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

If you have sold or transferred all your shares in Shenwan Hongyuan Group Co., Ltd., you should at once hand this circular, together with the enclosed 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.



申萬宏源集團股份有限公司
SHENWAN HONGYUAN GROUP CO., LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 6806)

**CONTINUING CONNECTED TRANSACTIONS –
RENEWAL OF THE SECURITIES AND FINANCIAL PRODUCTS,
TRANSACTIONS AND SERVICES FRAMEWORK AGREEMENT
PROVISION OF GUARANTEE FOR HONGYUAN HENGLI (SHANGHAI)
INDUSTRIAL CO., LTD.
ELECTION OF A NON-EXECUTIVE DIRECTOR
AND
NOTICE OF THE 2024 SECOND EXTRAORDINARY GENERAL MEETING**

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



SOMERLEY CAPITAL LIMITED

The 2024 second extraordinary general meeting of Shenwan Hongyuan Group Co., Ltd. will be held at 2:30 p.m. on Thursday, December 19, 2024 at the Company's conference room, No. 19, Taipingqiao Street, Xicheng District, Beijing, the PRC. A notice of the EGM is set out on pages 60 to 61 of this circular. A letter from the Independent Board Committee, containing its advice to the Independent Shareholders, is set out on page 32 of this circular. A letter from Somerley, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 33 to 54 of this circular.

Whether or not you are able to attend the EGM, you are advised to read the notice of the EGM carefully and to complete the proxy form dispatched on Tuesday, December 3, 2024 in accordance with the instructions printed thereon and return it as soon as possible. H Shareholders are required to return the proxy form to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, by hand or by post no later than 24 hours before the time appointed for convening the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the EGM or any adjournment thereof in person if you so wish.

December 3, 2024

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“A Share(s)”	domestic Share(s) of the Company, with a nominal value of RMB1.00 each, which is/are subscribed for or credited as paid up in RMB and is/are listed for trading on the Shenzhen Stock Exchange (Stock Code: 000166)
“A Shareholder(s)”	holder(s) of A Share(s)
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of directors of the Company
“Central Huijin”	Central Huijin Investment Ltd. (中央匯金投資有限責任公司), a company with limited liability incorporated in the PRC on December 16, 2003 and ultimately owned by the PRC government, which is the controlling Shareholder of the Company
“Company”	Shenwan Hongyuan Group Co., Ltd. (申萬宏源集團股份有限公司), a joint stock company incorporated in the PRC with limited liability, whose H Shares and A Shares are listed on the Hong Kong Stock Exchange and the Shenzhen Stock Exchange, respectively
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“EGM”	the 2024 second extraordinary general meeting of the Company to be held at 2:30 p.m. on Thursday, December 19, 2024 at the Company’s conference room, No. 19, Taipingqiao Street, Xicheng District, Beijing, the PRC
“Framework Agreement”	the Securities and Financial Products, Transactions and Services Framework Agreement entered into between the Company and JIC on December 6, 2021
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign Share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which is/are subscribed for in HKD and is/are listed for trading on the Hong Kong Stock Exchange (Stock Code: 6806)
“H Shareholder(s)”	holder(s) of H Share(s)
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	the independent board committee comprising all independent non-executive Directors
“Independent Financial Adviser” or “Somerley”	Somerley Capital Limited, a corporation licensed by the Securities and Futures Commission to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, acting as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the renewal of the Framework Agreement and the transactions contemplated thereunder and the proposed annual caps for the three years ending December 31, 2027
“Independent Shareholder(s)”	Shareholders other than JIC and its associates
“Independent Third Party(ies)”	has the meaning ascribed thereto under the Listing Rules
“JIC”	China Jianyin Investment Ltd. (中國建銀投資有限責任公司), a company with limited liability incorporated in the PRC, which is a Substantial Shareholder of the Company
“Latest Practicable Date”	November 28, 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“New Framework Agreement”	the Securities and Financial Products, Transactions and Services Framework Agreement entered into between the Company and JIC on November 26, 2024
“PRC”	the People’s Republic of China, for the purpose of this circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan of the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, including A Share(s) and H Share(s)
“Shareholder(s)”	shareholder(s) of the Company, including A Shareholder(s) and H Shareholder(s)
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules

DEFINITIONS

“Supervisor(s)”	supervisor(s) of the Company
“Wind Information”	Wind Information Co., Ltd. (萬得資訊技術股份有限公司), a service provider of financial data, information and software in the PRC
“%”	per cent

Unless otherwise specified, the financial data involved in this circular are under the China Accounting Standards for Business Enterprises.

In this circular, there may be individual data as the sum of relevant data is different from the aggregate amount of the relevant data, which is caused by the rounding in calculation.

LETTER FROM THE BOARD



申萬宏源集團股份有限公司
SHENWAN HONGYUAN GROUP CO., LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 6806)

Executive Directors:

Mr. Liu Jian (Chairman)
Mr. Huang Hao

Non-executive Directors:

Mr. Zhu Zhilong
Ms. Zhang Ying
Mr. Shao Yalou
Mr. Xu Yixin

Independent Non-executive Directors:

Ms. Yeung Siuman Shirley
Mr. Wu Changqi
Mr. Chen Hanwen
Mr. Zhao Lei

Registered Office:

Room 2001, 20/F,
Dacheng International Building
358 South Beijing Road
Urumqi High-tech Zone
Xinjiang, the PRC

Principal Place of Business in the PRC:

20/F, Dacheng International Building
358 South Beijing Road
Urumqi High-tech Zone
Xinjiang, the PRC

No. 19, Taipingqiao Street
Xicheng District
Beijing, the PRC

**Principal Place of Business in
Hong Kong:**

40/F, Dah Sing Financial Centre
248 Queen's Road East
Wanchai, Hong Kong

December 3, 2024

To the H Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS –
RENEWAL OF THE SECURITIES AND FINANCIAL PRODUCTS,
TRANSACTIONS AND SERVICES FRAMEWORK AGREEMENT
PROVISION OF GUARANTEE FOR HONGYUAN HENGLI (SHANGHAI)
INDUSTRIAL CO., LTD.
ELECTION OF A NON-EXECUTIVE DIRECTOR**

INTRODUCTION

The purpose of this circular is to give you notice of the EGM and to provide you with the information reasonably necessary to enable you to make an informed decision on whether to vote for, against or abstain from voting on the resolutions to be proposed for consideration at the EGM.

LETTER FROM THE BOARD

Ordinary resolutions will be proposed at the EGM to approve: (1) the renewal of the Framework Agreement and the transactions contemplated thereunder and the proposed annual caps for the three years ending December 31, 2027; (2) the provision of guarantee for Hongyuan Hengli (Shanghai) Industrial Co., Ltd.; and (3) the election of a non-executive Director.

1. CONTINUING CONNECTED TRANSACTIONS – RENEWAL OF THE SECURITIES AND FINANCIAL PRODUCTS, TRANSACTIONS AND SERVICES FRAMEWORK AGREEMENT

An ordinary resolution will be proposed at the EGM to approve the renewal of the Framework Agreement and the transactions contemplated thereunder and the proposed annual caps for the three years ending December 31, 2027.

Reference is made to the announcement of the Company dated November 26, 2024 in relation to, among other things, the renewal of the Framework Agreement and the transactions contemplated thereunder and the proposed annual caps for the three years ending December 31, 2027.

I. BACKGROUND

References are made to the announcement of the Company dated December 6, 2021 and the circular of the Company dated December 10, 2021 in relation to, among others, the Framework Agreement entered into between the Company and JIC on December 6, 2021 and the annual caps set for 2022, 2023 and 2024. Pursuant to the Framework Agreement, the Group and JIC and/or its associates shall provide securities and financial products and transactions to each other in their respective ordinary and usual course of business based on normal commercial terms and market practices at then prevailing market prices or rates, and the Group shall provide securities and financial services to JIC and/or its associates.

As the Framework Agreement will expire on December 31, 2024, the Company has entered into the New Framework Agreement with JIC on November 26, 2024 for a term of three years effective from January 1, 2025 and expiring on December 31, 2027 upon approval at the EGM.

II. NEW FRAMEWORK AGREEMENT

1. Date

November 26, 2024

2. Parties

(1) the Company; and

(2) JIC

3. Term

From January 1, 2025 to December 31, 2027

LETTER FROM THE BOARD

4. *Main Contents of the Continuing Connected Transactions under the New Framework Agreement*

A. Securities and Financial Products and Transactions

According to the New Framework Agreement, the securities and financial products and transactions between the Group and JIC and/or its associates (mainly including JIC Trust Co., Ltd., Guotai Asset Management Co., Ltd. and JIC Leasing Co., Ltd.) include (but are not limited to) the followings (collectively, the “**Securities and Financial Products and Transactions**”):

- equity-related products, including but not limited to, equity interest, funds, trust, asset management schemes, exchangeable bonds, convertible bonds and structured products;
- fixed-income products, including but not limited to, funds, trust, bonds, debt, and structured products with fixed income characteristics;
- hybrid products, including but not limited to, funds, trust, asset management schemes and structured products;
- financing transactions among financial institutions with or without guarantees; and
- other related securities and financial products and derivative products.

B. Securities and Financial Services

According to the New Framework Agreement, the Group and JIC and/or its associates (mainly including JIC Trust Co., Ltd., Guotai Asset Management Co., Ltd. and JIC Leasing Co., Ltd.) shall provide securities and financial services to each other in their respective ordinary and usual course of business based on normal commercial terms and market practices at prevailing market prices. The securities and financial services provided by the Group to JIC and/or its associates include (but are not limited to) the following (collectively, the “**Securities and Financial Services**”):

- financial products agency sale services. The Group receives service fees and/or other fees for such services;
- leasing of trading units services. The Group leases its trading units to institutional clients and receives trading commission and/or other fees for such services;
- brokerage services including securities brokerage and related financial products brokerage services. The Group receives brokerage commissions for such services;
- investment banking services, including but not limited to, underwriting and sponsorship services provided for stock, equity interests, bonds and other products, and financial advisory services provided for other general corporate restructuring, mergers and acquisition. The Group receives underwriting commissions, sponsor fees, financial advisory fees and/or other fees for such services;

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- asset management services. The Group manages the assets of customers and receives service fees for such services; and
- other comprehensive securities and financial advisory and consulting services, mainly including investment consulting, fund custody and operation, fund market making/liquidity services, and other advisory services relating to securities financial service, etc. The Group receives advisory fees and/or other fees for such services.

The Securities and Financial Services provided by JIC and/or its associates to the Group include (but not limited to) other comprehensive securities and financial advisory and consulting services, mainly including investment consulting services. The Group pays advisory fees and/or other fees for such services to JIC and/or its associates.

5. *Pricing Basis*

A. Pricing Basis for Securities and Financial Products and Transactions

The market rates of the Securities and Financial Products and Transactions are generally transparent and standardized across the market. The commission rates and handling fees for such products and transactions shall be determined based on arm's length negotiation with reference to the prevailing market price or the prevailing market rates normally applicable to Independent Third Parties for similar types of transactions at the time of the transactions.

The Securities and Financial Products and Transactions are mainly conducted through the PRC inter-bank bond market and the PRC exchange market (including stock exchanges, futures exchanges, Shanghai Gold Exchange, etc.) and the open-ended fund market. The commission rates and handling fees for the Securities and Financial Products and Transactions conducted through such particular trading venues depend on the particular trading venue on which the relevant transaction is carried out.

- Securities and financial products traded on the PRC inter-bank bond market and PRC exchange bond market

The securities and financial products traded on the PRC inter-bank bond market and the PRC exchange bond market mainly include inter-bank lending, collateralized repurchase, buyout repurchase, spot trading, bond borrowing and lending, asset securitisation products and interest rate swap, etc. The pricing of the transactions conducted at the PRC inter-bank bond market and the PRC exchange bond market are determined based on the prices quoted in the PRC inter-bank bond market and the PRC exchange bond market. Such prices are mainly determined with reference to the valuation data of the relevant securities and financial products published by China Central Depository & Clearing Co., Ltd. or China Securities Depository and Clearing Corporation Limited on the previous trading day (“**CCDC Valuation Data**” or “**CSDCC Valuation Data**”), yield curve and the turnover details published by China Foreign Exchange Trade System & National Interbank Funding Center. The Company may subscribe for the CCDC Valuation Data each year, and get access to the data of China Foreign Exchange Trade System through the information channels and websites of official and voluntary industry regulatory authorities, such as <http://www.chinamoney.com.cn>; the Company may also get access to the relevant data through the database provided by information service providers, such as Wind Information.

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For financing transactions among financial institutions with or without guarantees, the interest rate for such transactions was mainly determined based on the interest rates of dealer-quoted bond repurchase of different maturities after having obtained relevant quotes from different banks and the interest rate offered to JIC and/or its associates is the same as the one offered to the Independent Third Parties.

- Securities and financial products traded on the exchanges

The major types of securities and financial products traded on the Shanghai Stock Exchange, Shenzhen Stock Exchange, Shanghai Gold Exchange and the PRC futures exchanges include stocks, funds, bonds, gold products, futures, etc. Share options are also traded on the Shanghai Stock Exchange. Centralized bidding mechanism is mainly adopted in these exchanges and the pricing basis is primarily determined with reference to the turnover of a particular securities and financial product. The Company has access to the trading systems of the relevant exchanges to obtain the real-time quotations of the relevant securities and financial products.

- Securities and financial products traded on the open-ended fund market

The major types of securities and financial products traded on the open-ended fund market include fund products, trust products, wealth management products and asset management products (collectively, the “**Fund Products**”). The pricing of transactions conducted through the open-ended fund market is determined based on the unit net value of the relevant Fund Products on the date of transaction. The unit net value of such Fund Products is calculated by dividing the net asset value of the Fund Products by the total number of the fund units. The net asset value of the Fund Products is determined based on the China Accounting Standards for Business Enterprises and in accordance with the relevant requirements of the CSRC and the Asset Management Association of China, and taking into account the fund portfolio consisting of securities, bank deposits, receivables and other investments. The calculation of the unit net value of the Fund Products is set forth in the relevant fund contract and prospectus, and equally applies to all investors of the Fund Products.

With respect to the pricing of securities and financial products without direct market quotations, the Company mainly refers to the prices of the transactions for similar products with two or more Independent Third Parties to determine if the pricing and terms of the transactions between the Company or its subsidiaries and JIC and/or its associates are fair, reasonable and no more favourable than those of the transactions between the Company or its subsidiaries and Independent Third Parties. If there is no relevant comparables in the market, the Company will determine the transaction price after arm’s length negotiation between both parties on the basis of comprehensive evaluation of transaction costs. For example, in the case of carrying out OTC derivatives transactions if there is no comparable price, the Company may determine the transaction price after arm’s length negotiation between both parties based on the pricing model and on the basis of covering the transaction hedging cost, and in combination with the historical pricing data of similar businesses. As at the Latest Practicable Date, there were no connected transactions between the Company or its subsidiaries and JIC and/or its associates which were not priced on a basis with reference to relevant comparable prices.

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To ensure that the Securities and Financial Products and Transactions are entered into on normal commercial terms and to safeguard the interests of the Shareholders as a whole, the Group has put in place internal approval and monitoring procedures relating to the Group's connected transactions, further details of which are set out in "III. Internal Monitoring Measures" below.

B. Pricing Basis for Securities and Financial Services

The pricing basis for the Securities and Financial Services is as follows:

- financial products agency sale services – service fees shall be determined based on factors including market prices, industry practice and the total amount of financial products under the agency sale arrangements with reference to the service fees for the last half year charged by the Group for similar agency sale service provided to Independent Third Parties and the service fee rate for the subsisting financial products agency sale services is generally in the range of 0% to 1.5%. The service rate for existing financial products agency sale services may be 0%, mainly due to that, according to the rules of public fund business, currently no subscription fee is charged for the subscription of units of class C of public funds, thus the sales agencies have no corresponding income;
- leasing of trading units services – the Group charges a percentage of the trading volume in respect of each trade conducted through the Group's trading units as the Group's commission where such percentage shall be determined based on the market rates for the last half year and industry practice. The commission rates charged on the leasing of trading units are generally transparent across the market. The commission rates charged by the Group for the subsisting leasing of trading units services are basically consistent with the commission rates in the market and generally in the range of 0.02% to 0.1%;
- brokerage services – the commission rates for these services are generally transparent and standardized across the market. The commission rates charged by the Group are determined based on arm's length negotiation with reference to the market fee rates for the latest week for securities or futures similar to existing business and generally in the range of 0.0085% to 0.3%;
- investment banking services – the fees are determined with reference to factors including the market fee rates for projects of a similar type for the last half year and the amount of proceeds raised from the offering through competitive bidding, business negotiation or based on arm's length negotiation;

with respect to the underwriting fee rates for fixed-income products (including corporate bonds, company bonds, asset securitisation products, etc.), the fees are mainly determined through negotiations with issuer or competitive bidding according to the issuer, type and term of bonds;

with respect to the pricing for investment banking business, the CSRC published the Guidance on Internal Control of Investment Banking Business of Securities Companies (《證券公司投資銀行業務內部控制指引》) in 2018, pursuant to which in carrying out investment banking

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business, securities companies shall determine the price reasonably based on comprehensive assessment of execution cost. The price of the investment banking business of the Company is subject to regulation by the CSRC;

- asset management services — the handling fees for asset management services are determined based on arm's length negotiations with reference to factors including the market rates for the last half year, the size of the assets and the complexity of the particular service provided. The market rates for these services are generally transparent across the market. The rates charged by the Group for the subsisting asset management services are basically consistent with the market rates and generally in the range of 0.01% to 3%; and
- other comprehensive securities and financial advisory and consulting services – such services are determined based on arm's length negotiation with reference to the market rates for transactions of similar type and size for the last half year.

