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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 and reply slip, 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)

- (1) 2019 WORK REPORT OF THE BOARD OF DIRECTORS**
 - (2) 2019 WORK REPORT OF THE BOARD OF SUPERVISORS**
 - (3) 2019 ANNUAL FINANCIAL REPORT**
 - (4) 2019 PROFIT DISTRIBUTION PLAN**
 - (5) 2019 ANNUAL REPORT**
 - (6) ESTIMATED ORDINARY RELATED PARTY TRANSACTIONS FOR 2020**
 - (7) PROPOSED AMENDMENTS TO THE ANNUAL CAPS OF CONTINUING CONNECTED TRANSACTIONS OF THE COMPANY FOR 2020 AND 2021**
 - (8) RE-APPOINTMENT OF AUDITORS OF THE COMPANY FOR 2020**
 - (9) ELECTION OF DIRECTORS OF THE COMPANY**
 - (10) AMENDMENTS TO THE ARTICLES OF ASSOCIATION**
 - (11) AMENDMENTS TO THE RULES OF PROCEDURE OF THE GENERAL MEETING**
- AND**
NOTICE OF THE 2019 ANNUAL GENERAL MEETING

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



SOMERLEY CAPITAL LIMITED

The 2019 annual general meeting of Shenwan Hongyuan Group Co., Ltd. will be held at 2:30 p.m. on Tuesday, June 23, 2020 at the Company's conference room, No. 19, Taipingqiao Street, Xicheng District, Beijing, the PRC. A notice of the AGM is set out on pages 46 to 48 of this circular.

Whether or not you are able to attend the AGM, you are advised to read the notice of the AGM carefully and to complete the proxy form dispatched on Friday, May 8, 2020 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 AGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the AGM or any adjournment thereof in person if you so wish.

If you intend to attend the AGM either in person or by proxy, you are required to complete and return the reply slip for the AGM, by hand or by post, to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited on or before Wednesday, June 3, 2020.

June 3, 2020

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DEFINITIONS

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

“AGM”	the 2019 annual general meeting of the Company to be held at 2:30 p.m. on Tuesday, June 23, 2020 at the Company’s conference room, No. 19, Taipingqiao Street, Xicheng District, Beijing, the PRC
“A Share(s)”	domestic Shares of the Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in RMB and are listed for trading on the Shenzhen Stock Exchange (Stock Code: 000166)
“A Shareholder(s)”	holder(s) of A Share(s)
“Articles of Association”	the articles of association of the Company, as amended, supplemented or otherwise modified from time to time
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board” or “Board of Directors”	the board of directors of the Company
“Board of Supervisors”	the board of supervisors 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
“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
“Company Law”	Company Law of the People’s Republic of China (《中華人民共和國公司法》) (as amended from time to time)
“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
“ETF(s)”	Exchange Traded Funds
“FICC”	fixed income, currencies and commodities

DEFINITIONS

“Framework Agreement”	the Securities and Financial Products, Transactions and Services Framework Agreement entered into between the Company and JIC on March 29, 2019, details of which are set out in the Prospectus
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign Shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for in HKD and 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
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“iFinD”	the financial data terminal developed by Hithink RoyalFlush Information Network Co., Ltd. (浙江核新同花順網絡信息股份有限公司) (a company listed on the Shenzhen Stock Exchange (Stock Code: 300033.SZ), which is mainly engaged in provision of financial information services, intelligent distribution services, system maintenance services and other financial services to individuals)
“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 and the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Amendments
“Independent Shareholder(s)”	Shareholders other than JIC or 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”	May 20, 2020, 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

DEFINITIONS

“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan of the PRC
“Proposed Amendments”	the proposed amendments to the annual caps for the securities and financial products and transactions and the securities and financial services under the Framework Agreement for the years ending December 31, 2020 and 2021
“Prospectus”	the prospectus of H Shares of the Company dated April 12, 2019
“RMB”	Renminbi, the lawful currency of the PRC
“Rules of Procedure of the General Meeting”	the Rules of Procedure of the General Meeting of Shenwan Hongyuan Group Co., Ltd., as amended, supplemented or otherwise modified from time to time
“Securities Law”	Securities Law of the People’s Republic of China (《中華人民共和國證券法》) (as amended from time to time)
“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)”	holder(s) of the Share(s) of the Company, including A Shareholders and H Shareholders
“Shenwan Hongyuan Securities”	Shenwan Hongyuan Securities Co., Ltd. (申萬宏源證券有限公司), a company with limited liability incorporated in the PRC on January 16, 2015 and a wholly-owned subsidiary of the Company
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“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 Accounting Standards for Enterprises of China.

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. Chu Xiaoming (Chairman)
Mr. Yang Wenqing (Vice Chairman)

Non-executive Directors:

Mr. Chen Jianmin
Mr. Wang Honggang
Mr. Wang Fengchao
Ms. Ge Rongrong
Mr. Ren Xiaotao

Independent Non-executive Directors:

Ms. Ye Mei
Mr. Xie Rong
Ms. Huang Danhan
Ms. Yang Qiumei

Registered Office:

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

Principal Place of Business in the PRC:

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

No. 19, Taipingqiao Street
Xicheng District
Beijing
PRC

Principal Place of Business in Hong Kong:

