy Form will not affect the validity of any proxy form duly completed and delivered by you in respect of the resolution set out in the First Notice. If you have validly appointed a proxy to attend the EGM on your behalf but do not duly complete and deliver the Supplemental Proxy Form, your proxy will be entitled to vote on your behalf at the discretion on the supplemental resolution set out in this supplemental notice. If you do not duly complete and deliver the First Proxy Form but have duly completed and delivered the Supplemental Proxy Form and validly appointed a proxy to attend on your behalf and act for you at the EGM, your proxy will be entitled to vote at the discretion on the resolution set out in the First Notice.
3. A Shareholder entitled to attend and vote at the EGM may appoint one or more proxy(ies) to attend and vote on his/her behalf. A proxy need not be a Shareholder, but he/she must attend the EGM in person to represent the relevant Shareholder.
4. The instrument appointing a proxy must be in writing under the hand of a Shareholder or his/her attorney duly authorized in writing. If the Shareholder is a corporation, that instrument must be executed either under its common seal or under the hand of its legal representative, director(s) or duly authorized attorney. If that instrument is signed by an attorney of the Shareholder, the power of attorney authorizing that attorney to sign or other authorization document must be notarised.

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## SUPPLEMENTAL NOTICE OF EGM

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5. In order to be valid, the Supplemental Proxy Form, the notarised power of attorney or other authorization document (if any) must be delivered to the Board office of the Company at No. 8 Financial Street, Xicheng District, Beijing, the PRC for Domestic Shareholders and to the H Share Registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for H Shareholders no later than 24 hours before the time scheduled for holding the EGM (i.e. before 4:00 p.m. on Tuesday, 25 June 2024) or any adjournment thereof (as the case may be). Completion and return of a proxy form will not preclude a Shareholder from attending and voting in person at the EGM or any adjournment thereof if he/she so wishes.
6. Pursuant to the Articles of Association, any vote of Shareholders at a general meeting of Shareholders must be taken by poll. As such, the resolution set out in this supplemental notice of EGM will be voted on by poll. The EGM will adopt on-site voting method.
7. The EGM is expected to last for half a day. Shareholders (in person or by proxy) attending the EGM are responsible for their own transportation and accommodation expenses. Shareholders or their proxies attending the EGM shall produce their identity documents.
8. In the case of joint Shareholders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint Shareholder(s), and for this purpose, seniority will be determined by the order in which the names stand on the register of members in respect of the relevant joint holding.
9. According to the Articles of Association, where the number of equity interests of the Company pledged by a Shareholder reaches or exceeds 50% of the equity interests held by such Shareholder in the Company, no voting right in respect of the pledged equity interests shall be exercised at the general meeting of Shareholders. Upon the registration of pledge of equity interests, such Shareholder shall provide the Company with the relevant information of the pledged equity interests in a timely manner.