The terms (including pricing terms) in respect of the Securities and Financial Services to be provided by the Group and JIC and/or its associates to each other shall be comparable to those between the Group and other two or more independent institutional clients of similar profile and transaction amount. The Securities and Financial Services shall be subject to the same or stricter internal approval and monitoring procedures and pricing policies applicable to independent clients, further details of which are set out in “III. Internal Monitoring Measures” below.

The Group and JIC and/or its associates will pay the consideration for the continuing connected transactions under the New Framework Agreement out of their own funds or client funds managed in accordance with the law.

Deferred payment arrangements will be adopted for several items of Securities and Financial Services under the New Framework Agreement, specifically:

- (i) leasing of trading units services: the commission of leasing of trading units services shall be settled quarterly, and JIC and/or its associates shall complete relevant formalities and transfer the account payables to the designated account of the Group within 45 working days after the end of each quarter.
- (ii) financial products agency sale services: for the subscription fee for financial products agency sale services, JIC and/or its associates shall transfer the amount receivables by the Group to the designated account of the Group in one lump sum within 10 working days after the fund contract becomes effective; for other expenses, except for settlement on net basis, JIC and/or its associates shall calculate the portion attributable to the Group at the beginning of each month and faxed to the Group for verification, after verification by the Group (if there is no objection from the Group within three working days after the fax, it will be deemed to be verified), JIC and/or its associates shall transfer it to the designated account of the Group within 10 working days at the beginning of each month; the sales service fees and customer maintenance fees shall be accrued daily, sales service fees shall be paid monthly, customer maintenance fees shall be paid quarterly, and shall be calculated by JIC

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and/or its associates, and the fees of the previous month/previous quarter shall be transferred by JIC and/or its associates to the designated account of the Group within 15 working days every month/in the first month of every quarter after verification with the Group.

- (iii) the management fees for asset management services: the management fees for asset management services shall be accrued daily and paid quarterly, that is, the trustee shall pay the Group out of the property of the asset management plan on the fifth working day at the beginning of the month of next quarter based on the amount of fixed management fee payables in the previous three months verified with the Group. If there is not sufficient fund balance in the bank escrow account on the payment date, the payment will be postponed to the next working day.
- (iv) investment consulting fees: the fixed investment consulting fees shall be accrued daily from the date of establishment of the trust. The Group is entitled to the fixed investment consulting fees that have been accrued but not paid on any day of the last month of each calendar quarter or within 15 working days from the date of conclusion of each calendar year during the duration of the trust, and the balance of fixed investment consulting fees that have been accrued but not paid within 10 working days after the termination of the trust; Within 10 working days after the accrued and accounting date of each floating investment consulting fees during the duration of the trust or after the expiration of the lockup period of each tranche of trust units or after December 10 of each calendar year, JIC and/or its associates shall pay the floating investment consulting fees accrued but not paid to the Group or JIC and/or its associates shall send instructions to the custodian, and the custodian shall complete the payment to the Group from the trust assets after review.
- (v) custodian fee: the custodian fee of the Group shall be accrued daily, accumulated day by day and paid quarterly from the date of establishment of the plan, and shall be paid to the Group out of the assets of the collective plan according to the transfer instructions of JIC and/or its associates within 5 working days from the first day of the following month after the end of each quarter.

6. *Historical Transaction Amounts*

A. Securities and Financial Products and Transactions

For the three years ending December 31, 2024, the annual caps of the Securities and Financial Products and Transactions are set out below:

(Unit: RMB'000)

Securities and Financial Products and Transactions	For the year ended/ending December 31,		
	2022	2023	2024
In ⁽¹⁾⁽³⁾	34,373,400	35,385,100	36,650,100
Out ⁽²⁾⁽³⁾	37,303,400	38,315,100	39,580,100

LETTER FROM THE BOARD

For the two years ended December 31, 2023 and the eight months ended August 31, 2024, the historical transaction amounts of the Securities and Financial Products and Transactions are set out below:

(Unit: RMB'000)

Securities and Financial Products and Transactions	For the year ended December 31,		For the eight months ended August 31,
	2022	2023	2024
In ⁽¹⁾⁽³⁾	3,648,613	5,454,957	1,596,245
Out ⁽²⁾⁽³⁾	2,598,849	662,334	589,529

Notes:

- (1) “In” means the total cash inflow to the Group arising from the Securities and Financial Products and Transactions, including the sale and redemption of the relevant products, interests received from the relevant products.
- (2) “Out” means the total cash outflow from the Group arising from the Securities and Financial Products and Transactions, including the cash outflow arising from the purchase of the relevant products, interests paid for the relevant products and the repurchase of relevant products from the counterparties.
- (3) The “In” and “Out” reflect the capital flow between the Group and JIC and its subsidiaries. The contribution of such capital to the Group’s revenue is in the forms of bid-ask spread or interests accrued during the holding period or gain or loss on changes in fair value of securities, interest expenses on financing, interest income from lending, management fee, handling fee, performance-based compensation, and other income from entrusted management of assets, investment income from investment asset management plan or other financial products, etc.

For the two years ended December 31, 2023 and the eight months ended August 31, 2024, the utilisation rates of the inflow of the Securities and Financial Products and Transactions are 10.61%, 15.42% and 4.36%, respectively, and the utilisation rates of the outflow of the Securities and Financial Products and Transactions are 6.97%, 1.73% and 1.49%, respectively.

B. Securities and Financial Services

For the three years ending December 31, 2024, the annual caps of the Securities and Financial Services are set out below:

LETTER FROM THE BOARD

(Unit: RMB'000)

Securities and Financial Services	For the year ended/ending December 31,		
	2022	2023	2024
The Group's revenue generated from providing the Securities and Financial Services to JIC and/or its associates	186,270	223,360	273,310

For the two years ended December 31, 2023 and the eight months ended August 31, 2024, the historical transaction amounts of the Securities and Financial Services are set out below:

(Unit: RMB'000)

Securities and Financial Services	For the year ended December 31,	For the eight months ended August 31,	
	2022	2023	2024
The Group's revenue generated from providing the Securities and Financial Services to JIC and/or its associates	22,937	21,277	10,973

For the two years ended December 31, 2023 and the eight months ended August 31, 2024, the utilisation rates of the Securities and Financial Services are 12.31%, 9.53% and 4.01%, respectively.

7. *Proposed Annual Caps and Basis of Determination*

A. Securities and Financial Products and Transactions

The proposed annual caps of the Securities and Financial Products and Transactions for the three years ending December 31, 2027 are set out below:

(Unit: RMB'000)

Securities and Financial Products and Transactions	Annual cap for the year ending December 31,		
	2025	2026	2027
In ⁽¹⁾⁽³⁾	24,106,900	24,649,900	25,336,700
Out ⁽²⁾⁽³⁾	15,884,200	16,475,400	17,070,100

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Notes:

- (1) “In” means the total cash inflow to the Group arising from the Securities and Financial Products and Transactions, including the sale and redemption of the relevant products, interests received from the relevant products.
- (2) “Out” means the total cash outflow from the Group arising from the Securities and Financial Products and Transactions, including the cash outflow arising from the purchase of the relevant products, interests paid for the relevant products and the repurchase of relevant products from the counterparties.
- (3) The “In” and “Out” reflect the capital flow between the Group and JIC and its subsidiaries. The contribution of such capital to the Group’s revenue is in the forms of bid-ask spread or interests accrued during the holding period or gain or loss on changes in fair value of securities, interest expenses on financing, interest income from lending, management fee, handling fee, performance-based compensation, and other income from entrusted management of assets, investment income from investment asset management plan or other financial products, etc.

In estimating the annual caps of the total inflow amount and total outflow amount of the Securities and Financial Products and Transactions of the Group, the Company has considered, among others, the following key factors:

- (1) Historical data on the total cash inflows and total cash outflows of certain Securities and Financial Products and Transactions previously entered into by certain members of the Group with JIC and its associates for the two years ended December 31, 2023 and the eight months ended August 31, 2024, including the subscription for or redemption of funds, trust products and asset management products, securities trading, etc. by certain members of the Group with associates of JIC, with inflows and outflows of approximately RMB3,650 million and RMB2,600 million for 2022, approximately RMB5,450 million and RMB660 million for 2023, and approximately RMB1,600 million and RMB590 million for the eight months ended August 31, 2024, respectively. Historically, the fluctuation of such transactions was relatively high, and once they occurred, the transaction amount was significant.
- (2) The Company’s demand for subscription and redemption of asset management products managed by JIC, its fund companies and trust companies, etc.

Inflow – connected parties’ subscription of financial products issued by the Company

As a listed company, the Group will issue stocks, bonds, asset-backed securities and other securities products in the exchange market, and its fund companies and asset management companies will also issue fund products and asset management products to raise funds from the society. As qualified investors in relevant markets, JIC and its subsidiaries will seek suitable products for asset allocation, and the financial products issued or managed by the Company may be their investment subjects. In such transactions, the Company’s role is relatively passive, subject to

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compliance with the investors' suitability requirements of relevant products, the investment amount and proportion will depend on the investment decisions of connected parties.

Outflow – securities investment demand

The Company's own funds and customer funds managed according to law are required to be sought for investment in financial products that meet the Company's investment access standards in the market. As the bond issuers, JIC and its subsidiaries have a higher rating and meet the Company's access requirements, and its subsidiary, Guotai Asset Management Co., Ltd., manages large-scale fund products. The Company may allocate related financial products issued by JIC and its associates as investment subjects; JIC and its subsidiaries issue corporate bonds, asset-backed securities and other securities products in the exchange market. For example, JIC Leasing Co., Ltd., the associate of JIC, issued bonds of RMB8,100 million, RMB7,800 million and RMB4,500 million in 2022, 2023 and from January to August 2024, respectively, maintaining a relatively high issuance volume every year. It is more likely that the Company will subscribe for the financial products issued by JIC and its associates. Also, the yield of bonds issued by JIC and its associates is more competitive compared with Independent Third Parties.

Inflow and outflow

A Considering the Group's high demand for liquidity management, the Group needs to seek monetary funds and others with higher security and better liquidity from the market for investment. According to the 2024 interim report, the Company had approximately RMB28,008 million in cash and bank balances. As of the end of September 2024, the size of monetary funds held by the Company achieved more than RMB10 billion, and the Company may subsequently make dynamic adjustment to the scale and structure of monetary funds according to the market change and business needs. According to the public data of Wind Information, as of the end of June 2024, the total size of the monetary funds managed by Guotai Asset Management Co., Ltd., the associate of JIC, has been approximately RMB314.6 billion, among which the management size of each of 4 monetary funds has exceeded RMB10 billion. Although the amount of monetary funds of Guotai Asset Management Co., Ltd. was not high in the past, comprehensively considering the liquidity management requirements of the Company, the yields of products of Guotai Asset Management Co., Ltd., and the business development between the Company and Guotai Asset Management Co., Ltd., it is expected that there may be higher possibility of business cooperation between both parties in the future. Once occurred, the amount of a single transaction will be generally high, and the peak value of a single transaction of funds of JIC and its associates to be subscribed and redeemed by the Company will reach RMB300 million. With reference to the trading frequency and scale of monetary funds of the Company in the past, it is expected that the

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annual caps of inflow and outflow of monetary fund transactions with JIC and its associates will be RMB1,500 million respectively in the next three years.

- B Subscription and redemption of related fund products of JIC and its associates based on the Company's fund market making and arbitrage trading business needs

The Company plans to subscribe for exchange traded funds (the "ETFs") of approximately RMB8,500 million through fund companies under JIC for its market making business, of which the subscription amount of the ETFs in respect of monetary fund, gold and treasury bonds will be RMB6,300 million for each year from 2025 to 2027, and the subscription amount of the ETFs in respect of equity will reach RMB2,200 million by 2027. The Company has established cooperative relationships with fund companies under JIC, and proposes to further expand the scope of fund market-making cooperation in the future and provide market-making services for multiple ETFs managed by it. Since such business involves frequent transactions and the single amount is generally higher, the transaction cap is estimated after comprehensively considering various business needs: (1) according to the public data of Wind Information, the combined annual compounded growth rate of the net asset value of all market equity ETFs from 2020 to the end of 2023 was approximately 23.88%. Based on the highest historical transaction volume for the last three years of RMB590 million in 2022, there will be a 30% annual increase over the previous year from 2025 onwards; (2) as of August 30, 2024, the outstanding market capitalization of gold ETFs managed by JIC and its associates was approximately RMB4,400 million with an average daily trading volume of approximately RMB162 million. The development of the industry and the development between the Company and JIC and its associates will increase the opportunities for the Company to conduct related business with JIC and its associates. According to the historical market-making data of the Company for gold, and based on the middle-point of 6.67% of the estimated trading percentage on the day and 250 trading days, the annual accumulated trading volume was approximately RMB2,700 million (i.e. an average daily trading volume of RMB162 million* annual trading days of approximately 250 days* 6.67%); and (3) the Company proposes to expand the cooperation in market-making business of treasury bond ETFs and monetary fund ETFs.

- C Securities purchase and sales transactions in the interbank market or exchange market as the counterparty

The securities held by the Company in proprietary position and held by the asset management products managed according to law shall be purchased or sold in the market from time to time based on the trading strategies and market condition. As qualified investors in the market, JIC and its subsidiaries are also required to purchase or sell corresponding securities in the market based on asset allocation needs. Under the condition of matching purchase and sales needs, the Company and JIC and its associates are counterparties to each other and conduct corresponding securities transactions. Combined with past historical transactions, the inflow of bond sales transactions by the Company to JIC and its associates was higher than the outflow of bond purchase transactions from JIC and

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its associates, for instance, the inflow of bond sales transactions was RMB4,900 million and the outflow of bond purchase transactions was RMB150 million in 2023. There was a difference between the actual inflow and outflow transaction amounts. Combined with the actual business needs in the next three years, it is expected the inflow of bond sales transactions will be higher than the outflow of bond purchase transactions.

In summary, although the actual transaction amounts are not high historically, in view of the future development trend of the Company's various businesses and the gradual consolidation of the cooperative relationship with JIC and its associates, it is estimated that the inflow and outflow caps of the Group's transactions with JIC and its associates in respect of the subscription or redemption of funds, trust products and asset management products, and securities trading will be RMB22.15 billion and RMB13.6 billion in 2025, and will increase by 2% and 4% in the subsequent years, respectively.

D Derivatives transaction needs

The Company and JIC and its associates have the needs for innovative business and other securities trading business, and the amount of underlying transactions may grow rapidly. With the successive acquisition of qualifications including the qualification for conducting cross-border business and the qualification of OTC options and dealers by the Company in recent years, the Company's overall OTC derivatives business has developed rapidly, and its client base, counterparties, product structure and application scenarios have been further enriched. Based on the Company's professional advantage in derivatives pricing and trading, and with the main objective of serving customers, the Company continues to use derivatives to provide effective risk management, wealth management and asset allocation tools to the market, providing professional investors with differentiated and one-stop integrated financial services solutions to meet the needs of different risk preferences and investment needs. As of June 30, 2024, the Company's derivatives business ranked among the top in the industry.

Currently, the Company has been in contact with JIC and its associates regarding OTC derivatives, income certificates and other business, and intends to have more frequent and larger-scale dealings with JIC and its associates. In view of the rapid development in the size of the derivatives trading market and increasing customer demand, the scale of the Company's derivatives trading business will increase significantly in the next three financial years; and as the Group's cooperation with JIC and its associates continues to grow, the Company expects to generate larger-scale derivatives and other innovative business transactions with JIC and its associates. The Company expects that JIC and its associates may purchase the OTC derivatives and income certificates from the Group of approximately RMB1,500 million, and the Group may purchase similar types of financial products from JIC and its associates of RMB400 million. In the above transactions, the Group and JIC and its associates have mutual payment obligations. An expected inflow of RMB1,500 million means the outflow of the payment of derivatives liquidation and the principal and proceeds of income certificates by the Group to JIC and

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its associates upon maturity of the products, and an outflow of RMB400 million means the inflow of the collection of derivatives liquidation or the recovery of principal and interest on income certificates by the Group from JIC and its associates upon maturity of the products.