40/F, Sunlight Tower
248 Queen's Road East
Wanchai, Hong Kong

June 3, 2020

To the H Shareholders

Dear Sir or Madam,

- (1) 2019 WORK REPORT OF THE BOARD OF DIRECTORS
 - (2) 2019 WORK REPORT OF THE BOARD OF SUPERVISORS
 - (3) 2019 ANNUAL FINANCIAL REPORT
 - (4) 2019 PROFIT DISTRIBUTION PLAN
 - (5) 2019 ANNUAL REPORT
 - (6) ESTIMATED ORDINARY RELATED PARTY TRANSACTIONS FOR 2020
 - (7) PROPOSED AMENDMENTS TO THE ANNUAL CAPS OF CONTINUING CONNECTED TRANSACTIONS OF THE COMPANY FOR 2020 AND 2021
 - (8) RE-APPOINTMENT OF AUDITORS OF THE COMPANY FOR 2020
 - (9) ELECTION OF DIRECTORS OF THE COMPANY
 - (10) AMENDMENTS TO THE ARTICLES OF ASSOCIATION
 - (11) AMENDMENTS TO THE RULES OF PROCEDURE OF THE GENERAL MEETING
- AND
- NOTICE OF THE 2019 ANNUAL GENERAL MEETING

LETTER FROM THE BOARD

INTRODUCTION

The purpose of this circular is to give you notice of the AGM 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 AGM.

The following ordinary resolutions will be proposed at the AGM to approve: (1) the 2019 Work Report of the Board of Directors; (2) the 2019 Work Report of the Board of Supervisors; (3) the 2019 Annual Financial Report; (4) the 2019 Profit Distribution Plan; (5) the 2019 Annual Report; (6) the Resolution Regarding the Estimated Ordinary Related Party Transactions for 2020; (7) the Resolution Regarding the Proposed Amendments to the Annual Caps of Continuing Connected Transactions of the Company for 2020 and 2021; (8) the Resolution Regarding the Re-appointment of Auditors of the Company for 2020; and (9) the Resolution Regarding the Election of Directors of the Company.

The following special resolutions will be proposed at the AGM to approve: (1) the Amendments to the Articles of Association; and (2) the Amendments to the Rules of Procedure of the General Meeting.

ORDINARY RESOLUTIONS

1. 2019 WORK REPORT OF THE BOARD OF DIRECTORS

An ordinary resolution will be proposed at the AGM to approve the 2019 Work Report of the Board of Directors.

The 2019 Work Report of the Board of Directors has been considered and approved at the Board meeting held on March 27, 2020 and is now submitted to the AGM for consideration and approval.

Details of the 2019 Work Report of the Board of Directors are set out in Appendix I to this circular.

2. 2019 WORK REPORT OF THE BOARD OF SUPERVISORS

An ordinary resolution will be proposed at the AGM to approve the 2019 Work Report of the Board of Supervisors.

The 2019 Work Report of the Board of Supervisors has been considered and approved at the meeting of the Board of Supervisors held on March 27, 2020 and is now submitted to the AGM for consideration and approval.

Details of the 2019 Work Report of the Board of Supervisors are set out in Appendix II to this circular.

3. 2019 ANNUAL FINANCIAL REPORT

An ordinary resolution will be proposed at the AGM to approve the 2019 Annual Financial Report.

The 2019 Annual Financial Report has been considered and approved at the Board meeting held on March 27, 2020 and is now submitted to the AGM for consideration and approval.

Details of the 2019 Annual Financial Report are set out in Appendix III to this circular.

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4. 2019 PROFIT DISTRIBUTION PLAN

An ordinary resolution will be proposed at the AGM to approve the 2019 Profit Distribution Plan.

As audited and confirmed by KPMG Huazhen LLP, as of December 31, 2019, the Company realised a consolidated net profit attributable to shareholders of the parent company of RMB5,735,412,391.33. The balance of the audited undistributed profit of the parent company of the Group at the beginning of 2019 was RMB2,492,945,028.49, plus the net profit attributable to the parent company of RMB2,060,439,341.07 for 2019; after deducting the cash dividend of RMB1,126,797,228.00 in 2019; after deducting the statutory surplus reserve of RMB206,043,934.10 at 10% of the net profit realized in 2019 according to the Company Law and the Articles of Association. The balance of profit available for distribution of the parent company of the Group at the end of 2019 was RMB3,220,543,207.46.

I. Distribution of Dividend in the Recent Three Years

Cash dividend (tax inclusive) of the Company for 2016–2018

Year	Cash dividend	Unit: RMB'0,000
		Annual distributable profit (consolidated)
2016	200,566.06	383,797.38
2017	112,679.72	352,590.09
2018	112,679.72	284,448.32
Proportion of accumulated cash dividend for the recent three years in the annual average distributable profit		125.17%

According to the relevant requirements of the CSRC, Xinjiang Branch of CSRC, the Shenzhen Stock Exchange, the Articles of Association and the Shareholder Return Plan of the Company for the Next Three Years (2018–2020), the Company may distribute dividends in cash, stock or by the combination of cash and stock and in any three consecutive years, the aggregate profits distributed by the Company in cash shall not be less than 30% of the average annual distributable profits for such three years. The distribution of dividends in the recent three years is in line with the relevant regulatory requirements.

II. Reasons for Proposed Profit Distribution for 2019

After giving comprehensive consideration to the requirements of the securities regulatory authorities and the clear proportion of cash dividends under the Articles of Association, in order to maintain the continuity of the cash dividend policy, the cash dividend plan was implemented in 2019 based on the actual situation of the Company as well as industry practices as a response to certain Shareholders' request for cash dividend.