Considering the average value of four trust companies with which the Company is cooperating of approximately over RMB1,000 million and the future development of OTC derivatives and income certificate business and other innovative business of the Company, together with the characteristics of large amount of single transaction, high frequency and strong timeliness of such businesses, the Company has made a higher estimate of the proposed transaction cap for the next three years, with the inflow and outflow caps of RMB1,950 million and RMB2,300 million respectively for the next three years.

The Company considers that it is impracticable and extremely difficult to set a separate annual cap for each type of the Securities and Financial Products and Transactions for the following key reasons:

- each of the Securities and Financial Products and Transactions is entered into at the then prevailing market prices in the ordinary and usual course of the Group's business with high frequency and significant fluctuations in the value of such transactions. Such transactions are market-driven and are entered into depending on various factors including, among others, the bidding price and timing of the bids. The value of each of these transactions is determined by the market and varies from time to time and from year to year depending on various external factors that are out of the Group's control, including the then economic conditions as well as the fluctuations in the financial markets. Accordingly, historical data for each type of these transactions may not be a fair indication as to the expected aggregate value of the transactions for the three years ending December 31, 2027;
- setting an annual cap for each type of the Securities and Financial Products and Transactions may adversely affect the Group's business. Most of the Securities and Financial Products and Transactions are entered into in a very short timeframe and are very sensitive to market prices. If an annual cap is set for each type of the Securities and Financial Products and Transactions, it may cause significant delay to such transactions and undue disruption to the Group's existing operations and potential growth to the detriment of the Company and the Shareholders as a whole and restrict the Group's overall competitiveness in a highly competitive securities industry. Setting an annual cap for each type of these transactions will therefore be impracticable and extremely difficult for the Company;
- constant emergence of new products. The variety and characteristics of products are changing frequently in the ever-changing PRC securities and financial market, hence it is difficult to practically estimate with accuracy when new products will be launched;
- the Group plays a relatively passive role in some of these transactions. As such, it is impracticable for the Group to estimate the expected annual value of such transactions with accuracy. For example, JIC and/or its

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associates may purchase products of the Group based on their own business needs. The Group handles such transactions with JIC and/or its associates in a manner similar to that of the Group's transactions with Independent Third Parties, and the Group has no control over whether and which products of the Group JIC or its associates purchase or the timing or amount of their purchases; and

- all Securities and Financial Product and Transactions will continue to be entered into at the then prevailing market prices or market rates in the ordinary and usual course of the Group's business and the business of JIC and/or its associates.

In light of the above, the Company considers that it is more practicable to set annual caps for the total inflow and outflow of all the Securities and Financial Products and Transactions under the New Framework Agreement, instead of a separate annual cap for each type of those products and transactions.

B. Securities and Financial Services

The proposed annual caps of the Securities and Financial Services for the three years ending December 31, 2027 are set out below:

(Unit: RMB'000)

Securities and Financial Services	Annual caps for the year ending December 31,		
	2025	2026	2027
The Group's revenue generated from providing the Securities and Financial Services to JIC and/or its associates	178,000	192,000	197,000
Expenses incurred in respect of provision of the Securities and Financial Services by JIC and/or its associates to the Group	10,000	10,000	10,000

In estimating the annual caps of the revenue to be generated from the Securities and Financial Services of the Group, the Company has considered, among others, the following key factors:

- (1) For the two years ended December 31, 2023 and the eight months ended August 31, 2024, the historical transaction amounts arising from the provision of financial services by the Group to JIC and its associates (including different service fees and commission and fees, etc. charged for the provision of various financial services) amounted to approximately RMB22.94 million in 2022, approximately RMB21.28 million in 2023 and approximately RMB10.97 million for the eight months ended August 31, 2024. In addition, considering that most of the financial services provided by the Group to JIC and its associates are market-oriented, the determination of the proposed annual caps needs to take sufficient

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account of market fluctuations and changes. Otherwise, an excessively tight annual cap may result in disruption to the Group's business and impair the Group's ability to respond promptly to a highly active financial market.

- (2) The growing and diversifying businesses of JIC and its associates, plus the Group's plan to deepen cooperation with JIC and its associates in the future, will create more opportunities for the Group to provide financial services.

The handling fees for certain services will be likely to increase, taking into account market conditions. For example:

- Due to the cooling of the securities market from 2023, the overall trading volume of the securities market is not strong. In order to implement the requirement of the Third Plenary Session of the 20th Central Committee of the CPC to “establish a long-term mechanism to enhance the internal stability of the capital market” and the deployment on “vigorously guiding the entry of medium- and long-term funds into the market, and clearing the blockages of the entry of social security, insurance and wealth management and other funds” at the meeting of the Political Bureau of the Central Committee of the CPC on September 26, 2024, and to boost the capital market and promote its healthy and stable development, at the end of September 2024, with the approval of the Central Financial Commission, the Central Financial Office and the CSRC jointly issued the Guiding Opinions on Promoting the Entry of Medium and Long-term Funds into the Market. In addition, as advised by the People's Bank of China, it would create new monetary policy instrument to support stable development of the stock market. The first policy is to establish a convenient exchange system for securities, funds and insurance companies, supporting eligible securities, funds and insurance companies to obtain liquidity from the central bank through asset pledge. This policy will significantly enhance the ability of institutions to obtain funds and increase their stock holdings. The second policy is to create special refinancing facilities for stock repurchase and shareholding increase, guiding banks to provide loans to listed companies and major shareholders to support stock repurchase and shareholding increase. The above monetary policy instruments of the People's Bank of China were successively implemented on October 10, 2024 and October 17, 2024. After the government promulgated the above favorable policies to boost the capital market, on September 30, 2024, the daily trading volumes of the Shanghai Stock Exchange and the Shenzhen Stock Exchange reached RMB1,168.41 billion and RMB1,425.98 billion respectively, representing a year-on-year increase of approximately 303.62% and 232.26% respectively. It is expected that the stock market trading will gradually become more active from 2025, and the A-share market is expected to continue to remain further active in the next three years from 2025 to 2027. With the implementation of the reform of the comprehensive registration system and the continuous improvement of the issuance, trading mechanism and other capital market functions, it is expected that the scale of the stock market and the trading volume will be further active in the next three years from 2025 to 2027. JIC and its associates have opened a number of securities accounts with the Company and leased trading seats, and with the rebound of the securities market, their trading

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demand will gradually increase and the corresponding trading commissions received by the Company will gradually increase and exceed the highest level in 2022 (approximately RMB19.00 million). Considering also that the market oscillated downward in the previous period, trading was inactive, the policy on public fund business was relatively suppressive and the overall decline in the volume of stock trading was relatively high, with the gradual rebound of the securities market, it is expected that the average monthly commission ceiling for associates of JIC is approximately RMB1.6667 million. However, in the long run, there is still a possibility of market improvement in 2026 and 2027. In conclusion, it is proposed that the securities services such as agency trading of securities and leasing of trading units related to the brokerage business be capped at RMB21.00 million in 2025, and, on the basis of a 50% growth in 2026 over 2025, the estimated cap is set at RMB31.5 million, and, on the basis of stabilization in 2027 over 2026, the cap is set at RMB31.5 million.

- The cooperation in investment advisory business will be deepened gradually. As of the end of August 2024, the Company has commenced investment advisory business with JIC and its associates for a product scale of approximately RMB2,600 million. With the development of business, the growth in scale is estimated at RMB6,000 million, which will enable the Company to earn an investment advisory income of up to RMB30 million per annum based on a weighted average commission rate of 0.5%, which was derived from the actual fees received in 2023. With the cooperation deepening between the Group and JIC and its associates, the scale of assets under management would increase to RMB6 billion, which has taken into account (i) the plan of JIC and its associates to increase their scale of assets under management by approximately RMB1.5 billion, which is under negotiation; (ii) a potential client is planning to engage JIC and its associates as the trustee and the Group as the investment manager, of which the scale of assets under management would be approximately RMB1.5 billion once settled; and (iii) a 7% buffer to cater for the Group's internal budget. In conclusion, it is proposed to apply for an investment advisory service income quota of RMB30 million for the next three years;
- In the first half of 2024, the Company completed the lead underwriting for 320 bonds of various types, representing a year-on-year increase of approximately 16% from 277 bonds in the first half of 2023; the underwriting amount of the Company's all bonds (non-policy financial bonds, corporate bonds, exchangeable bonds, enterprise bonds, non-financial corporate debt financing instruments) was RMB150.6 billion, representing a year-on-year increase of approximately 25% from RMB120.5 billion in the first half of 2023; the underwriting scale and the underwriting bond number hit records highs and ranked 6th and 7th in the industry, respectively, achieving a total business revenue of approximately RMB290 million, representing a year-on-year increase of 20.83%. Although historically the Company only provided bond underwriting services to JIC and its associates, considering that the Company has established business cooperation relationship with JIC and its subsidiaries for investment banking businesses such as issuance and underwriting of bonds and asset-backed securities, and among JIC and its subsidiaries there are trust companies, leasing companies, technology

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companies and cultural companies, it is likely for the Company to provide bond underwriting, issuance of asset-backed securities, underwriting sponsorship, mergers and acquisition and restructuring, recommendation for listing and other investment banking services to JIC and its subsidiaries in the future. Once implemented, the revenue per transaction will be relatively high, thereafter the Company will further enhance the communication with JIC and its subsidiaries to understand their demands for financial services in time and expand the service scope. The income from investment banking business of the Company in 2023 was approximately RMB1,953 million. Based on that the income from investment banking services to be provided by the Company to JIC and its subsidiaries accounted for approximately 4% of the income from investment banking business (which is derived after comprehensively considering 14 IPOs underwritten by the Group and a total of 53 private placements and listings on the NEEQ completed for the year 2023, and assuming that JIC and its subsidiaries will conduct one IPO and one private placement and listing on the NEEQ in each of the next three years, i.e. $(1/14+1/53)/2$), the income from investment banking business is expected to be RMB100 million for each of the future three years;

- The Company determined the estimated annual cap of financial products agency sales for 2025 with reference to the highest historical transaction amount of financial products agency sales of RMB430,000 in the past three years, and taking into account the factors such as fee reform in the fund industry and expected growth in the financial products agency sales business segment, the Company intends to increase the distribution fee rate in consultation with Guotai Asset Management Co., Ltd. and Independent Third Parties. Based on the calculation of the maximum distribution fee rate of 50% (for individual clients) and 30% (for institutional clients) as stipulated by the regulatory requirements, the Company expected a growth rate of 15% for the financial products agency sales business segment, which was determined with reference to a year-on-year increase of 18.2% in the amount of the financial products sold by the Group in 2023. Taking into account the cooperation in the past three years as well as the trend of business development in the future, it is proposed that the caps of the relevant service income in the next three years will be RMB2 million respectively.
- The signing of liquidity service agreements with fund companies and the recognition of liquidity service revenue is a new format for future market making/liquidity service cooperation. The Company is in the process of negotiating with Guotai Asset Management Co., Ltd. and Independent Third Parties to enter into a framework agreement in relation to the corresponding market making/liquidity services, and pursuant to the agreement, based on the market making/liquidity services to be provided by the Company, the fund companies are required to pay the relevant service fees to the Company. Since this type of business model has not been developed before and it is not possible to accurately estimate the transaction cap, taking into account the existing actual business situation (as of November 11, 2024, the Company provided market making/liquidity services to 180 funds with a total fund size of RMB1,586.4 billion, including 10 funds for which market making/liquidity services were provided for Guotai Asset Management Co., Ltd. with a total fund size of RMB14 billion), it is proposed that the revenue cap for the year 2025 will

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be RMB22 million. The annual growth rate for 2026 and 2027 is 16% to 18%, which is determined with reference to the annual compounded growth rate of net asset value of market-wide equity ETFs of 24%, and is consistent with the Group's internal budget and relevant estimations for 2026 and 2027. Accordingly, the Group expected the proposed services annual caps in relation to this category for the three years ending December 31, 2027 will be RMB22 million, RMB25.6 million and RMB30.28 million, respectively.

In line with economic growth and market reforms, the Chinese securities market is expected to develop further and the Company will continue to expand its financial services.

In estimating the annual caps for expenses incurred in respect of provision of the Securities and Financial Services of the Group, the Company has taken into consideration (inter alia) the following main factors:

It is estimated that the Group will conduct fund investment and consulting strategic introduction corporation with the associates of JIC, which means that the Group may engage the associates of JIC to provide investment and consulting services for the Group's fund investment and consulting portfolio strategy and pay investment and consulting service fees to them. The fund investment and consulting business of the Company has been launched since August 2020, with a total of over 70,000 contracted customers and entrusted assets exceeding RMB6.6 billion. It is expected that the business scale will be approximately RMB1 billion in the next three years. The Group may introduce the associates of JIC to provide investment and consulting services. Based on the current maximum annualized investment and consulting fee rate of 1% for the fund investment and consulting portfolio strategy of the Company, it is expected that the annual cap for investment and consulting fee for the next three years will be RMB10 million.

8. *Reasons for and Benefits of Entering into the New Framework Agreement*

In the ordinary and usual course of business, the Group regularly engages in various kinds of Securities and Financial Products and Transactions with various counterparties, including JIC and its associates. The Group purchases suitable securities and financial products from different providers (including JIC and its associates, which are the Group's connected persons, and Independent Third Parties) based on the Group's internal evaluation system and procedures with reference to various factors including the cost, market condition and the Group's risk exposure, business needs and development requirements. JIC and/or its associates also purchase securities and financial products from the Group in their ordinary and usual course of business from time to time, taking into account their business needs and the suitability of the products the Group offered.

Meanwhile, in the ordinary and usual course of business, the Group provides securities and financial services to its customers, which include JIC and its associates, meanwhile the Group receives the Securities and Financial Services provided by other counterparties (including JIC and its associates). Due to their business needs and the respective expertise and professional capabilities, the Group and JIC and its associates provide Securities and Financial Services to each other from time to time.

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9. *Listing Rules Implications*

As at the Latest Practicable Date, JIC directly holds approximately 26.34% of the total issued share capital of the Company. Therefore, JIC is a Substantial Shareholder of the Company, and according to Chapter 14A of the Listing Rules, a connected person of the Company. Accordingly, the transactions contemplated under the New Framework Agreement entered into between the Company and JIC constitute continuing connected transactions of the Company under the Listing Rules. As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the New Framework Agreement and the transactions contemplated thereunder exceeds 5%, such transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

III. INTERNAL MONITORING MEASURES

The Group has taken a series of internal monitoring measures to regulate the continuing connected transactions under the New Framework Agreement. The main internal monitoring measures include the followings:

- (1) The Company has prepared internal guidelines in accordance with the Listing Rules, which provide approval procedures for connected transactions;
- (2) For the Securities and Financial Products and Transactions, the Company has established its internal guidelines and policies for conducting transactions of different types of the Securities and Financial Products and Transactions, as well as internal procedures and system for reviewing and monitoring relevant transactions. The Management Rules of Related Party Transactions of Shenwan Hongyuan Group Co., Ltd. has set out regulations in detail in respect of the main aspects including the recognition, launch, pricing, decision-making and disclosure of continuing connected transactions, and clarified the approval procedures of continuing connected transactions. Such policies and guidelines set out the requirements for pre-trading pricing enquiries, applicable interest rate, the procedures for price determination, approval authority and procedures, record keeping, supervision and review procedures for conducting transactions of different types of the Securities and Financial Products and Transactions. All transactions will also be reported to the Company's legal and compliance department and the Board office for risk monitoring. The Company will review and update internal guidelines and policies from time to time to reflect the latest requirements of relevant national laws, administrative regulations and listing rules of the place where the Company is listed;
- (3) For the Securities and Financial Services, the Company or its subsidiaries shall refer to the prices of the transactions for similar services with two or more Independent Third Parties to determine if the pricing and terms of the transactions between the Company or its subsidiaries and JIC and/or its associates are fair, reasonable and no more favourable than those of the transactions between the Company or its subsidiaries and Independent Third Parties;
- (4) In order to strengthen the management of the Company's connected transactions, the Company has designated specific departments (including the legal and compliance department, the Board office) to take the lead in management of the Company's connected transactions and to remind the business departments and the Company's subsidiaries to supervise and control such connected transactions. Meanwhile, each of the Company's business departments and subsidiaries designate specific person to be the contact person for the management of connected transactions, responsible for

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establishing the connected transaction ledger of each department and subsidiary, summarizing and conducting statistics on the Company's connected transactions on a quarterly basis. The business departments are responsible for real-time monitor on the amounts of connected transactions incurred, and back-end departments such as the legal and compliance department and the Board office will summarize and monitor the actual amount of connected transactions on a quarterly basis according to the data provided by the business departments. A transaction alert will be launched to inform the legal and compliance department of the Company in advance if the business department discovers that the amount of connected transactions within the quarter will or are expected to exceed annual caps. The legal and compliance department of the Company will strengthen the subsequent approval and control of connected transactions and review such transactions on a case-by-case basis. Connected transactions may be suspended if necessary, or be proceeded with upon the performance of the consideration and disclosure procedures for the revision of annual caps by the Company according to relevant rules, so as to ensure that the annual caps will not be exceeded;

- (5) The continuing connected transactions are subject to annual review by all the independent non-executive Directors and the auditors of the Company. The results of the review conducted by the independent non-executive Directors of the Company, and the work undertaken by the auditors of the Company in respect of the continuing connected transactions and the outcome of that work are disclosed in the annual report of the Company; and
- (6) Documents and records with respect to the connected transactions are required to be maintained and kept properly.

IV. OPINIONS OF THE BOARD

In accordance with the relevant regulatory rules, Ms. Zhang Ying and Mr. Shao Yalou, being the connected Directors, have abstained from voting on the Board resolution to approve the renewal of the continuing connected transactions under the Framework Agreement and the proposed annual caps thereof. Save as disclosed above, none of the other Directors have any material interest in the relevant Board resolution, and none of the other Directors are required to abstain from voting on the relevant Board resolution.

Having considered the abovementioned pricing basis, the basis for the proposed annual caps, reasons for and benefits of entering into the New Framework Agreement and internal monitoring measures, the Board (including independent non-executive Directors) is of the opinion that the terms of the New Framework Agreement and the proposed annual caps thereof are entered into in the ordinary and usual course of business of the Company on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

V. INFORMATION ON THE PARTIES

The Group is an investment holding group focused on securities businesses and mainly provides comprehensive financial services, including enterprise finance, personal finance, institutional services and trading, as well as investment management.

JIC is a company with limited liability incorporated in the PRC and a state-owned integrated holding group with a focus on finance, covering investment and asset management. JIC is a wholly-owned subsidiary of Central Huijin, the ultimate beneficial owner of which is the State Council of the PRC.

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The resolution has been considered and approved at the Board meeting held on November 26, 2024 and is hereby submitted to the EGM for consideration and approval.

2. PROVISION OF GUARANTEE FOR HONGYUAN HENGLI (SHANGHAI) INDUSTRIAL CO., LTD.

An ordinary resolution will be proposed at the EGM to approve the provision of guarantee for the external financing of Hongyuan Hengli (Shanghai) Industrial Co., Ltd.

Hongyuan Hengli (Shanghai) Industrial Co., Ltd. (“**Hongyuan Hengli**”) is a wholly-owned subsidiary engaged in risk management of Hongyuan Futures Co., Ltd. (“**Hongyuan Futures**”), a wholly-owned subsidiary of the Company. In order to support the steady business development of Hongyuan Hengli, and optimize the risk regulatory indicators, it is proposed to approve the Company’s provision of guarantee for the external financing of Hongyuan Hengli in an amount of no more than RMB600 million (including the bank facilities which have been in force but not expired). The guarantee can be recycled to the extent of the quota, and the specific guarantee amount, guarantee term, implementation period, etc. shall be subject to the content and method finally agreed with the relevant commercial banks. The abovementioned guarantee and authorization are deemed valid for the guarantees entered into within 24 months from the date of consideration and approval at the EGM, and the validity of the guarantee contract shall be subject to the terms of the guarantee contract signed by the Company. It is also approved that the management of the Company will implement such guarantee in phases within the quota according to the actual business development of Hongyuan Hengli. The specific contents are as follows:

I. REASONS FOR THE PROVISION OF GUARANTEE

On May 28, 2021, as considered at the 2020 annual general meeting of the Company, the Company’s provision of guarantee for the external financing of Hongyuan Hengli in an amount of no more than RMB1 billion (including the bank facilities which have been in force but not expired) was approved. The guarantee can be recycled to the extent of the quota, and the specific guarantee amount, guarantee term, implementation period, etc. shall be subject to the content and method finally agreed with the relevant commercial banks. The abovementioned guarantee and authorization are deemed valid for the guarantees entered into within 24 months from the date of consideration and approval at the general meeting, and the validity of the guarantee contract shall be subject to the terms of the guarantee contract signed by the Company. At present, the credit guarantees provided by the Company for Hongyuan Hengli will expire successively.

In order to meet the business development needs of Hongyuan Hengli, optimize the risk regulatory indicators, maintain business continuity and operation stability, enhance the business competitiveness, and support Hongyuan Hengli to improve the ability to serve the real economy and continue to conduct the tasks of serving the national strategies, the Company proposes to provide the guarantee for the external financing of Hongyuan Hengli in an amount of no more than RMB600 million (including the bank facilities which have been in force but not expired).

II. BASIC INFORMATION ON THE GUARANTEED ENTITY

1. Company name: Hongyuan Hengli (Shanghai) Industrial Co., Ltd.
2. Date of establishment: June 18, 2013
3. Registered address: Rooms 4902-4904, No. 501 Dongdaming Road, Hongkou District, Shanghai
4. Legal representative: Li Ji

LETTER FROM THE BOARD

5. Registered capital: RMB500 million
6. Business scope: industrial investment, investment management, trade brokerage and agency, import and export of goods and technologies, supply chain management, goods warehousing, business consulting, sales and wholesale of various non-ferrous metal chemical products, agricultural products, etc.
7. Related relationship with the Company:

Hongyuan Futures Co., Ltd. is a wholly-owned subsidiary of Shenwan Hongyuan Group Co., Ltd.;

Hongyuan Hengli (Shanghai) Industrial Co., Ltd. is a wholly-owned subsidiary of Hongyuan Futures Co., Ltd.
8. Property and control relationship:

Hongyuan Hengli (Shanghai) Industrial Co., Ltd. is 100% owned by its parent company Hongyuan Futures Co., Ltd.
9. The total assets, liabilities, net assets and net profit of the guaranteed entity in each year are as follows:

Item	2023	January to September 2024
Total assets (RMB'0,000)	284,969.16	196,716.89
Total liabilities (RMB'0,000)	271,581.53	180,647.67
Including: Total bank loans (RMB'0,000)	68,840.71	30,788.34
Total current liabilities (RMB'0,000)	271,530.90	180,006.71
Net assets (RMB'0,000)	13,387.63	16,069.22
Operating income (RMB'0,000)	162,795.10	211,127.26
Total profit (RMB'0,000)	-34,600.66	3,575.44
Net profit (RMB'0,000)	-30,073.41	2,681.58

Note: The relevant indicators of the guaranteed entity are unaudited financial data as of September 30, 2024.

III. GUARANTEE RISKS

In the face of changes in the industry environment, Hongyuan Hengli, the guaranteed object, has focused on serving the national strategies and the real economy, optimized the business layout, ploughed into the upstream and downstream of the industrial chain, upgraded the business model, further calibrated the direction of business development, continuously improved the risk management measures, and continued to improve the risk management ability.

Since the Company provided guarantee for Hongyuan Hengli, Hongyuan Hengli has no overdue loans and no loans involved in lawsuits. The Company has absolute control over the operation of Hongyuan Hengli, and the financial risk of the guarantee provided by the Company is within control and will not jeopardize the Company's interests.

LETTER FROM THE BOARD

IV. EXPLANATION ON COUNTER GUARANTEE

Hongyuan Hengli is a wholly-owned subsidiary of the Company, and according to the relevant provisions of the External Guarantee Management System of Shenwan Hongyuan Group Co., Ltd. (Trial Implementation), no counter guarantee was provided for the abovementioned guarantee.

V. NUMBER OF ACCUMULATED EXTERNAL GUARANTEES AND NUMBER OF OVERDUE GUARANTEES

Up to date, the total amount of guarantees provided by the Company and its controlled subsidiaries amounted to RMB6,568.9531 million (of which, Shenwan Hongyuan Securities Co., Ltd., a wholly-owned subsidiary of the Company, provided a guarantee of USD868.625 million for the issuance of bonds by its overseas subsidiaries, equivalent to RMB6,188.9531 million based on the exchange rate at the end of October). The accumulated amount of overdue guarantees was nil, the amount of guarantees involved in litigations was nil, and the amount of losses to be borne due to loss of lawsuit in relation to guarantee was nil.

VI. MATTERS SUBJECT TO CONSIDERATION

1. It is proposed to consider and approve the Company's provision of guarantee for the external financing of Hongyuan Hengli in an amount of no more than RMB600 million (including the bank facilities which have been in force but not expired). The guarantee can be recycled to the extent of the quota, and the specific guarantee amount, guarantee term, implementation period, etc. shall be subject to the content and method finally agreed with the relevant commercial banks. The abovementioned guarantee and authorization are deemed valid for the guarantees entered into within 24 months from the date of consideration and approval at the EGM, and the validity of the guarantee contract shall be subject to the terms of the guarantee contract signed by the Company.
2. It is proposed to authorize the management of the Company to determine the specific matters of the implementation of the guarantee according to Hongyuan Hengli's application and the development of its principal businesses, and proceed with the signing of legal documents in relation to the guarantee, etc.

The abovementioned guarantee is an estimate of the annual guarantee quota for Hongyuan Hengli and is credit guarantee. A specific guarantee agreement shall be signed based on the actual guarantee amount to the extent of the guarantee quota.

The resolution has been considered and approved at the Board meeting held on November 26, 2024 and is hereby submitted to the EGM for consideration and approval.

3. ELECTION OF A NON-EXECUTIVE DIRECTOR

An ordinary resolution will be proposed at the EGM to approve the election of Mr. Yan Jinguo ("Mr. Yan") as a non-executive Director of the sixth session of the Board of the Company.

Reference is made to the announcement of the Company dated November 26, 2024 in relation to, among others, the proposed appointment of Mr. Yan as a non-executive Director of the sixth session of the Board of the Company.

As considered and approved by the Remuneration and Nomination Committee of the Board and subject to the consideration and approval of the Board, Mr. Yan has been nominated as a candidate for the non-executive Director of the sixth session of the Board of the Company.

LETTER FROM THE BOARD

The biographical details of Mr. Yan, which are required to be disclosed under Rule 13.51(2) of the Listing Rules, are set out as follows:

Mr. Yan Jinguo, born in December 1984. Mr. Yan Jinguo worked at the general department of Central Huijin Investment Ltd. from July 2009 to February 2012; served as a second-level manager, a first-level manager and manager of the comprehensive management department/banking institution management department II of Central Huijin Investment Ltd. from February 2012 to November 2016; served as the manager and senior deputy manager of the securities institution management department/insurance institution management department of Central Huijin Investment Ltd. from November 2016 to January 2020; served as the senior deputy manager of the leading group office of the directly managed enterprise/equity management department II and the director of the comprehensive division of Central Huijin Investment Ltd. from January 2020 to July 2023; and served as the director of the institution division II of the leading group office of the directly managed enterprise/equity management department II of Central Huijin Investment Ltd. since July 2023.

Mr. Yan Jinguo graduated from the Business School of Renmin University of China majoring in financial management in July 2007; graduated from the Guanghua School of Management of Peking University with a master's degree majoring in accounting in July 2009; and graduated from Chinese Academy of Fiscal Sciences with a doctoral degree in management majoring in accounting in June 2017.

The appointment of Mr. Yan will be subject to consideration and approval by Shareholders at the EGM. Mr. Yan will perform the duties as a non-executive Director of the sixth session of the Board of the Company after his appointment as a candidate of the non-executive Director of the sixth session of the Board of the Company is approved at the EGM, with the term of office ends on the date of the change of the sixth session of the Board of the Company.

Pursuant to the articles of association, Mr. Yan will be eligible for re-election upon expiry of his term of office. Mr. Yan will not receive any remuneration from the Company for acting as a non-executive director.

As at the Latest Practicable Date, Mr. Yan has not been subject to any penalty by the CSRC or other relevant departments or punishment by any stock exchange. Save as disclosed in this circular, Mr. Yan confirmed that he did not hold any directorships in public companies whose securities are listed on any securities market in Hong Kong or overseas in the past three years and did not have any other major appointments and professional qualifications; he does not have any relationships with any of the Company's Directors, Supervisors, senior management, Substantial Shareholders, controlling Shareholders or their respective subsidiaries nor does he hold any position in the Company or any of its subsidiaries; he does not have any interest in the shares of the Company or its associated corporations (as defined in Part XV of the SFO); there is no information that is required to be disclosed under Rules 13.51(2) (h) to (v) of the Listing Rules, nor is there any matter that needs to be brought to the attention of the Shareholders.

The above resolution has been considered and approved on the Board meeting held on November 26, 2024 and is hereby submitted to the EGM for consideration and approval.

THE EGM

The 2024 second extraordinary general meeting of the Company will be held at 2:30 p.m. on Thursday, December 19, 2024 at the Company's conference room, No. 19, Taipingqiao Street, Xicheng District, Beijing, the PRC. A notice convening the EGM is set out on pages 60 to 61 of this circular.

The summary of the important dates for H Shareholders is as follows:

Last Registration Date: at or before 4:30 p.m. on Friday, December 13, 2024

LETTER FROM THE BOARD

Closure of Register for H Shares: Monday, December 16, 2024 to Thursday, December 19, 2024

Submission of Proxy Form: at or before 2:30 p.m. on Wednesday, December 18, 2024

In order to determine the H Shareholders' entitlement to attend the EGM, the H Share register of members of the Company will be closed from Monday, December 16, 2024 to Thursday, December 19, 2024 (both days inclusive), during which period no transfer of H Shares will be registered. In order for H Shareholder(s) to attend the EGM, the relevant share certificates, accompanied by all share transfer documents, must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, on or before 4:30 p.m. on Friday, December 13, 2024. H Shareholders whose names appear on the H Share register of members of the Company on Monday, December 16, 2024 shall be entitled to attend and vote at the EGM.

H Shareholders should return the proxy form, or the notarized power of attorney or other authorization documents to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, by hand or by post, no later than 24 hours before the time appointed for convening the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the EGM or any adjournment thereof in person if you so wish.

The record date for determination of the qualified A Shareholders to attend the EGM and the registration date for such meeting are Thursday, December 12, 2024 and Friday, December 13, 2024, respectively. For details, please refer to the notice of the EGM dated Monday, December 2, 2024 published on the website of the Shenzhen Stock Exchange at www.szse.cn.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of shareholders at a general meeting must be taken by poll. Therefore, the resolutions to be proposed at the EGM will be voted by poll. Results of the poll voting will be posted on the HKEXnews website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and on the website of the Company at www.swhygh.com upon the conclusion of the EGM.

The above resolutions 1 to 3 are ordinary resolutions to be passed by the affirmative votes representing over one half of the total number of Shares held by the Shareholders attending the EGM with voting rights.

Pursuant to Rule 2.15 of the Listing Rules, where shareholders' approval is required with regard to a transaction, any shareholder that has a material interest in such transaction shall abstain from voting on the resolution(s) on whether or not to approve such transaction at the shareholders' general meeting.

As far as the Directors are aware, as at the Latest Practicable Date, the Shareholders who have a material interest in the resolution 1, i.e. JIC and Central Huijin, will abstain from voting on the resolution 1. As at the Latest Practicable Date, JIC directly holds 6,596,306,947 Shares with voting rights of the Company (representing approximately 26.34% of the total issued share capital of the Company) and Central Huijin directly holds 5,020,606,527 Shares with voting rights of the Company (representing approximately 20.05% of the total issued share capital of the Company). Save as disclosed above, no Shareholder is considered to have a material interest in any of the resolutions proposed at the EGM and has to abstain from voting at the EGM approving the resolution.

LETTER FROM THE BOARD

RECOMMENDATION

The Independent Board Committee (comprising all independent non-executive Directors, namely, Ms. Yeung Siuman Shirley, Mr. Wu Changqi, Mr. Chen Hanwen and Mr. Zhao Lei) has been established to advise the Independent Shareholders in respect of the renewal of the Framework Agreement and the transactions contemplated thereunder and the proposed annual caps for the three years ending December 31, 2027. The Company has appointed Somerley as its Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

Your attention is drawn to the Letter from the Independent Board Committee as set out on page 32 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser (as set out on pages 33 to 54 of this circular), is of the view that the terms of the New Framework Agreement are entered into in the ordinary and usual course of business of the Company on normal commercial terms, and its terms and conditions and proposed annual caps are fair and reasonable, and in the interests of the Company and its Shareholders as a whole. The Independent Board Committee, as stated in its letter, recommends the Independent Shareholders to vote in favor of the resolution to approve the renewal of the Framework Agreement and the transactions contemplated thereunder and the proposed annual caps for the three years ending December 31, 2027.

The Directors (including the independent non-executive Directors having considered the advice of the Independent Financial Adviser) consider that the above resolutions 1 to 3 are in the best interests of the Company and its Shareholders as a whole. Therefore, the Board recommends you to vote in favour of the relevant resolutions as set out in the notice of the EGM attached to this circular.

Your attention is also drawn to the additional information as set out in the appendix to this circular.

Yours faithfully,
By order of the Board
Shenwan Hongyuan Group Co., Ltd.
Liu Jian
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



申萬宏源集團股份有限公司
SHENWAN HONGYUAN GROUP CO., LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 6806)

December 3, 2024

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS –
RENEWAL OF THE SECURITIES AND FINANCIAL PRODUCTS,
TRANSACTIONS AND SERVICES FRAMEWORK AGREEMENT**

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders in respect of the fairness and reasonableness of the renewal of the Framework Agreement and the transactions contemplated thereunder and the proposed annual caps for the three years ending December 31, 2027, details of which are set out in the “Letter from the Board” in the circular dated December 3, 2024 of the Company (the “**Circular**”). Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular.