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III. Specific Plan on Profit Distribution for 2019

1. Based on the total share capital of 25,039,944,560 A Shares and H Shares of the Company as of December 31, 2019, a cash dividend of RMB0.80 (tax inclusive) for every 10 Shares will be distributed to all A Shareholders and H Shareholders whose names appear on the register of members of the Company on the record date, with a total amount of cash dividend of RMB2,003,195,564.80. The retained profits of the Company of RMB1,217,347,642.66 following the cash dividend distribution will be carried forward to the next year.
2. Cash dividend is denominated and declared in RMB and paid to A Shareholders in RMB and to H Shareholders in HKD. The actual distribution amount in HKD was calculated at the rate of average benchmark exchange rate of RMB against HKD published by the People's Bank of China five business days prior to the AGM of the Company.

The 2019 Profit Distribution Plan has been considered and approved at the Board meeting held on March 27, 2020 and is now submitted to the AGM for consideration and approval. Upon approval at the AGM, it is expected that the Company will distribute cash dividends in accordance with the distribution plan within two months after the AGM.

The Company will make further notice on the record date and the book closure date for such dividend distribution, etc.

5. 2019 ANNUAL REPORT

An ordinary resolution will be proposed at the AGM to approve the 2019 Annual Report.

The 2019 Annual Report has been considered and approved at the Board meeting and the meeting of the Board of Supervisors held on March 27, 2020 and is now submitted to the AGM for consideration and approval.

The 2019 Annual Report was dispatched to Shareholders on April 21, 2020, and has been published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (www.swhygh.com).

6. RESOLUTION REGARDING THE ESTIMATED ORDINARY RELATED PARTY TRANSACTIONS FOR 2020

An ordinary resolution will be proposed at the AGM to approve the Resolution Regarding the Estimated Ordinary Related Party Transactions for 2020.

The resolution has been considered and approved at the Board meeting held on March 27, 2020 and is now submitted to the AGM for consideration and approval.

Details of the resolution are set out in Appendix IV to this circular.

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7. RESOLUTION REGARDING THE PROPOSED AMENDMENTS TO THE ANNUAL CAPS OF CONTINUING CONNECTED TRANSACTIONS OF THE COMPANY FOR 2020 AND 2021

An ordinary resolution will be proposed at the AGM to approve the Resolution Regarding the Proposed Amendments to the Annual Caps of Continuing Connected Transactions of the Company for 2020 and 2021.

Reference is made to the announcement of the Company dated March 27, 2020 in relation to, among other things, the Proposed Amendments to the annual caps of continuing connected transactions of the Company for 2020 and 2021.

I. BACKGROUND

Reference is made to the Prospectus, among others, the Framework Agreement entered into between the Company and JIC on March 29, 2019. Pursuant to the Framework Agreement, the Group and JIC and/or their respective associate(s) shall provide 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 to JIC and/or its associates. In light of the reasons mentioned herein, the Company proposes to amend the annual caps of the securities and financial products and transactions and the securities and financial services for the years ending December 31, 2020 and 2021 contemplated under the Framework Agreement.

II. FRAMEWORK AGREEMENT AND PROPOSED AMENDMENTS TO THE ANNUAL CAPS

1. *Date*

March 29, 2019

2. *Parties*

(1) the Company; and

(2) JIC

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

A. *Securities and Financial Products and Transactions*

According to the Framework Agreement, the securities and financial products and transactions between the Group and JIC and/or its associates include (but are not limited to) the followings (collectively the “**Securities and Financial Products and Transactions**”):

- equity-related products or transactions, including funds, trust, bonds, asset management schemes, convertible bonds, structured products, etc.;

LETTER FROM THE BOARD

- fixed-income products, including funds, trust, bonds, and structured products with fixed income characteristics, etc.;
- 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 Framework Agreement, JIC agreed to purchase and the Company agreed to provide securities and financial services to JIC and/or its associates in its ordinary course of business based on normal commercial terms and market practices at prevailing market prices. The securities and financial services provided 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 underwriting and sponsorship services for equity securities and other products, and financial advisory services 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;
- 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. The Group receives advisory fees and/or other fees for such services.

4. Pricing Basis

A. Pricing Basis for Securities and Financial Products and Transactions

The market rates in respect of each of the Securities and Financial Products and Transactions are generally transparent and standardized 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.

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The Securities and Financial Products and Transactions are mainly conducted through the PRC inter-bank bond market and the PRC exchange bond market, exchanges (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.

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

The major types of securities and financial products traded on the PRC inter-bank bond market and the PRC exchange bond market include inter-bank lending, collateralized repurchase, buyout repurchase, spot trading, bond lending, asset securitization products, interest rate swap, etc. The pricing of the transactions conducted at the PRC inter-bank bond market and the PRC exchange bond market are 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 of the relevant securities and financial products published by China Central Depository & Clearing Co., Ltd. (“**CCDC Valuation Data**”), yield curve and the turnover details published by China Foreign Exchange Trading System & National Interbank Funding Centre. The Company may subscribe for the CCDC Valuation Data each year, and get access to the data of China Foreign Exchange Trading 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 professional information service providers, such as Wind Information.

- 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 equities, funds, bonds, gold products, futures, etc. Share options are also traded on Shanghai Stock Exchange. Call auction mechanism is mainly adopted in these exchanges and the pricing 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

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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 its associates are fair, reasonable and no more favourable than those of the transactions between the Company or its subsidiaries and independent third parties.