Your attention is drawn to the advice of Somerley to the Independent Board Committee and the Independent Shareholders in respect of the renewal of the Framework Agreement and the transactions contemplated thereunder and the proposed annual caps for the three years ending December 31, 2027 as set out in the “Letter from Somerley” of the Circular. Having taken into account the advice of Somerley, we consider that the terms of the New Framework Agreement are entered into on normal commercial terms in the ordinary and usual course of business of the Company, and the terms and conditions and the proposed annual caps 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 to approve the ordinary resolution regarding the renewal of the Framework Agreement and the transactions contemplated thereunder and the proposed annual caps for the three years ending December 31, 2027 at the 2024 second extraordinary general meeting.

Yours faithfully

On behalf of the Independent Board Committee

*Independent non-
executive Director*
Yeung Siuman Shirley

*Independent non-
executive Director*
Wu Changqi

*Independent non-
executive Director*
Chen Hanwen

*Independent non-
executive Director*
Zhao Lei

LETTER FROM SOMERLEY

Set out below is the text of the letter of advice from Somerley Capital Limited to the Independent Board Committee and the Independent Shareholders in relation to the New Framework Agreement and the transactions contemplated thereunder for inclusion in this circular.



SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

December 3, 2024

*To: the Independent Board Committee and the Independent Shareholders of
Shenwan Hongyuan Group Co., Ltd.*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS – RENEWAL OF THE SECURITIES AND FINANCIAL PRODUCTS, TRANSACTIONS AND SERVICES FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with the transactions contemplated under the New Framework Agreement. Details of the terms of the New Framework Agreement and the proposed annual caps (the “**Proposed Annual Caps**”) are set out in the circular of the Company to the H Shareholders dated December 3, 2024 (the “**Circular**”), of which this letter forms a part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On December 6, 2021, the Framework Agreement was entered into between the Company and JIC, pursuant to which, among other things, the Group and JIC and/or their respective associates shall provide securities and financial products and transactions (the “**Securities and Financial Products and Transactions**”) to each other in their respective ordinary course of business based on normal commercial terms and market practices at prevailing market prices or rates and the Group shall provide securities and financial services (the “**Securities and Financial Services**”) to JIC and its subsidiaries and associates (the “**JIC Group**”) for the three years from January 1, 2022 to December 31, 2024.

As stated in the letter from the Board in the Circular, the Framework Agreement will expire on December 31, 2024. Accordingly, the Company has entered into the New Framework Agreement with JIC on November 26, 2024 to continue the provisions of the Securities and Financial Products and Transactions and the Securities and Financial Services for a term of three years effective from January 1, 2025 and expiring on December 31, 2027.

As at the Latest Practicable Date, JIC directly held approximately 26.34% of the total issued share capital of the Company. Therefore JIC was a Substantial Shareholder and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the New Framework Agreement entered into between the Company and JIC constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Proposed Annual Caps exceeds 5%, the transactions contemplated under the New Framework Agreements and the Proposed Annual Caps are subject to the reporting, announcement, annual review and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM SOMERLEY

The Independent Board Committee, comprising all the independent non-executive Directors, namely Ms. Yeung Siuman Shirley, Mr. Wu Changqi, Mr. Chen Hanwen and Mr. Zhao Lei, has been formed to make recommendation to the Independent Shareholders in respect of the New Framework Agreement and the transactions contemplated thereunder and the Proposed Annual Caps, and to make a recommendation as to voting. We, Somerley Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

We are not associated with the Company, JIC or their respective associates, close associates or core connected persons (all as defined under the Listing Rules) and accordingly are considered eligible to give independent advice on the above matter. Apart from normal professional fee payable to us in connection with this appointment, no arrangement exists whereby we will receive any fee or benefit from the Company, JIC or their respective associates, close associates or core connected persons.

In formulating our opinion, we have reviewed, among others, the New Framework Agreement, the annual report of the Company for the year ended December 31, 2023 (the “**2023 Annual Report**”), the interim report of the Company for the six months ended June 30, 2024 (the “**2024 Interim Report**”) and the information contained in the Circular. We have also discussed with and reviewed information provided by the management of the Group (the “**Management**”) regarding the business of the Group, the prospects of conducting the transactions contemplated under the New Framework Agreement and the basis for arriving at the Proposed Annual Caps.

We have relied on the information and facts supplied, and the opinions expressed, by the Directors and the Management and have assumed that they are true, accurate, and complete in all material respects at the time they were made and up to the Latest Practicable Date. The Shareholders will be informed as soon as practicable if we become aware of any material change to such information up to the date of EGM. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to believe that any material information has been withheld from us, or to doubt the truth, accuracy or completeness of the information provided. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view. We have not, however, conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation with regard to the terms of the New Framework Agreement and the Proposed Annual Caps, we have taken into account the principal factors and reasons set out below:

1. Information on the Group

(a) Business of the Group

The Company is a joint stock company incorporated in the PRC with limited liability. The Company’s A Shares (stock code: 000166) have been listed on the Shenzhen Stock Exchange since January 2015 and the Company’s H Shares (stock code: 6806) have been listed on the Hong Kong Stock Exchange since April 2019. The Group is an investment holding group focused on securities businesses and mainly provides comprehensive financial services, including enterprise finance, personal finance, institutional services and trading, as well as investment management. The

LETTER FROM SOMERLEY

Company's business mainly focuses on four segments and they are (i) enterprise finance, (ii) personal finance, (iii) institutional services and trading, as well as (iv) investment management. Set out below is a brief summary of each of the business segments:

- (i) Enterprise finance – the Group provides investment banking and principal investment services to its clients. In investment banking business, the Group provides equity underwriting and sponsorship, debt underwriting and financial advisory services for corporate clients. In principal investment business, the Group is engaged in equity investment and debt investment of non-listed companies.
- (ii) Personal finance – the Group serves the comprehensive financial needs of individuals and non-professional institutional investors. The Group provides services such as securities and futures brokerage, margin financing and securities lending, stock-backed lending, sales of financial products and investment advisory through its extensive online and offline channels.
- (iii) Institutional services and trading – the Group provides prime brokerage and research and consultation services for professional institutional clients. The Group is also engaged in the trading of fixed income, currencies and commodities (“FICC”), equity and equity-linked securities, based on which the Group offers sales, trading, hedging and over-the-counter (“OTC”) derivatives services to institutional clients.
- (iv) Investment management – the Group conducts investment management business consisting of asset management, mutual fund management and private equity fund management services.

(b) Financial performance of the Group

Set out in the table below is a summary of the Group's financial performance and the breakdown of revenue and other income by business segments for the years ended December 31, 2022 and 2023 as extracted from 2023 Annual Report and for the six months ended June 30, 2023 and 2024 as extracted from 2024 Interim Report.

	For the six months ended June 30,		For the year ended December 31,	
	2024	2023	2023	2022
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Revenue and other income				
Enterprise finance				
– Investment banking	747.6	1,134.6	2,035.3	2,336.0
– Principal investment	464.3	1,405.2	1,893.3	1,229.0
Personal finance	5,030.7	5,625.2	10,777.4	11,227.5
Institutional services and trading	8,922.6	8,535.1	15,756.8	14,967.1
Investment management	734.5	750.5	1,453.4	1,816.1
Total	15,899.7	17,450.6	31,916.1	31,575.7
Profit for the period/year attributable to the Shareholders	2,128.1	3,747.7	4,606.3	2,789.1

Note: Due to rounding, numbers represented may not add up precisely to the totals.

LETTER FROM SOMERLEY

Revenue and other income of the Group increased by RMB340.4 million, or 1.1%, for the year ended December 31, 2023 as compared with that for the year ended December 31, 2022. This increase was mainly driven by (i) a year-on-year increase of RMB664.3 million, or 54.1%, in principal investment of enterprise finance segment; and (ii) a year-on-year increase of RMB789.7 million, or 5.3%, in the institutional services and trading segment. This was partially offset by a year-on-year decrease of RMB450.1 million, or 4.0%, in the personal finance segment. The profit for the year attributable to the Shareholders increased by 65.2%, rising from RMB2,789.1 million for the year ended December 31, 2022, to RMB4,606.3 million for the year ended December 31, 2023. Such increase was mainly attributable to (i) a year-on-year decrease of RMB1,353.1 million, or 17.9%, in other operating expenses as a result of a decrease in the cost of commodity sales; and (ii) a year-on-year decrease of RMB1,083.0 million, or 76.1%, in expected credit impairment losses provided on financial assets held under resale agreements and accounts receivable.

According to the 2023 Annual Report, in the face of the complex and severe external environment and arduous and heavy task of reform and development, the Company firmly grasped the primary task of high-quality development. Based on the general keynote of “seeking progress while maintaining stability”, the Company adhered to the coordinated development and security, continued to increase strategic investment in light capital business, and built core competitiveness. As for asset-heavy businesses, the Company made efforts to enhance the capabilities to resist risks and fluctuations, and achieved good business performance through multiple measures and synergistic coherence.

In the first half of 2024, the Company recorded total revenue and other income of RMB15,899.7 million, representing a year-on-year decrease of RMB1,550.9 million, or 8.9%, as compared to the corresponding period in 2023. The decline was mainly driven by (i) a year-on-year decrease of RMB940.9 million, or 67.0%, in principal investment of enterprise finance segment mainly due to the year-on-year decrease of 67.4% in net investment gains; (ii) a year-on-year decrease of RMB387.0 million, or 34.1%, in investment banking of enterprise finance segment due to the year-on-year decrease of 49.3% in fee and commission income; and (iii) a year-on-year decrease of RMB594.5 million, or 10.6%, in personal finance segment which is mainly relating to decreases in interest income and net investment gains. The profit for the period attributable to Shareholders amounted to RMB2,128.1 million, representing a year-on-year decrease of 43.2% as compared to the corresponding period in 2023 due to (i) the aforementioned decline in revenue; and (ii) a year-on-year increase of RMB811.8 million, or 28.4%, in other operating expenses as a result of an increase in the cost of commodity trading business, partially offset by a year-on-year decrease of RMB604.9 million, or 15.6%, in the salaries, bonuses and allowances for staff.

As mentioned in the 2024 Interim Report, with the development goal of “building a first-class investment bank and investment institution” in mind, the Company actively responded to the challenges of IPO phased tightening, commission rate reform and other trends, accelerated the construction of a customer-centric comprehensive financial service model, continuously deepened business transformation, enhanced the competitiveness of light capital business, and strengthened the quality and efficiency of heavy capital business development. Focusing on the theme of high-quality development, the Company continued to deepen institutional and mechanism reforms, built a high-quality financial talent team, firmly guarded the bottom line of financial risks, and carried out all operation and management work in an orderly manner, and achieved overall stable operating performance.

2. Information on JIC

China Jiayin Investment Ltd. (JIC) is a company with limited liability incorporated in the PRC and a comprehensive investment group mainly engaged in equity investment. JIC is a wholly-owned subsidiary of Central Huijin and indirectly owned by the State Council of the PRC. Financial services, industrial manufacturing, culture, consumption and information technologies are among the sectors to which JIC

LETTER FROM SOMERLEY

attaches great importance. In addition, JIC's financial services segment comprises multiple businesses including trust, fund, leasing, securities, commercial banking and insurance. It is the controlling shareholder of JIC Trust Co., Ltd. (中建投信託股份有限公司), Guotai Asset Management Co., Ltd. (國泰基金管理有限公司) and JIC Leasing Co., Ltd. (中建投租賃股份有限公司). As of December 31, 2023, JIC held 100% stake in JIC Trust Co., Ltd., 60% stake in Guotai Asset Management Co., Ltd. and 80.72% stake in JIC Leasing Co., Ltd.

According to the annual report of JIC for the year ended December 31, 2023, JIC recorded a consolidated operating profit of approximately RMB3.7 billion and a consolidated net profit attributable to its shareholders of approximately RMB2.6 billion for the year ended December 31, 2023. As disclosed in the interim report of JIC for the six months ended June 30, 2024, JIC had total consolidated assets and consolidated net assets amounted to approximately RMB181.2 billion and approximately RMB102.7 billion, respectively, as at June 30, 2024.

3. Principal terms of the New Framework Agreement

Set out below are the principal terms of the New Framework Agreement:

Date

November 26, 2024

Parties

- (i) the Company; and
- (ii) JIC

Term

Three years from January 1, 2025 to December 31, 2027

Subject matters

According to the New Framework Agreement, the Securities and Financial Products and Transactions between the Group and JIC Group (mainly including JIC Trust Co., Ltd., Guotai Asset Management Co., Ltd. and JIC Leasing Co., Ltd.) include (but are not limited to) the followings:

- equity-related products, including but not limited to, equity interest, funds, trust, asset management schemes, exchangeable bonds, convertible bonds and structured products;
- fixed-income products, including but not limited to, funds, trust, bonds, debt, and structured products with fixed income characteristics;
- hybrid products, including but not limited to, funds, trust, asset management schemes and structured products;
- financing transactions among financial institutions with or without guarantees; and
- other related securities and financial products and derivative products.

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According to the New Framework Agreement, the Group and JIC Group (mainly including JIC Trust Co., Ltd., Guotai Asset Management Co., Ltd. and JIC Leasing Co., Ltd.) shall provide securities and financial services to each other in their ordinary course of business based on normal commercial terms and market practices at prevailing market prices. The Securities and Financial Services include (but are not limited to) the followings:

- financial products agency sale services;
- leasing of trading units services;
- brokerage services including securities brokerage and related financial products brokerage services;
- investment banking services including but not limited to, underwriting and sponsorship services provided for stock, equity interests, bonds and other products, and financial advisory services provided for other general corporate restructuring, mergers and acquisition;
- asset management services; and
- other comprehensive securities and financial advisory and consulting services, mainly including investment consulting, fund custody and operation, fund market making/liquidity services, and other advisory services relating to securities financial service, etc.

The Securities and Financial Services provided by JIC Group to the Group include (but not limited to) other comprehensive securities and financial advisory and consulting services, mainly including investment consulting. The Group pays advisory fees and/or other fees for such services to JIC Group.

Other principal terms of the New Framework Agreement are set out in the letter from the Board contained in the Circular.

4. Pricing basis

(a) Pricing basis for Securities and Financial Products and Transactions

As stated in the letter from the Board contained in the Circular, the market rates in respect of each of the Securities and Financial Products and Transactions are generally transparent and standardised across the market. The commission rates and fees charged for these products and transactions shall be determined based on arm's length negotiation with reference to the prevailing market price or the prevailing market rates normally applicable to Independent Third Parties for similar types of transactions at the time of the transactions.

The Securities and Financial Products and Transactions are mainly conducted through the PRC inter-bank bond market and the PRC exchange market (including stock exchanges, futures exchanges, Shanghai Gold Exchange, etc.) and the open-ended fund market. The commission rates and fees charged for the Securities and Financial Products and Transactions conducted through such particular trading venues depend on the particular trading venue on which the relevant transaction is carried out.

With respect to the pricing of securities and financial products with quotations available in the market, the Company refers to (i) the prices quoted on the PRC inter-bank bond market and the PRC exchange bond market; (ii) the prices of securities and financial products traded on the exchanges; and (iii) the prices of securities and financial products traded on the open-ended fund market.

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With respect to the pricing of securities and financial products without market quotations, the Company mainly refers to the prices of the transactions for similar products with two or more Independent Third Parties to determine whether the pricing and terms of the transactions between the Group and JIC Group are fair, reasonable and no more favourable to JIC Group than those offered by the Group to Independent Third Parties. If there is no relevant comparables in the market, the Company will determine the transaction price after arm's length negotiation between both parties on the basis of comprehensive evaluation of transaction costs. For example, as regards OTC derivatives transactions, the transaction price will be determined after arm's length negotiations between the parties based on the pricing model which would factor in hedging costs (e.g. capital cost, liquidity cost and risk exposure) as well as historical prices for similar products. As at the Latest Practicable Date, no transactions, the pricing of which is determined without any market comparables, have been taken place between the Group and JIC Group.

For further details of the pricing basis for the Securities and Financial Products and Transactions, please refer to the section headed "5. Pricing Basis" in the letter from the Board contained in the Circular.

Based on the above and our further discussions with the Management, we understand that pricing for the Securities and Financial Products and Transactions are predominantly based on (i) the market price listed on the relevant exchanges; (ii) certain prescribed valuation guidance outlined by the relevant regulatory bodies in the PRC; or (iii) the net asset value, in case of a Fund Product. Overall, we consider the pricing of the Securities and Financial Products and Transactions transparent and reliable since most of these transactions are transacted on an open market. In the event that there is no direct market quotation, the Company shall compare the subject connected transaction with two or more similar transactions with Independent Third Parties to ensure the terms of the subject connected transaction are no more favourable to JIC Group than those offered by the Group to Independent Third Parties.