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 fee rate charged by the Group for comparable agency sale service provided to independent third party and generally in the range of 0% to 1.5%;
- 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 then prevailing market rates 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 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 prevailing market rates for comparable securities or futures and generally in the range of 0.013% to 0.3%;
- investment banking services — With respect to the equity-related underwriting and sponsor services, the fees are determined with reference to the prevailing market rates for transactions of similar type and size and taking into account the nature of the particular offering, the complexity of the transaction, the size of the transaction, the frequency of the relevant customer engaging in transactions with the Company and the prevailing market conditions. Based on the foregoing factors, the fees are determined through competitive bidding and business negotiation or with reference to the standard fee charged by independent third parties in other similar projects;

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With respect to the underwriting fees for fixed-income products (including corporate bonds, company bonds, asset securitization 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;

- asset management services — the fees charged for asset management services are determined based on arm's length negotiations with reference to factors including the prevailing market rates, 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 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 prevailing market rates for transactions of similar type and size.

The terms (including pricing terms) in respect of the Securities and Financial Services the Group provided to JIC and/or its associates shall be comparable to those provided to the Group's other 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.

5. *Term*

From April 26, 2019 (i.e. the date of listing of the H Shares of the Company) to December 31, 2021

LETTER FROM THE BOARD

6. Proposed Amendments to the Annual Caps

As the securities market picked up in 2019, and in December 2019, Shenwan Hongyuan Securities obtained the qualification for primary market maker for ETFs from the Shanghai Stock Exchange, there was an obvious increase in the demand for business cooperation in terms of investment banking business, asset management business, fund market-making business, etc. between Shenwan Hongyuan Securities and its subsidiaries and JIC and its subsidiaries, being connected persons of the Company under the Listing Rules, which may result in that the original annual caps of the Securities and Financial Products and Transactions and the Securities and Financial Services between Shenwan Hongyuan Securities and its subsidiaries and JIC and its subsidiaries for the year ending December 31, 2020 and the year ending December 31, 2021 fail to meet the current business needs of the Company. Therefore, the Company proposes to amend the original annual caps. Details of the amendments are as follows:

A. Securities and Financial Products and Transactions

(1) Original annual caps and historical transaction amounts

For the years ended December 31, 2017, 2018 and 2019, the annual caps and historical transaction amounts of the Securities and Financial Products and Transactions are set out below:

Securities and Financial Products and Transactions	For the year ended December 31, 2017		For the year ended December 31, 2018		For the year ended December 31, 2019		<i>Unit: RMB'000</i> 2020	
	Annual cap	Actual transaction amount	Annual cap	Actual transaction amount	Annual cap	Actual transaction amount ⁽⁴⁾	For the year ended December 31 Original annual cap	For the four months ended April 30 Actual transaction amount
	In ⁽¹⁾⁽⁵⁾	N/A	1,705,401	N/A	186,464	4,690,721	2,289,738	4,048,500
Out ⁽²⁾⁽⁵⁾	N/A	1,070,086	N/A	1,210,413	4,053,000	1,557,666	4,419,000	537,000

From January 1, 2020 to the Latest Practicable Date, the actual amounts of the total cash inflow to the Group arising from the Securities and Financial Products and Transactions (the “**Cash Inflow**”) and the total cash outflow from the Group arising from the Securities and Financial Products and Transactions (the “**Cash Outflow**”) did not exceed the original annual cap for the year ending December 31, 2020. And the Company will ensure that, before this resolution is considered and approved at the AGM, the actual amounts of the Cash Inflow and the Cash Outflow will not exceed the original annual cap for the year ending December 31, 2020.

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For the years ending December 31, 2020 and 2021, the original annual caps and the proposed amended 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 ending December 31, 2020		For the year ending December 31, 2021	
	Proposed		Proposed	
	Original annual cap	amended annual cap	Original annual cap	amended annual cap
In ⁽¹⁾⁽³⁾	4,048,500	8,108,500	4,456,500	9,718,500
Out ⁽²⁾⁽³⁾	4,419,000	8,479,000	4,437,800	9,999,800

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 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, 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 shortfall between the historical transaction amounts and the annual cap of the Securities and Financial Products and Transactions for the year ending December 31, 2019 is mainly due to (a) the transactions in relation to the Company’s entrusted management of assets and withdrawal of entrusted assets, the subscription and redemption of the publicly offered products issued by the Company by JIC and its subsidiaries and the subscription and redemption of the non-publicly offered/special products issued by the Company by JIC and its subsidiaries are closely related to the actual needs of JIC and its subsidiaries, and the Company’s role in such transactions is relatively passive. As the actual needs of JIC and its subsidiaries are lower than the originally estimated amounts, the actual amounts of such transactions are lower than the originally estimated amounts; (b) according to the actual bond issuance plan of JIC and its subsidiaries for the year of 2019 and the investment strategy as adjusted by the Company based on market conditions, the cash outflow amount for purchase of securities by the Company in 2019 is only 21.7% of the originally estimated amount; (c) the securities sale transactions are carried out through the inter-bank bond market or the bond market of stock exchanges and the counterparties of securities transactions are determined by way of enquiry. In 2019, the Company did not conclude any securities sale transaction with JIC and its subsidiaries in the abovementioned trading venues; (d) in light of the large trading amount, high trading frequency and strong trading timeliness of the individual transactions in relation to repurchase and repayment of principal and interest for repurchase, the originally estimated amounts have reserved sufficient transaction amounts for such transactions. However, there was only 1 transaction of each type actually concluded in 2019, resulting in that the actual amounts only represented 14.0% and 13.3% of the originally estimated amounts, respectively; and (e) based on actual business cooperation needs and market judgment, there was a shortfall of about RMB500 million of the actual subscription needs of mutual funds as compared to the original estimation and the quota usage ratio was about 68%.