We have discussed with and are advised by the Management that pricing comparisons with Independent Third Party transactions are mainly related to the Group's (i) bond subscription in the primary market; (ii) bond trading on the secondary market; and (iii) financing transactions among financial institutions with or without guarantees. To assess whether the Securities and Financial Products and Transactions were conducted in accordance with the pricing basis stipulated under the New Framework Agreement, we have randomly selected and reviewed six sets of trading records of the Group with each of (i) its connected persons; and (ii) Independent Third Parties, which covered the aforementioned transactions and we consider them to be fair and representative samples. For each set of trading records, it contains one trading record with a connected person and two trading records with Independent Third Parties. Based on the samples we have reviewed, we noted that:

- (i) for bond subscription, the yield on bonds issued by JIC Group that the Group subscribed for fell between those issued by Independent Third Parties with comparable ratings (i.e. 2.93% and 3.90%);
- (ii) for bond trading on the secondary market, (a) the trading prices of transactions with each of the connected persons and the Independent Third Parties were mainly determined with reference to the relevant bond valuations published by China Central Depository and Clearing Co. Ltd or China Securities Depository and Clearing Corporation Limited ("**CCDC Value**" or "**CSDCC Data**") pursuant to the regulatory requirements or market quotations; and (b) their trading prices were all within the 1% deviation of the CCDC Value or CSDCC Data at the relevant time; and
- (iii) for financing transactions between the Group and JIC Group, the interest rates offered to JIC Group and the Independent Third Parties for similar financing amounts and maturities on the same trading day were the same. As advised by the Management, all

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these financing transactions in the past three years were backed by guarantees and their interest rates, which were mainly determined with reference to the interest rates of dealer-quoted bond repurchase of different maturities after having analysed the quotes obtained from other banks, would be the same as those offered to Independent Third Parties for similar financing amounts and maturities.

In view of above, the pricing and terms of the transactions between the Company or its subsidiaries and JIC Group are fair, reasonable and no more favourable to JIC Group than those offered by the Group to Independent Third Parties.

(b) Pricing basis for Securities and Financial Services

As stated in the letter from the Board contained in the Circular, the pricing basis for the Securities and Financial Services is as follow:

- (i) financial products agency sale services – service fees shall be determined based on factors including market prices, industry practice and the total amount of financial products under the agency sale arrangements with reference to the service fees for the last half year charged by the Group for similar agency sale service provided to Independent Third Party and the service fee rate for the subsisting financial products agency sale services is generally in the range of 0% to 1.5%. As advised by the Management, it is an industry practice that no fee shall be charged for subscription of units of Class C public funds and thus the service fee rate would be zero, which is also applicable to Independent Third Party clients;
- (ii) leasing of trading units services – the Group charges a percentage of the trading volume in respect of each trade conducted through the Group’s trading units as the Group’s commission where such percentage shall be determined based on the market rates for the last half year and industry practice. The commission rates charged on the leasing of trading units are generally transparent across the market. The commission rates charged by the Group for the subsisting leasing of trading units services are basically consistent with the commission rates in the market and generally in the range of 0.02% to 0.1%;
- (iii) brokerage services – the commission rates for these services are generally transparent and standardised across the market. The commission rates charged by the Group are determined based on arm’s length negotiation with reference to the market fee rates for the latest week for securities or futures similar to existing business and generally in the range of 0.0085% to 0.3%;
- (iv) investment banking services – the fees are determined with reference to factors including the market fee rates for projects of a similar type for the last half year and the amount of proceeds raised from the offering through competitive bidding, business negotiation or based on arm’s length negotiation.

With respect to the underwriting fee rate for fixed-income products (including corporate bonds, company bonds, asset securitisation products, etc.), the fees are mainly determined through negotiations with issuer and competitive bidding according to the issuer, type and term of bonds;

With respect to the pricing for investment banking business, the CSRC published the Guidance on Internal Control of Investment Banking Business of Securities Companies (《證券公司投資銀行業務內部控制指引》) in 2018, pursuant to which in carrying out investment banking business, securities companies shall determine the price reasonably based on comprehensive assessment of execution cost. The price of the investment banking business of the Company is subject to regulation by the CSRC;

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- (v) asset management services – the fees charged for asset management services are determined based on arm’s length negotiations with reference to factors including the market rates for the last half year, the size of the assets and the complexity of the particular service provided. The market rates for these services are generally transparent across the market. The rates charged by the Group for the subsisting asset management services are basically consistent with the market rates and generally in the range of 0.01% to 3%; and
- (vi) other comprehensive securities and financial advisory and consulting services – such services are determined based on arm’s length negotiation with reference to the market rates for transactions of similar type and size for the last half year.

The Group and JIC Group will pay the consideration for the continuing connected transactions under the New Framework Agreement out of their own funds or funds managed on behalf of the clients in accordance with the law.

Deferred payment arrangements will be adopted for several items of Securities and Financial Services under the New Framework Agreement, specifically:

- (i) leasing of trading units services: the commission, as referred to “Pricing basis for Securities and Financial Services” set out in (b) (ii) above, shall be settled quarterly, and JIC Group shall complete relevant formalities and transfer the account payables to the designated account of the Group within 45 working days after the end of each quarter.
- (ii) financial products agency sale services: regarding the subscription fee, JIC Group shall transfer the amount to the designated account of the Group in one lump sum within 10 working days after the fund contract becomes effective. Regarding other expenses, except for settlement on net basis, JIC Group shall calculate the portion attributable to the Group at the beginning of each month and faxed to the Group for verification. After verification by the Group (if there is no objection from the Group within three working days after such fax, it will be deemed to be verified), JIC Group shall transfer it to the designated account of the Group within 10 working days at the beginning of each month. Regarding (a) sales service fees and (b) customer maintenance fees, such amounts shall be accrued daily and transferred by JIC Group to the designated account of the Group within 15 working days every month/in the first month of every quarter after verification with the Group.
- (iii) the management fees for asset management services: the management fees shall be accrued daily and paid quarterly, that is, the trustee shall pay the Group out of the property of the asset management plan on the fifth working day at the beginning of the month of next quarter based on the amount of fixed management fee payables in the previous three months verified with the Group. If there is not sufficient fund balance in the bank escrow account on the payment date, the payment will be postponed to the next working day.
- (iv) investment consulting fees: the fixed investment consulting fees shall be accrued daily from the date of establishment of the trust. The Group is entitled to the fixed investment consulting fees that have been accrued but not paid on any day of the last month of each calendar quarter or within 15 working days from the date of conclusion of each calendar year during the duration of the trust, and the balance of fixed investment consulting fees that have been accrued but not paid within 10 working days after the termination of the trust. Within 10 working days after the accrued and accounting date of each floating investment consulting fees during the duration of the trust or after the expiration of the lockup period of each tranche of trust units or after December 10 of each calendar year,

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JIC Group shall pay the floating investment consulting fees accrued but not paid to the Group or JIC Group shall send instructions to the custodian, and the custodian shall complete the payment to the Group from the trust assets after review.

- (v) custodian fee: the custodian fee shall be accrued daily, accumulated day by day and paid quarterly from the date of establishment of the plan, and shall be paid to the Group out of the assets of the collective plan by the Group according to the transfer instructions of JIC Group within 5 working days from the first day of the following month after the end of each quarter.

Based on the above, we understand that the pricing basis for the Securities and Financial Services is generally transparent despite having a wider range of fee percentages for certain Securities and Financial Services, which shall be determined based on, among other factors, transaction size and complexity of the service to be provided etc. That said, we further noted that, according to the Group's Internal Monitoring Measures (as defined below), the Company shall refer to the prices offered to two or more Independent Third Parties for similar services to determine whether the pricing and terms offered by the Group to JIC Group are fair, reasonable and no more favourable to JIC Group than those offered by the Group to Independent Third Parties. To assess whether the Securities and Financial Services transactions were conducted in accordance with the pricing basis stipulated under the New Framework Agreement, we have randomly selected and reviewed six sets of service agreements entered into by the Group with each of (i) its connected persons and (ii) Independent Third Parties. For each set of trading records, it contains one trading record with connected persons and two trading records with Independent Third Parties. These samples covered provision of Securities and Financial Services by the Group to JIC Group including (i) investment banking services; (ii) leasing of trading units services and brokerage services; (iii) asset management services; (iv) other comprehensive securities and financial advisory and consulting services; and (v) financial products agency sale services, which, we consider them to be fair and representative samples. We noted that the pricing of transactions with connected persons was comparable to those with Independent Third Parties.

In addition, in respect of the deferred payment arrangements, we have reviewed five comparable contracts in relation to (i) to (v) as mentioned above which set out deferred payment arrangements conducted between the Group and Independent Third Parties. We noted that the deferred payment arrangements with JIC Group as stipulated under the New Framework Agreement are largely in line with those with Independent Third Parties, with the deferred payment arrangements for (i), (ii), (iii) and (iv) having credit periods ranging from 10 days to 45 days and the deferred payment(s) for (v) settled on a quarterly basis. On this basis, we consider the deferred payment arrangements under the New Framework Agreement are in line with the market practice.

5. Reasons for and the benefits of entering into the New Framework Agreement

As stated in the letter from the Board contained in the Circular, in the ordinary course of business, the Group regularly engages in various kinds of Securities and Financial Products and Transactions with various counterparties, including JIC Group. The Group purchases suitable securities and financial products from different providers (including JIC Group, which is the Group's connected person, and Independent Third Parties) based on the Group's internal evaluation system and procedures with reference to various factors including cost, market condition and the Group's risk exposure, business needs and development requirements. JIC Group also purchases securities and financial products from the Group in its ordinary course of business from time to time, taking into account their business needs and the suitability of the products the Group offered.

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Meanwhile, in the ordinary course of business, the Group provides securities and financial services to its customers (including JIC Group) and the Group receives the Securities and Financial Services provided by other counterparties (including JIC Group). Due to their business needs and the respective expertise and professional capabilities, the Group and JIC Group provide Securities and Financial Services to each other from time to time.

In view of the above, it is noted that the transactions contemplated under the New Framework Agreement are the principal business of the Group and we consider it reasonable for the Group to enter into the New Framework Agreement with JIC Group as it allows some operation flexibility to carry out its businesses.

6. Internal monitoring measures

As disclosed in the letter from the Board contained in the Circular, the Group has adopted the following internal monitoring measures (the “**Internal Monitoring Measures**”) in relation to the continuing connected transactions under the New Framework Agreement and the annual caps thereof to safeguard the rights and interests of the Shareholders from a risk mitigation perspective:

- (i) the Company has prepared internal guidelines in accordance with the Listing Rules, which provide approval procedures for connected transactions;
- (ii) for Securities and Financial Products and Transactions, the Company has established its internal guidelines and policies for conducting transactions of different types of Securities and Financial Products and Transactions, as well as internal procedures and system for reviewing and monitoring relevant transactions. The Management Rules of Related Party Transactions of Shenwan Hongyuan Group Co., Ltd. has set out regulations in details in respect of the main aspects including the recognition, launch, pricing, decision-making and disclosure of continuing connected transactions, and clarified the approval procedures of continuing connected transactions. Such policies and guidelines set out the requirements for pre-trading pricing enquiries, applicable interest rate, the procedures for price determination, approval authority and procedures, record keeping, supervision and review procedures for conducting transactions of different types of Securities and Financial Products and Transactions. All transactions will also be reported to the Company’s legal and compliance department and the Board office for risk monitoring. The Company will review and update internal guidelines and policies from time to time to reflect the latest requirements of relevant national laws, administrative regulations and listing rules of the place where the Company is listed;
- (iii) for the Securities and Financial Services, the Company or its subsidiaries shall refer to the prices of the transactions for similar services with two or more Independent Third Parties to determine if the pricing and terms of the transactions between the Group and JIC Group are fair, reasonable and no more favourable to JIC Group than those of the transactions between the Group and Independent Third Parties;
- (iv) in order to strengthen the management of the Company’s connected transactions, the Company has designated specific departments (including the legal and compliance department, and the Board office) to take lead in management of the Company’s connected transactions and to remind the business departments and the Company’s subsidiaries to supervise and control such connected transactions. Meanwhile, each of the Company’s business departments and subsidiaries designates specific person to be the contact person for the management of connected transactions, responsible for establishing the connected transaction ledger of each department and subsidiary, summarising and conducting statistics on the Company’s connected transactions on a quarterly basis. The business departments are responsible for real-time monitor on the amounts of connected transactions incurred, and back-end departments such as the legal and compliance department and the Board office will summarise and monitor the

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actual amount of connected transactions on a quarterly basis according to the data provided by the business departments. A transaction alert will be launched to inform the legal and compliance department of the Company in advance if the business department discovers that the amount of connected transactions within the quarter will or are expected to exceed annual caps. The legal and compliance department of the Company will strengthen the subsequent approval and control of connected transactions and review such transactions on a case-by-case basis. Connected transactions may be suspended if necessary, or be proceeded with upon the performance of the consideration and disclosure procedures for the revision of annual caps by the Company according to relevant rules, so as to ensure that the annual caps will not be exceeded;

- (v) the continuing connected transactions are subject to annual review by all the independent non-executive Directors and the auditors of the Company. The results of the review conducted by the independent non-executive Directors, and the work undertaken by the auditors of the Company in respect of the continuing connected transactions and the outcome of that work are disclosed in the annual report of the Company; and
- (vi) documents and records with respect to the connected transactions are required to be maintained and kept properly.

We have obtained and reviewed the aforementioned the Internal Monitoring Measures and we noted that (i) they set out a clear guideline for the Company's employees to follow; (ii) the relevant departments make reference to service quotations provided to or by Independent Third Parties when providing service quotations to connected persons of the Group and shall ensure the fairness and reasonableness of the terms of the relevant transactions; (iii) the establishment of a systematic corporate governance structure enables the Company to self-regulate by assigning monitoring responsibilities to different departments; and (iv) regular reviews by the independent non-executive Directors and auditors of the Company shall further enhance the internal control measures of the Company. We have also reviewed six sets of transaction records for the Securities and Financial Products and Transactions and six sets of transaction records for the Securities and Financial Services entered into between the Group and Independent Third Parties and compared them with the relevant transactions entered into between the Group and connected persons. Those samples covered the three main types of Securities and Financial Products and Transactions and six types of Securities and Financial Services, with no direct quotations available in the market. After the review, we noted that the pricing of transactions with connected persons were comparable to those with Independent Third Parties. Overall, we consider the Internal Monitoring Measures provides a safeguard to the interests of the Company and the Shareholders as a whole.

7. The Proposed Annual Caps

(a) The Proposed Products and Transactions Annual Caps

Set out in the table below are the historical transaction amounts of the Securities and Financial Products and Transactions for the years ended December 31, 2022 and 2023 and for the eight months ended August 31, 2024 and their annual caps and utilisation rates for the years ended December 31, 2022 and 2023 and for the eight months ended August 31, 2024:

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	Actual amount		
	for the year		for the eight
	ended December 31,		months ended
	2022	2023	2024
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
In ⁽¹⁾⁽³⁾	3,648,613	5,454,957	1,596,245
Out ⁽²⁾⁽³⁾	2,598,849	662,334	589,529
Annual caps for the year ended/ending December 31,			
	2022	2023	2024
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
In	34,373,400	35,385,100	36,650,100
Utilisation rate	10.61%	15.42%	4.36% ⁽⁴⁾
Out	37,303,400	38,315,100	39,580,100
Utilisation rate	6.97%	1.73%	1.49% ⁽⁴⁾

Notes:

- (1) “In” means the total cash inflow to the Group arising from the Securities and Financial Products and Transactions, including the sale and redemption of the relevant products, interests received from the relevant products.
- (2) “Out” means the total cash outflow from the Group arising from the Securities and Financial Products and Transactions, including the outflow arising from the purchase of the relevant products, interests paid for the relevant products and the repurchase of relevant products from the Group’s counterparties.
- (3) The “In” and “Out” reflect the capital flow between the Group and JIC Group. The contribution of such capital to the Group’s revenue is in the forms of bid-ask spread or interests accrued during the holding period or gain or loss on changes in fair value of securities, interests on financing, interest income from lending, management fee, handling fee, performance-based compensation, and other income from entrusted management of assets, investment income from investment asset management plan or other financial products, etc.
- (4) The utilisation rates of the annual caps of the respective transactions for the year ending December 31, 2024 is based on historical transaction amounts for the eight months ended August 31, 2024.

As stated above, the low utilisation rates of the Securities and Financial Products and Transactions for the years ended December 31, 2022, and 2023 and for the eight months ended August 31, 2024, are primarily due to less subscriptions and redemptions made by the Group resulting from less products issued by JIC Group that could meet the Group’s return requirement.