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(2) Basis for the proposed amended annual caps

In determining the abovementioned proposed amended annual caps, the Company has considered the following factors:

- (1) In December 2019, Shenwan Hongyuan Securities obtained the qualification for primary market maker for ETFs from the Shanghai Stock Exchange. Shenwan Hongyuan Securities expects that it will start cooperation with the fund companies subordinated to JIC in 2020 to provide market-making services for the ETFs of the fund companies subordinated to JIC. As the cooperation involves a large transaction amount which may exceed the original annual caps, the Group, based on the business expansion needs of Shenwan Hongyuan Securities, proposes to increase the annual caps of the Securities and Financial Products and Transactions with JIC and its subsidiaries for the years ending December 31, 2020 and 2021. According to the data provided by Wind Information, as at December 31, 2019, the fund companies subordinated to JIC had 12 equity ETFs and the latest total size of the ETFs is RMB31.5 billion. Based on this size and calculating based on the position limit of 4% as set by the Company, the in and out amounts¹ of such transactions for the year ending December 31, 2020 are expected to be RMB1,260 million, respectively. According to the data of iFinD, the market size of EFT funds of the PRC amounted to approximately RMB1,170.4 billion for 2019, representing a CAGR of approximately 38.7% as compared to that of approximately RMB608.6 billion for 2017. Based on the growth rate of the market size, the Company expects that the total size of the fund companies subordinated to JIC for the year of 2021 will increase by 20% over the year of 2020 and calculating based on the position limit of 4%, the in and out amounts¹ of such transactions for the year ending December 31, 2021 are expected to be RMB1,512 million, respectively.
- (2) At the end of 2019, Shenwan Hongyuan Securities strengthened its business cooperation with fund companies (including the fund companies subordinated to JIC) and the initial cooperation intention between Shenwan Hongyuan Securities and the fund companies subordinated to JIC was approximately RMB700 million. Such transactions are possible to further increase based on the cooperation intention, and according to historical figure, the actual amount of such transactions of Shenwan Hongyuan Securities in 2019 was 177 times of that in the year of 2018. The planned net investment in FICC products of the Company in 2020 increases by RMB30 billion and the demand for investment in relevant products of JIC will further increase. Calculating at the investment proportion of 5% of the net increase in investment, the subscription and redemption amounts for the year ending December 31, 2020 are expected to be RMB2.0 billion, respectively, representing an increase of RMB1.5 billion as compared with the previously estimated in and out caps for such transactions, respectively; and the subscription and redemption amounts for the year ending December 31, 2021 are expected to be RMB2.0 billion, respectively, also representing an increase of RMB1.5 billion as compared with the previously estimated in and out caps for such transactions, respectively.

¹ Calculating by multiplying the total size of the ETFs of the fund companies subordinated to JIC as at December 31, 2019 by the position limit of 4% as set by the Company.

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- (3) According to the intention of the trust company subordinated to JIC, it proposes to entrust Shenwan Hongyuan Securities to set up more active management products in the year of 2020 and the increased size of the principal of entrusted management products (i.e. the in amount of the Securities and Financial Products and Transactions) for the year ending December 31, 2020 is expected to be RMB800 million. The increased size of the principal of entrusted management products (i.e. the in amount of the Securities and Financial Products and Transactions) for the year ending December 31, 2021 is expected to be RMB1.0 billion. Considering that the client may redeem the corresponding entrusted funds in the current year or subsequent years of entrusting the asset management and based on the maximum estimated out amount of the Securities and Financial Products and Transactions arising from the entrusted asset management, the proposed increased size of redeemed entrusted funds (i.e. the out amount of the Securities and Financial Products and Transactions) for the years ending December 31, 2020 and 2021 is expected to be RMB0.8 billion and RMB1.8 billion, respectively.
- (4) Shenwan Hongyuan Securities set up a number of new asset management products for investment in mutual funds in 2019. The total entrusted size as at December 31, 2019 reached RMB11.5 billion. As required by cash management business, such asset management products will have the need to subscribe for the money funds of JIC and its subsidiaries in the coming two years. Based on the entrusted size as at December 31, 2019 and considering the calculation based on its investment size of 5%, the increased out size as at December 31, 2020 is expected to be approximately RMB500 million. The temporary idle funds for asset management products managed by the Company have cash management needs, and the Chinese government promulgated a series of safeguard measures at the beginning of 2020 to encourage financial institutions to provide necessary support for middle and small-sized enterprises in the PRC. The Company plans to increase the cash management size of the abovementioned asset management products by 50% in 2021 over 2020. As a result, the Company expects that the total subscription size for the year of 2021 will increase by 50% over 2020, the increased subscription size of products managed by the fund companies subordinated to JIC (i.e. cash outflow amount of the Securities and Financial Products and Transactions) for the year ending December 31, 2021 is expected to be RMB750 million. Since the relevant products subscribed for may be redeemed in the year of subscription or subsequent years, based on the maximum amount of redemption, the total size of fund to be redeemed (cash inflow amount of the Securities and Financial Products and Transactions) for the years ending December 31, 2020 and 2021 is expected to be RMB500 million and RMB1,250 million, respectively.

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B. Securities and Financial Services

(1) Original annual caps and historical transaction amounts

For the years ended December 31, 2017, 2018 and 2019, the original annual caps and historical transaction amounts of the Securities and Financial Services are set out below:

	For the year ended December 31, 2017		For the year ended December 31, 2018		For the year ended December 31, 2019		<i>Unit: RMB'000</i> 2020	
	Annual cap	Actual transaction amount	Annual cap	Actual transaction amount	Annual cap	Actual transaction amount	Original annual cap	For the four months ended year ended April 30 Actual transaction amount
The Group's revenue generated from providing the Securities and Financial Services to JIC and/or its associates	N/A	19,085	N/A	12,851	19,000	15,323	22,800	11,680

From January 1, 2020 to the Latest Practicable Date, the actual amount of the Group's revenue generated from providing the Securities and Financial Services to JIC and/or its associates (the "Revenue") did not exceed the original annual cap for the year ending December 31, 2020. And the Company will ensure that, before this resolution is considered and approved at the AGM, the actual amount of the Revenue will not exceed the original annual cap for the year ending December 31, 2020.

For the years ending December 31, 2020 and 2021, the original annual caps and the proposed amended annual caps of the Securities and Financial Services are set out below:

	For the year ending December 31, 2020		For the year ending December 31, 2021	
	Original annual cap	Proposed amended annual cap	Original annual cap	Proposed amended annual cap
The Group's revenue generated from providing the Securities and Financial Services to JIC and/or its associates	22,800	107,300	27,360	135,360

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(2) Basis for the proposed amended annual caps

In determining the abovementioned proposed amended annual caps, the Company has considered the following factors:

- (1) The Group proposes to vigorously develop investment banking business. As JIC and its subsidiaries include trust companies, lease companies, technology companies, culture companies, etc. and the Company is possible to provide investment banking services including bond underwriting, issuance of asset-backed securities, underwriting and sponsorship, merger and acquisition and restructuring and listing recommendation to JIC and its subsidiaries, the income from the Company's investment banking business amounted to RMB1,219 million for 2019, representing an increase of 27.51% as compared to 2018. The Company expects that the investment banking business will maintain relatively stable growth, the Company's income from investment banking business is expected to increase by approximately 20% on a yearly basis for 2020 and 2021 and the income of the Company from provision of investment banking services to JIC and its subsidiaries accounts for 3.5% of the income from investment banking business, the amount of the income from investment banking business for the years ending December 31, 2020 and 2021 is expected to be approximately RMB50 million and approximately RMB60 million.
- (2) Conservative estimation was made for the commission income from leasing of trading units to the fund companies subordinated to JIC when the Company prepared the original annual caps. Since the securities market picked up and the overall trading volume of the stock market increased in 2019, for example the trading amount of Shanghai Securities Composite Index for 2019 increased by 35.5% over 2018 and the Science and Technology Innovation Board and other segments were newly launched; the trading in the stock market has become more active since 2020. The total turnover of the Shanghai Securities Composite Index in January to February 2020 was RMB12.02 trillion, representing a year-on-year increase of 81.57% as compared to RMB6.62 trillion for January to February 2019. As the Company strongly supported the development of this type of business, the income from leasing of trading units to the fund companies subordinated to JIC for the period from December 2019 to February 2020 as recognised by the Company in the first quarter of 2020 reached RMB10.28 million, representing a year-on-year increase of 749.59% as compared to the income from leasing of trading units to the fund companies subordinated to JIC of RMB1.21 million for the same period of 2019. Therefore, giving comprehensive consideration to the above market changes and business factors and based on the commission income from leasing of trading units of RMB10.28 million from December 2019 to February 2020 (3 months) as recognised in the first quarter of 2020, the commission income from leasing of trading units for the year ending December 31, 2020 is expected to be RMB40 million, representing an increase of RMB30.50 million as compared with the estimated amount of RMB9.5 million when preparing the annual caps. The securities market

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picked up and the overall trading volume of the stock market increased in 2019, for example the trading amount of Shanghai Securities Composite Index for 2019 increased by 35.5% over 2018. The Company expects that the securities market will maintain continued growth at this rate. Assuming the year-on-year increase of approximately 30%, the income from leasing of trading units for the year ending December 31, 2021 is expected to be RMB52 million, representing an increase of RMB43 million as compared with the estimated amount of RMB9 million when preparing the annual caps.

- (3) According to the intention of the trust company subordinated to JIC, it proposes to entrust Shenwan Hongyuan Securities to set up more active management products meeting new asset management regulations in 2020. The increased size of principal for the year ending December 31, 2020 is expected to be RMB800 million. Based on the increase in 2020, the increased size of the principal is expected to increase by approximately 25% year by year. Based on the management fee rate of 0.1% to 1.5% for active management products and the performance-based compensation calculated at 0% to 50% of 3.7% to 9% of the excess revenue based on historical performance and future expectations, the actual average rate of return on investment is approximately 8% with reference to the historical investment performance of relevant financial products in the history. The increased management fee income from the asset management business for the years ending December 31, 2020 and 2021 is expected to be RMB4 million and RMB5 million, respectively.

Apart from the Proposed Amendments to the annual caps as set out above, all other contents of the continuing connected transactions under the Framework Agreement (as disclosed in the Prospectus) remain unchanged.

7. Reasons for and Benefits of the Continuing Connected Transactions

In the normal course of the Group's business, the Group regularly engages in various kinds of securities and financial products 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 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 course of business, the Group provides securities and financial services to its customers, which include JIC and its associates. Due to their business needs and the Group's expertise and professional capabilities, the Group has been engaged by JIC and its associates to provide securities and financial services from time to time.