As advised by the Management, the products that the Group subscribed for were mainly equity-related and fixed income products in the past three years. We also noted that the Federal Reserve of the United States began its first round of interest rate rises in March 2022 and the interest rate hikes from 0.25% to 5.50% after eleven rounds of adjustments. Since then, the equity market has shown a volatile trend as a whole. In 2022, the SSE Composite Index, the SZSE Component Index, the ChiNext Price and CSI 800 declined by 15.13%, 25.85%, 29.37% and 21.32%, respectively. In 2023, the SSE Composite Index, the SZSE Component Index, CSI 800 and the ChiNext Price further declined by 3.70%, 13.54%, 10.37% and 19.41%, respectively. For the PRC bond market in 2022, although the total issuance amount of all types of bonds remained stable, the treasury bonds yield showed a volatile trend, representing a year-on-year change from -15BP to +6BP, as set out in the

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2022 Financial Market Analysis Report by People’s Bank of China (the “**PBOC**”). The Group took a wait-and-see approach in view of the volatility of the bond yield. In 2023, although the total issuance amount of all types of bonds was approximately RMB71.0 trillion representing an increase of 14.8% year-on-year, bond yields generally fluctuated downward as evidenced by the 2023 Financial Market Analysis Report by PBOC, which made it challenging for the Group to identify suitable fixed income products.

As subscription for and redemption of funds, trust products and asset management products, securities trading, etc., which form majority portion of the inflow and outflow of the amount of Securities and Financial Products and Transactions, are mostly reciprocal to one and the other, the utilisation rates on the cash inflow were also relatively low for the years ended December 31, 2022, and 2023 and for the eight months ended August 31, 2024.

Set out in the table below are the proposed annual caps for the Securities and Financial Products and Transactions for the three years ending December 31, 2027 (the “**Proposed Products and Transactions Annual Caps**”).

	Annual caps for the year ending December 31,		
	2025	2026	2027
	(RMB’000)	(RMB’000)	(RMB’000)
In	24,106,900	24,649,900	25,336,700
Out	15,884,200	16,475,400	17,070,100

We have discussed with the Management and obtained a breakdown of the Proposed Products and Transactions Annual Caps (the “**Breakdown**”). We understood from our discussion that the inflow and outflow of the Proposed Products and Transactions Annual Caps are mostly reciprocal to one and the other. The proposed inflow and outflow of the Proposed Products and Transactions Annual Caps are mainly attributable to the following factors:

(i) *Equity-related, fixed income and hybrid products*

According to the Breakdown, we noted that the inflow and outflow of the equity-related, fixed income and hybrid products mostly comprise the following:

(A) Subscription and redemption of funds by the fund companies held by JIC Group (the “**JIC Fund Company**”)

- (1) The possibility for the Group to invest in monetary funds for treasury management purposes. According to the 2024 Interim Report, the Company had approximately RMB28,008 million in cash and bank balances. As discussed with the Management, to fulfill its liquidity requirements, the Company projected to subscribe for approximately 1,500 million monetary funds managed by JIC Fund Company. As stated in the letter from the Board in the Circular, according to the data on Wind, a leading financial information service provider in the PRC, as of June 30, 2024, the total size of the monetary funds managed by JIC Group has been approximately RMB314,600 million, out of which 4 monetary funds have exceeded RMB10,000 million in terms of fund size that meet the Group’s investment criteria.

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- (2) The highest level of redemption trade of the Group with the JIC Fund Company of RMB650 million in 2022 in the last three years and the growth in fund size as a reference to estimate the amount that the Group might subscribe into the relevant funds for the three years ending December 31, 2027.
 - (3) Relatively significant fluctuations in transaction amount with the highest single transaction amount reached RMB300 million in the past three years.
- (B) Demand for market making business and arbitrage trading for exchange traded funds (“ETFs”)

According to the Management, this is mainly based on the investment and cooperation plan with JIC Fund Company. The subscription amount of the ETF in respect of monetary fund, gold and treasury bonds will be approximately RMB6,300 million for each of 2025-2027, and the subscription amount of the ETF in respect of equity for each of the three years ending December 31, 2027 will be approximately RMB1,300 million, RMB1,700 million and RMB2,200 million, respectively. In aggregate, the projected ETF subscription amount would be approximately RMB7,600 million, RMB8,000, and RMB8,500 million for each of the three years ending December 31, 2027, respectively. According to the ETFs Industry Development Report published by the Shanghai Stock Exchange dated June 2024, as of mid-2024, the total onshore ETFs increased by approximately RMB430.9 billion, out of which new offering products contributed RMB43.1 billion and existing products contributed RMB387.8 billion. According to our discussion with the Management, we noted that (1) as of August 30, 2024, the market capitalisation of gold ETFs managed by JIC Group was approximately RMB4,400 million with an average daily trading volume of approximately RMB162 million; (2) combined (1) with the mid-point of 6.67% of the estimated trading percentage in one single day and the number of trading days in a year of approximately 250 days, the estimated annual trading volume was approximately RMB2,700 million (i.e. an average daily trading volume of RMB162 million * 250 days * 6.67%); (3) as stated in the letter from the Board in the Circular, according to Wind, from 2020 to 2023, the compound annual growth rate (“CAGR”) of net asset value of market-wide equity ETFs is approximately 23.88%; and (4) Group’s plan to deepen cooperation with it in the future. On the above bases, the estimation, in our view, is not unreasonable.

- (C) JIC Group remains the active bond issuer and bond trading counterparty in the market

JIC Leasing Co., Ltd., an associate of JIC, issued bonds of RMB8,100 million in 2022, RMB7,800 million in 2023 and RMB4,500 million from January to Aug 2024. Hence, it is likely that the Company will subscribe for the financial products issued by JIC Group. As discussed with the Management, the number of connected parties may increase along the development and expansion of JIC Group. Also, the yield of bonds issued by JIC Group might be competitive compared with Independent Third Parties. For bond trading transactions in the secondary market, JIC Group as qualified investor in the market, will purchase or sell corresponding bond in the market based on asset allocation needs. From time to time, the Group and JIC Group might reach agreement to buy and sell a bond after arm’s length and commercial negotiations. In addition, we have discussed with the Management and were advised that, in 2023, the Group’s bond sales transaction amount (i.e. inflow) was RMB4,900 million and the bond purchase

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transaction amount (i.e. outflow) was RMB150 million. Having considered the difference between the historical inflow and outflow of the transactions and the actual business needs of the parties in the next three years, it is expected the inflow of bond sales transactions will continue to be higher than the outflow of bond purchase transactions. We have reviewed the total transaction amounts regarding the bond purchased by JIC Group from the Group (i.e inflow), which were approximately RMB1,800 million, RMB4,900 million and RMB1,800 million for the year ended December 31, 2022 and 2023 and for the nine months ended September 30, 2024, respectively. Conversely, the total transaction amounts regarding the bond purchased by the Group from JIC Group (i.e outflow) were approximately RMB30 million, RMB150 million and RMB300 million for the same year/period, respectively. Given the demand for bond purchases by JIC Group from the Group had been exceeding the demand for bond purchases by the Group from JIC Group, the projection in this category is considered to be reasonable.

(D) Fund of funds (the “FOF”)

In the projection prepared by the Management, the FOF subscriptions by the Group have taken into account (1) the existing size of public offering of funds managed by the Group in 2024; (2) the existing size of non-public offering of funds managed by the Group in 2024; (3) the existing size of overseas assets under management (the “AUM”) managed by the Group in 2024. As advised by the Management, the estimated subscription amount by the Group will be 20% of (1), 5% of (2), and 0.5% of (3) as aforesaid.

Financial market may fluctuate from time to time as evidenced by the financial market performance as discussed in section 7.(a) above. In view of the volatility and unpredictableness of the financial market and despite the low historical utilisation rates, the Group would like to devise annual caps that could accommodate any surge in the inflow and outflow of the transactions arising from subscription for or redemption of funds, trust products, asset management products, and securities between the Group and JIC Group (i.e. (A) to (D) above) in order to avoid any unnecessary disruption to its normal course of business.

Given that the Group is unable to ascertain the timing of redemption of the aforementioned possible investment of the counterparty (i.e. JIC Group) regarding (A), (B) and (D) above, and based on the historical transaction amounts that we have reviewed, maximum cash inflows of this category of transactions (i.e. subscription) are generally close to the maximum cash outflows from the corresponding transactions (i.e. redemption). For (C), as discussed above, its inflow and outflow are projected based on the Group’s and JIC Group’s own business needs and therefore may differ from one another.

(ii) *Other related securities and financial products and derivative products*

As stated in the letter from the Board in the Circular, the Group has been in contact with JIC Group regarding OTC derivatives, income certificates and other business, and intends to have more frequent and larger-scale dealings with JIC Group. According to the Breakdown, we noted that the inflow and outflow are mainly related to the expected return of other related securities and financial products and derivative products according to the average size and return of other similar and comparable business. In the projection prepared by the Management, JIC Group may purchase the OTC derivatives and income certificates from the Group of approximately RMB1,500 million, and the Group may purchase similar types of financial products from JIC Group of RMB400 million. As advised by the Management, the Group has conducted similar business with several Independent Third Parties, and the annual

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trading volume was over RMB1,000 million with each of them. Thus, we consider the proposed transaction cap for the next three years, with the inflow and outflow caps of RMB1,950 million and RMB2,300 million, respectively for the next three years are not unreasonable.

(b) The Proposed Services Annual Caps

Set out in the table below are the historical transaction amounts of the Securities and Financial Services for the years ended December 31, 2022 and 2023 and for the eight months ended August 31, 2024 and their annual caps and utilisation rates for the years ended December 31, 2022 and 2023 and for the eight months ended August 31, 2024:

	Actual amount		for the eight
	for the year		months ended
	ended December 31,		August 31,
	2022	2023	2024
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
The Group's revenue generated from providing the Securities and Financial Services to JIC Group	22,937	21,277	10,973
	Annual caps for the year ended/ending December 31,		
	2022	2023	2024
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
The Group's revenue generated from providing the Securities and Financial Services to JIC Group	186,270	223,360	273,310
Utilisation rate	12.31%	9.53%	4.01% ^(Note)

Note: The utilisation rate of the annual cap of the transaction for the year ending December 31, 2024 is based on historical transaction amounts for the eight months ended August 31, 2024.

As stated above, the low utilisation rates of the Securities and Financial Services for the years ended December 31, 2022, and 2023 and for the eight months ended August 31, 2024, are primarily due to (i) JIC Group's actual demand in 2022 lower than what the Management expected when setting up the annual caps; and (ii) the overall lukewarm or bleak equity and bond businesses in both primary and secondary markets starting from 2023.

According to the 2023 Annual Report, the number of IPOs, and the number and size of refinancing projects dropped significantly. In 2023, a total of 313 A-share IPOs were listed representing a decrease of 26.87% year-on-year, and its total fund-raising amount was RMB356.54 billion, decreased by 39.25% year-on-year. In the same year, A-share refinancing amounted to RMB777.8 billion representing a decrease of 29.37% year-on-year. In particular, fund raised from (i) private placement was RMB578.95 billion representing a decrease of 19.92% year-on-year; and (ii) convertible bonds amounted to RMB140.58 billion representing a decrease of 48.61% year-on-year. In 2023, the total equity turnover in all PRC markets was RMB239.99 trillion compared with RMB247.67 trillion in 2022, representing a year-on-year decrease of 3.10%. In the same year, given that the issue size of enterprise bond dropped significantly, JIC Group's demand for relevant services

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was lower than expected. In the offshore market, there was a sharp adjustment in Chinese-funded offshore bonds due to the Fed rate hikes with the total number of Chinese-funded offshore bonds in 2023 dropped to 794 from 963 in 2022.

Set out in the table below are the proposed annual caps for the Securities and Financial Services for the three years ending December 31, 2027 (the “**Proposed Services Annual Caps**”).

	Annual cap for the year ending December 31,		
	2025	2026	2027
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
The Group’s revenue generated from providing the Securities and Financial Services to JIC Group	178,000	192,000	197,000
Expenses incurred in respect of provision of the Securities and Financial Services by JIC Group to the Group	10,000	10,000	10,000

With reference to the letter from the Board in the Circular, in summary, the proposed annual caps of the New Framework Agreement for the revenue to be generated from the Securities and Financial Services of the Group have been taken into account the following factors:

(A) Fast-changing financial market

For the two years ended December 31, 2023 and the eight months ended August 31, 2024, the historical transaction amounts arising from the provision of financial services by the Group to JIC Group (including different service fees and commission and fees, etc. charged for the provision of various financial services) amounted to approximately RMB22.94 million in 2022, approximately RMB21.28 million in 2023 and approximately RMB10.97 million for the eight months ended August 31, 2024. In addition, considering that most of the financial services provided by the Group to JIC Group are market oriented, the determination of the proposed annual caps needs to take into sufficient account of market fluctuations and changes. Otherwise, an excessively tight annual cap may result in disruption to the Group’s business and impair the Group’s ability to respond promptly to the fast-changing financial market.

(B) Development and expansion of JIC Group

The growing and diversifying businesses of JIC Group coupled with the Group’s plan to deepen cooperation with it in the future will create more business opportunities for the Group to provide financial services.

We have discussed with the Management and obtained a breakdown of the Proposed Services Annual Caps (the “**Services Breakdown**”) and the Proposed Service Annual Caps are mainly attributable to the following factors:

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- (i) *Investment banking services including but not limited to underwriting and sponsorship services for stock, equity securities, bonds and other products, and financial advisory services for other general corporate restructuring, mergers and acquisition*

According to the Services Breakdown and our discussion with the Management, we noted that the Proposed Services Annual Caps in relation to this category mostly represents the Group's expected vigorously development of the investment banking business to provide bond underwriting, issuance of asset-backed securities, underwriting sponsorship, mergers and acquisition and restructuring, recommendation for listing and other investment banking services to JIC Group in the future. Although the Group's income from the investment banking business decreased by approximately 12.9% compared with 2022 due to the slowdown of IPO and cyclical tightening on refinancing, the gradual economic recovery and the capital market reform policy are expected to give a boost to the capital market as well as the investment banking business. As discussed with the Management, in the first half of 2024, the Group completed the lead underwriting of 320 various types of bonds, representing a 16% increase from the 277 bonds in the same period of 2023. The underwriting amount reached RMB150.6 billion, representing an approximately 25% increase from RMB120.5 billion for the first half of 2023. Both the Group's total underwriting amount and number reached historical highs, ranking 7th in the industry in 2023. Given JIC Group holding a variety of investment companies such as trust companies and financing and leasing companies, there is a possibility that the Group may provide investment banking services such as bond underwriting to them in the future. Considering that the Group's income from the investment banking business in 2023 was RMB1,953 million, the Management assumed that the provision of investment banking services by the Group to JIC Group accounted for approximately 4% of the total income derived from the investment banking business (based on 14 IPOs and 53 private placements and listings on the NEEQ that the Group participated in in 2023, and assuming that JIC Group will conduct one IPO and one private placement and listing on the NEEQ in each of the next three years that would require investment banking services provided by the Group). The income from the investment banking business for services to be rendered to JIC Group is expected to be RMB100 million for each of the future three years.

Given (i) the Group's income from the investment banking business in 2023 was RMB1,953 million; (ii) the Management assumes that the provision of investment banking services by the Group to JIC Group accounted for approximately 4% of the total income derived from the investment banking business; (iii) an estimated growth rate of approximately 20%, which is determined with reference to the increases in bond underwriting business in the first half of 2024 as discussed above; and (iv) a 7% buffer to cater for unforeseeable changes to business needs, the Management expects the estimated transaction amount in relation to this category, which has also been based on the Group's internal budget and relevant estimations, for the three years ended December 31, 2027 to be RMB100 million. On these bases, we are of the view that this projection is not unreasonable.

- (ii) *Leasing of trading units services and brokerage service*

Based on the Services Breakdown, we noted that the Proposed Services Annual Caps in relation to this category mostly represent the leasing of trading units to mutual fund managers, including JIC Group and Independent Third Parties (e.g. insurance companies), which are not members of stock exchanges, enabling them to trade securities on the PRC stock exchanges. JIC Group has also opened a number of securities accounts with the Group for securities trading. The Group charges commission and/or other fees for provision of such leasing service and brokerage service. Given the significant decline in stock trading volume and poor performance in financial industry, the historical transaction amount remained at low level in the last three years. In 2023, the SSE Composite Index, the SZSE Component Index, CSI 800 and the ChiNext Price declined by 3.70%, 13.54%, 10.37% and 19.41%, respectively. For the

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offshore market, the Hang Seng Index declined by 15.38% in 2023. In September 2024, the Fed announced its first interest rate cut since March 2020 by 50 basis points. In October 2024, PRC stock markets surged after China announced steps to boost the economy by measures including monetary easing and support for stocks and homes. With the favourable PRC government policies and the increasing expectation over further rate cuts, the PRC capital market may continue to stay strong in the next three years. Based on the historical commission charged to JIC Group of approximately RMB19 million in 2022, the Management estimated the Proposed Services Annual Caps in relation to this category for the three years ended December 31, 2027 to be RMB21 million, RMB31.5 million, and RMB31.5 million, respectively. Overall, it is expected that the demand for the leasing of trading units services and brokerage service from JIC Group will continue to increase, benefiting from the recovery of the domestic capital market.