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8. *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, according to Chapter 14A of the Listing Rules, JIC is a Substantial Shareholder of the Company and JIC is a connected person of the Company. Accordingly, the transactions contemplated under the Framework Agreement entered into between the Company and JIC constitutes 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 proposed amended annual caps under the Framework Agreement exceeds 5%, the Proposed Amendments 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 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 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. 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.
- (3) For the provision of Securities and Financial Services to JIC and/or its associates, the Company or its subsidiaries shall refer to the price offered to two or more independent third parties for similar services to determine if the pricing and terms offered by the Company or its subsidiaries to JIC and/or its associates are fair, reasonable and no more favourable than those offered by the Company or its subsidiaries to independent third parties;
- (4) In order to strengthen the management of the Company's connected transactions, the Company has designated specific departments such as the legal and compliance department and 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 establishing the connected transaction ledger of each department and subsidiary, summarizing and conducting statistics on the Company's connected transactions on a quarterly basis, and monitoring the actual amount of connected transactions to ensure the annual caps are not exceeded;

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- (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 connected transactions are required to be maintained and kept properly.

IV. OPINIONS OF THE BOARD

As Mr. Chen Jianmin, Ms. Ge Rongrong and Mr. Ren Xiaotao, being Directors of the Company, are Directors despatched by Central Huijin, they are therefore deemed to have material interest in the Framework Agreement and the transactions contemplated thereunder. Thus, they have abstained from voting on the Board resolution to approve the Proposed Amendments. 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 amended annual caps, reasons for and benefits of the continuing connected transactions and internal monitoring measures, the Board (including independent non-executive Directors) are of the opinion that the terms of the Framework Agreement and the proposed amended annual caps are entered into in the ordinary and usual course of business 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 comprehensive investment group mainly engaged in equity investment. JIC is a wholly-owned subsidiary of Central Huijin.

The resolution has been considered and approved at the Board meeting held on March 27, 2020 and is now submitted to the AGM for consideration and approval.

8. RESOLUTION REGARDING THE RE-APPOINTMENT OF AUDITORS OF THE COMPANY FOR 2020

An ordinary resolution will be proposed at the AGM to approve the re-appointment of auditors of the Company for 2020.

In accordance with the provisions of the audit business contract, KPMG Huazhen LLP and KPMG (collectively, KPMG) implemented works relating to the annual audit of the Company for 2019. Based on the overall annual audit performance of KPMG for 2015 to 2019, and in order to maintain the continuity and stability of the audit of the Company's annual reports, it is proposed to re-appoint KPMG as the auditors of the Company for 2020 to provide relevant audit, review and other services in accordance with the Accounting Standards for Enterprises of China and the International Financial Reporting Standards.

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The audit scope and content required for accountants in 2020 are basically the same as those in 2019. After consultation, KPMG's audit fee quoted for 2020 is RMB5.50 million which is consistent with the audit fee for 2019; including RMB3.20 million for A-share related reports (including financial statements and certain special audits, internal control audits and agreed procedures, etc.); RMB2.30 million for H-share related reports (including financial statements audit, review of interim financial statements and assurance of ESG report).

It is now proposed to the AGM to approve the re-appointment of KPMG Huazhen LLP and KPMG as the Company's auditors for 2020, to be responsible for the provision of the relevant audit and review services in accordance with the Accounting Standards for Enterprises of China and the International Financial Reporting Standards, respectively; and to approve the re-appointment of KPMG Huazhen LLP as the Company's auditor for internal control for 2020 with an audit fee, including the fee for internal control, for 2020 of RMB5.5 million.

If the audit fee increases or decreases due to the change of the audit scope and content, it is proposed to authorize the Board at the general meeting to determine the relevant audit fee.

The resolution has been considered and approved at the Board meeting held on March 27, 2020 and is now submitted to the AGM for consideration and approval.

9. RESOLUTION REGARDING ELECTION OF DIRECTORS OF THE COMPANY

9.1 Election of Mr. Xu Zhibin as an Executive Director of the Company

An ordinary resolution will be proposed at the AGM to approve the election of Mr. Xu Zhibin as an executive Director of the fourth session of the Board of Directors of the Company.

Reference is made to the announcement of the Company dated November 29, 2019 in relation to, among others, the proposed appointment of Mr. Xu Zhibin ("**Mr. Xu**") as an executive Director of the fourth session of the Board of Directors of the Company.

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

Mr. Xu Zhibin, aged 44, worked for Goldman Sachs Group from August 2001 to March 2010, during which he successively served as a senior analyst, a project manager and a team manager of the global control department, the person in charge of the European region, the director and an executive director of the operations risk management department, an executive director of the market risk management department and other positions; he worked for China Jianyin Investment Ltd. from April 2010 to May 2013, during which he successively served as the director, the general manager and the senior director of the risk management department; he served as the deputy general manager of Hong Yuan Securities Co. Ltd. from June 2013 to December 2014; he served as the deputy general manager of Shenwan Hongyuan Securities Co., Ltd. from January 2015 to November 2019, during which he discharged the duties on behalf of the general manager from October 2018 to August 2019; he has been a member of the party committee of Shenwan Hongyuan Group Co., Ltd. and Shenwan Hongyuan Securities Co., Ltd. since July 2016; and he has been the chairman and a member of the board of directors of Shenwan Hongyuan (International) Holdings Limited since September 2019 and the general manager of Shenwan Hongyuan Group Co., Ltd. since November 2019.

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Mr. Xu graduated from Zhongshan University, majoring in international trade, with a bachelor's degree in economics in June 1999, he graduated from the University of Edinburgh in the United Kingdom, majoring in operational research, with a master's degree in science in September 2000, and he graduated from the University of Cambridge in the United Kingdom, majoring in development studies, with a master's degree in philosophy in July 2001.