Given (i) the historical transaction amount of the leasing of trading units services and brokerage service was approximately RMB19 million back in 2022; and (ii) an estimated growth rate of 50% in 2026, as compared with the daily trading volume of Shanghai Stock Exchange and Shenzhen Stock Exchange which reached RMB1,168.41 billion and RMB1,425.98 billion on September 30, 2024, representing a year-on-year increase of approximately 303.62% and 232.26%, respectively, the Group expects the estimated transaction amount in relation to this category, which has also been based on the Group's internal budget and relevant estimations, for the three years ending December 31, 2027 to be RMB21 million, RMB31.5 million, and RMB31.5 million, respectively. Considering PRC stock markets surged after China announced steps to boost the economy by measures including monetary easing and support for stocks and homes, we are of the view that this projection is not unreasonable.

(iii) Other comprehensive securities and financial advisory and consulting services

According to the Services Breakdown, we noted that the Proposed Services Annual Caps in relation to this category mainly stemmed from the anticipated strengthening of the cooperation between the Group and JIC Group in the investment advisory business, fund custody and other related business and asset management business. As of August 2024, the Group was the investment manager for JIC Group with AUM of approximately RMB2,600 million. The Management estimated that such AUM would increase to RMB6,000 million enabling the Group to earn an investment advisory fee income of up to RMB30 million per annum based on a weighted average commission rate of 0.5% which was derived from the actual fees received in 2023. As advised by the Management, with the cooperation deepening between the Group and JIC Group, the AUM would increase to RMB6,000 million, which includes (i) RMB1,500 million that might be further contributed by JIC Group; (ii) RMB1,500 million that might be contributed by a potential client; and (iii) a 7% buffer to cater for any contingencies.

Given (i) the Group has been the investment manager of JIC Group; (ii) based on the Group's internal budget and relevant estimations, JIC Group's AUM to be managed by the Group is expected to increase to RMB6,000 million from 2025 to 2027; (iii) the investment advisory fee receivable by the Group is based on the same rates offered to Independent Third Parties, the Group expects the estimated transaction amount in relation to this category for the three years ended December 31, 2027 to be RMB30 million. On these bases, we are of the view that this projection is not unreasonable.

As advised by the Management, the ETF market has ample room for growth. As stated in the letter from the Board in the Circular, according to Wind, from 2020 to 2023, the CAGR of net asset value of market-wide equity ETFs is approximately 23.88%. The Management expected that the Group will commence to provide the market making services to JIC Group

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for both equity and bond and the estimated transaction amount in relation to this category will not exceed RMB22 million in 2025, which has taken into account (i) the potential businesses or cooperation currently under negotiation between the Group and JIC Group; and (ii) the applicable growth rate.

Given (i) the estimated transaction amount of not more than RMB22 million in 2025 in relation to this category is determined based on the commercial negotiations between the Group and JIC Group; (ii) the annual increment of 16%-18% for 2026 and 2027, which is determined with reference to the CAGR of net asset value of market-wide equity ETFs of approximately 24%, which aligns Group's internal budget and relevant estimations for 2026 and 2027, the Group expects the estimated transaction amount in relation to this category for the three years ending December 31, 2027 to be RMB22 million, RMB25.6 million and RMB30.28 million. On these bases, this projection is, in our view, not unreasonable.

(iv) Financial products agency sale services

According to the Services Breakdown and our discussion with the Management, we noted that the estimated transaction amount for this category mostly represents agency sales for the financial products issued by JIC Group.

In order to estimate the transaction amount for this category, the Management made reference to the highest historical transaction amount of approximately RMB430,000 in 2022, fee reform in the fund industry and expected growth in this business segment. As advised by the Management, the current fee-sharing rate will increase up to 50% for personal clients and up to 30% for institutional clients, pursuant to the regulatory requirement published by CSRC. We noted that the Group currently applies the same fee-sharing rate for both kinds of clients and is negotiating with JIC Group and the Independent Third Parties to increase the fee rate. Once it is finalised, the Group will adopt the new fee-sharing rates across all clients when providing financial products agency sale services. In addition, the Management adopts an increment of 15%, which was referenced to a year-on-year increase in the amount of the financial products sold by the Group in 2023 of 18.2%.

Given (i) the highest historical transaction amount of approximately RMB430,000 in 2022; (ii) the increase in expected weighted average fee sharing ratio up to 40%; and (iii) an increase of 15% in this business segment as discussed above, the Group expected the estimated transaction amount for this category for the three years ending December 31, 2027 to be RMB2 million. On these bases, we are of the view that this projection is not unreasonable.

With reference to the letter from the Board in the Circular, the proposed annual caps of the New Framework Agreement for the expenses incurred in respect of provision of the Securities and Financial Services by JIC Group. We have discussed with the Management and noted that the Group intends to engage qualified investment managers, including JIC Group, to be its investment managers. Currently, with reference to the existing fund investment and consulting business scale of the Group, the Management estimated that the maximum AUM to be managed by JIC Group will be approximately RMB 1 billion and the cap in this category is calculated based on a 1% advisory fee of the estimated AUM. In view of the above, we consider the proposed annual caps for the expenses arising from the AUM of approximately RMB1 billion in respect of provision of the Securities and Financial Services by JIC Group is not unreasonable.

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OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the entering into of the New Framework Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole. We are also of view that the terms of the New Framework Agreement, the transactions contemplated under the New Framework Agreement and the Proposed Annual Caps are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. We therefore advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions in relation to the transactions contemplated under the New Framework Agreement and the Proposed Annual Caps at the EGM.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Jenny Leung
Director

Ms. Jenny Leung is a licensed person and responsible officer of Somerley Capital Limited registered with the SFC to carry out type 6 (advising on corporate finance) regulated activities under the SFO and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

1. RESPONSIBILITY STATEMENT

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

2. INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, none of the Directors, Supervisors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were 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 interests or short positions which any such Directors, Supervisors, chief executive or their respective associates were deemed to have under such provisions of the SFO), or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which was otherwise required to be 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. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group, excluding contracts expiring or terminable by the Company or any member of the Group within a year without payment of any compensation (other than statutory compensation).

4. COMPETING INTERESTS

As at the Latest Practicable Date, so far as is known to the Board, none of the Directors or any of their respective associates was interested in any business (apart from the Group's business) which competes or possibly competes either directly or indirectly with the Group's business (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling Shareholder).

5. INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since December 31, 2023 (being the date to which the latest published audited accounts of the Group were prepared), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

6. DISCLOSURE OF SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, to the knowledge of the Directors, the following persons (not being Directors, Supervisors and the chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company under Section 336 of the SFO:

Unit: Shares

Name of Substantial Shareholders	Class of Shares	Nature of interests	Number of Shares held (Share) ^{Note 3}	Percentage of the total number of issued Shares of the Company (%) ^{Note 4}	Percentage of the total number of issued A Shares/H Shares of the Company (%)	Long/short positions
1. Central Huijin Investment Ltd. ^{Note 1}	A Shares	Beneficial owner	5,020,606,527	20.05	22.28	Long positions
	A Shares	Interest in controlled corporations	7,792,697,332	31.12	34.58	Long positions
	H Shares	Interest in controlled corporations	756,472,000	3.02	30.21	Long positions
	H Shares	Interest in controlled corporations	64,193,600	0.26	2.56	Short positions
2. China Jianyin Investment Ltd.	A Shares	Beneficial owner	6,596,306,947	26.34	29.27	Long positions
3. Industrial and Commercial Bank of China Limited	H Shares	Beneficial owner	648,404,800	2.59	25.89	Long positions
4. Everbright PGIM Fund Management Co., Ltd. (on behalf of EPF — Huaxia Life SMA One) (代表光大保德信 — 華夏人壽1號單一資產管理計劃)	H Shares	Trustee	216,134,400	0.86	8.63	Long positions
5. Huaxia Life Insurance Co., Ltd. ^{Note 2}	H Shares	Beneficial owner	216,134,000	0.86	8.63	Long positions
6. China Life Insurance (Group) Company	H Shares	Beneficial owner	172,907,200	0.69	6.90	Long positions

Note 1: Central Huijin holds the entire equity interest in JIC, the entire equity interest in Central Huijin Asset Management Ltd., and 63.16% of equity interest in China Everbright Group Ltd. The total number of A Shares of the Company held by JIC, Central Huijin Asset Management Ltd. and China Everbright Group Ltd. is 7,792,697,332. Central Huijin indirectly holds 756,472,000 H Shares of the Company through its controlled corporations including Industrial and Commercial Bank of China Limited, and China Reinsurance (Group) Corporation. In particular, Central Huijin holds 648,404,800 shares through Industrial and Commercial Bank of China Limited and 108,067,200 shares through China Reinsurance (Group) Corporation.

Note 2: Huaxia Life Insurance Co., Ltd. has engaged Everbright PGIM Fund Management Co., Ltd. (光大保德信基金管理有限公司), a qualified domestic institutional investor as approved by the relevant PRC regulatory authority, as the asset manager, in the name of EPF — Huaxia Life SMA One (光大保德信 — 華夏人壽1號單一資產管理計劃), to subscribe for and hold H Shares of the Company on behalf Huaxia Life Insurance Co., Ltd.

Note 3: According to Part XV of the SFO, Shareholders of the Company are required to file disclosure of interests forms when certain criteria are fulfilled. If the Shareholders have not filed disclosure of interests forms as required under the SFO, the actual shareholdings of the Shareholders in the Company as at the Latest Practicable Date may be different from the shareholdings filed with the Hong Kong Stock Exchange. When the shareholdings of Shareholders in the Company change, it is not necessary for such Shareholders to

notify the Company and the Hong Kong Stock Exchange unless certain criteria are fulfilled. Therefore, the actual shareholdings of Substantial Shareholders in the Company as at the Latest Practicable Date may be different from the shareholdings filed with the Hong Kong Stock Exchange.

Note 4: As at the Latest Practicable Date, the Company has issued a total of 22,535,944,560 A Shares and 2,504,000,000 H Shares, totaling 25,039,944,560 Shares.

Save as disclosed above, as at the Latest Practicable Date, to the knowledge of the Directors, no other persons (not being Directors, Supervisors and the chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company under Section 336 of the SFO.

7. DIRECTORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the following Directors were in the employment of those companies which had interests or short positions in the Shares or underlying Shares of the Company which are required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO:

Name	Positions held in specific companies
Ms. Zhang Ying	Designated director of Office of the Directly Managed Enterprises Leading Group/Equity Management Department II of Central Huijin Managing director of Office of the Directly Managed Enterprises Leading Group/Equity Management Department II of Central Huijin
Mr. Shao Yalou	Designated director of Office of the Directly Managed Enterprises Leading Group/Equity Management Department II of Central Huijin Managing director of Office of the Directly Managed Enterprises Leading Group/Equity Management Department II of Central Huijin

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since December 31, 2023, being the date to which the latest published audited consolidated accounts of the Company were prepared.

9. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was involved in any material litigation or arbitration and there was no material litigation or claim known to the Directors to be pending or threatened by or against any member of the Group.

10. EXPERT'S DISCLOSURE OF INTEREST AND CONSENTS

- (1) The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
Somerley Capital Limited	A corporation licensed by the Securities and Futures Commission to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

- (2) As at the Latest Practicable Date, the above expert did not have any direct or indirect shareholdings in any member of the Group or any right (whether legal enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (3) As at the Latest Practicable Date, the above expert did not have any direct or indirect interests in any assets which have been acquired, disposed of by or leased to or which were proposed to be acquired, disposed of by or leased to any member of the Group, since December 31, 2023, being the date to which the latest published audited consolidated accounts of the Company were prepared.
- (4) Somerley issued a letter dated December 3, 2024 for the purpose of incorporation in this circular in connection with its recommendation to the Independent Board Committee and the Independent Shareholders.
- (5) The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its expert's opinions and reference to its name in the form and context in which they appear.

11. OTHER INFORMATION

- (1) The joint company secretaries of the Company are Mr. Xu Liang and Mr. Wong Wai Chiu (a fellow of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries), a fellow of the Chartered Governance Institute of the United Kingdom, a member of CPA Australia, a member of the Hong Kong Trustees' Association and a Certified Trust Practitioner).
- (2) The registered office of the Company is Room 2001, 20/F, Dacheng International Building, 358 South Beijing Road, Urumqi High-tech Zone, Xinjiang, the PRC. The Company's principal place of business in Hong Kong is 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong.
- (3) 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, Wanchai, Hong Kong.

12. DOCUMENTS ON DISPLAY

Copies of the following documents are displayed on the HKEXnews website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Company (<http://www.swhygh.com/>) for a period of no less than 14 days from the date of this circular to and including the date of the EGM:

- (1) the New Framework Agreement;
- (2) the letter from the Independent Board Committee to the Independent Shareholders, which is set out on page 32 of this circular;
- (3) the letter from Somerley to the Independent Board Committee and the Independent Shareholders, which is set out on pages 33 to 54 of this circular; and
- (4) the written consent referred to in the paragraph 10 of this appendix.

NOTICE OF THE 2024 SECOND EXTRAORDINARY GENERAL MEETING



申萬宏源集團股份有限公司 SHENWAN HONGYUAN GROUP CO., LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 6806)

NOTICE OF THE 2024 SECOND EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2024 second extraordinary general meeting (the “EGM”) of Shenwan Hongyuan Group Co., Ltd. (the “Company”) will be held at 2:30 p.m. on Thursday, December 19, 2024 at the Company’s conference room, No. 19, Taipingqiao Street, Xicheng District, Beijing, the PRC to consider and, if thought fit, approve the following resolutions.

ORDINARY RESOLUTIONS

1. To consider and approve the resolution regarding the renewal of the Securities and Financial Products, Transactions and Services Framework Agreement and the transactions contemplated thereunder and the proposed annual caps for the three years ending December 31, 2027
2. To consider and approve the resolution regarding the provision of guarantee for Hongyuan Hengli (Shanghai) Industrial Co., Ltd.
3. To consider and approve the resolution regarding the election of a non-executive Director

By order of the Board
Shenwan Hongyuan Group Co., Ltd.
Liu Jian
Chairman

Beijing, the PRC
December 3, 2024

Notes:

1. In order to determine the H shareholders’ entitlement to attend the EGM, the H share register of members of the Company will be closed from Monday, December 16, 2024 to Thursday, December 19, 2024 (both days inclusive), during which period no transfer of H shares will be registered. In order for holders of H shares to attend the EGM, the relevant share certificates, accompanied by all share transfer documents, must be lodged with the Company’s H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Friday, December 13, 2024. H shareholders whose names appear on the H share register of members of the Company on Monday, December 16, 2024 shall be entitled to attend and vote at the EGM.
2. Any shareholder entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote on his/her/its behalf at the EGM. A proxy needs not be a shareholder of the Company.

The proxy form shall be signed by the shareholder or his/her/its attorney who has been authorized in writing or, in the case of a corporation as a shareholder, must either be executed under its common seal or under the hand of its legal representative, director(s) or duly authorized attorney(s). In case of joint holders of the shares, the form of proxy must be signed by the joint holder whose name stands first in the register of members of the Company.

NOTICE OF THE 2024 SECOND EXTRAORDINARY GENERAL MEETING

H shareholders are required to return the proxy form or the notarized power of attorney or other authorization documents to the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, by hand or by post no later than 24 hours before the time appointed for convening the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the EGM or any adjournment thereof in person if you so wish.

3. In case of joint shareholders and if more than one joint shareholder in person or by proxy attend the meeting, the vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted as 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 of the Company in respect of the joint shareholding.
4. Pursuant to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), all votes of shareholders at a general meeting must be taken by poll. Therefore, the resolutions to be proposed at the EGM will be voted by poll.

The aforesaid resolutions 1 to 3 are ordinary resolutions to be passed by the affirmative votes representing over one half of the total number of shares held by the shareholders attending the EGM with voting rights.

Pursuant to Rule 2.15 of the Listing Rules, where shareholders' approval is required with regard to a transaction, any shareholder that has a material interest in such transaction shall abstain from voting on the resolution(s) on whether or not to approve such transaction at the shareholders' general meeting.

As far as the directors are aware as at the date of this notice, the shareholders who have a material interest in the resolution 1, i.e. China Jianyin Investment Ltd. and Central Huijin Investment Ltd., will abstain from voting on the resolution 1. Save as disclosed above, no shareholder is considered to have a material interest in any of the resolutions proposed at the EGM and has to abstain from voting at the EGM approving the resolutions.

5. The contact details of the place of business of the Company are as follows:

Contact Address: 20/F, Dacheng International Building, 358 South Beijing Road, Urumqi High-tech Zone, Xinjiang, the PRC/No. 19, Taipingqiao Street, Xicheng District, Beijing, the PRC

Postal Code: 830011/100033

Contact Person: Zhu Li/Li Dan

Telephone No.: (+86) 991 2301870/(+86) 10 88085057

Facsimile No.: (+86) 991 2301779/(+86) 10 88085059

6. The EGM is expected to last for half a day. Shareholders or their proxies attending the EGM shall be responsible for their own travelling and accommodation expenses.