Mr. Xu, being a candidate of executive Director of the fourth session of the Board, will enter into a service contract with the Company to perform the duties as an executive Director of the fourth session of the Board of the Company after his nomination is approved at the general meeting of the Company, with the term of office expiring at the end of the fourth session of the Board. Pursuant to the Articles of Association, Mr. Xu is eligible for re-election after his term of office expires. The remuneration of Mr. Xu for acting as an executive Director of the Company shall be determined in accordance with the relevant national policies and relevant rules and regulations of the Company, which will be disclosed in the annual report by the Company. The annual remuneration settlement proposal for members of the senior management shall be reviewed by the Remuneration and Nomination Committee of the Board of Directors of the Company before it is submitted to the Board for approval.

As at the Latest Practicable Date, Mr. Xu 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. Xu 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; he does not have any relationships with any of the Company's Directors, Supervisors or senior management, Substantial 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, and he is and was not involved in any matter 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 of the Company.

The above resolution has been considered and approved on the meeting of the Board of Directors held on November 29, 2019 and is now submitted to the AGM for consideration and approval.

9.2 Election of Mr. Zhang Yigang as a Non-executive Director of the Company

An ordinary resolution will be proposed at the AGM to approve the election of Mr. Zhang Yigang as a non-executive Director of the fourth session of the Board of Directors of the Company.

Reference is made to the announcement of the Company dated April 29, 2020 in relation to, among others, the proposed appointment of Mr. Zhang Yigang ("**Mr. Zhang**") as a non-executive Director of the fourth session of the Board of Directors of the Company.

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Mr. Zhang Yigang, aged 57, successively worked at the Diversified Operation Office of Yanting County Government, Sichuan Province, the Policy Research Office of the County Party Committee and the Office of the County Party Committee of Yanting County, Sichuan Province, and the Municipal Party Committee Office of Mianyang City, Sichuan Province from August 1983 to May 1998. He served as the secretary at deputy director general level and the secretary at director general level of the General Office of Sichuan Provincial Party Committee from May 1998 to December 2007 (during which, he concurrently served as the deputy general manager of Sichuan State-owned Assets Investment Management Co., Ltd. (四川省國有資產投資管理有限責任公司) from December 2001 to January 2007). From December 2007 to March 2009, he served as a researcher of the office of the State-owned Assets Supervision and Administration Commission of Sichuan Province (during which he concurrently served as the chairman, the secretary of the Party committee and the secretary of the discipline inspection commission of Sichuan State-owned Assets Investment Management Co., Ltd. from January 2007 to March 2009). He successively served as the deputy general manager, a director and the deputy general manager; a member of the Party committee, a director and the deputy general manager; the deputy secretary of the Party committee, a director and the deputy general manager of Sichuan Development Holding Co., Ltd. (四川發展(控股)有限責任公司) from March 2009 to July 2019. He served as a director of Sichuan Shengtian New Energy Development Co., Ltd. (四川晟天新能源發展有限公司) from April 2015 to December 2018. From December 2015 to August 2019, he served as an executive director of Sichuan Development Guorui Mining Investment Co., Ltd. (四川發展國瑞礦業投資有限公司). He has been the chairman of Sichuan Urban and Rural Construction Investment Co., Ltd. (四川城鄉建設投資有限責任公司) since February 2015 and the deputy secretary of the Party committee and a director of Sichuan Development Holding Co., Ltd. since July 2019.

Mr. Zhang graduated from Southwest Agricultural College (renamed as Southwest University in 2005), majoring in agriculture, with a bachelor's degree in agriculture in August 1983, and graduated from the University of Electronic Science and Technology of China, majoring in executive master of business administration, with a master's degree in business administration in June 2005.

Mr. Zhang, being a candidate of non-executive Director of the fourth session of the Board, will enter into a service contract with the Company to perform the duties as a non-executive Director of the fourth session of the Board of the Company after his nomination is approved at the general meeting of the Company, with the term of office expiring at the end of the fourth session of the Board. Pursuant to the Articles of Association, Mr. Zhang is eligible for re-election after his term of office expires. Mr. Zhang will not receive any remuneration from the Company for serving as a non-executive Director of the Company.

As at the Latest Practicable Date, Mr. Zhang has not been subject to any penalty by CSRC or other relevant departments or punishment by any stock exchange. Save as disclosed in this circular, Mr. Zhang confirmed that he did not hold any directorship in public companies whose securities are listed on any securities market in Hong Kong or overseas in the past three years; he does not have any relationship with any of the Company's Directors, Supervisors or senior management, substantial 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, and he is and was not involved in any matter 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 of the Company.

The above resolution has been considered and approved on the meeting of the Board of Directors held on April 29, 2020 and is now submitted to the AGM for consideration and approval.

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SPECIAL RESOLUTIONS

10. RESOLUTION REGARDING THE AMENDMENTS TO THE ARTICLES OF ASSOCIATION

A special resolution will be proposed at the AGM to approve the amendments to the Articles of Association.

Reference is made to the announcement of the Company dated April 29, 2020 in relation to, among others, the proposed amendments to the Articles of Association.

Pursuant to the requirements under the Securities Law adopted at the 15th meeting of the Standing Committee of the 13th National People's Congress and the Official Reply of the State Council on the Adjustment of the Notice Period for the General Meeting and Other Matters Applicable to the Overseas Listed Companies (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》), and the actual situation of the Company, the Company proposed to amend relevant articles of the Articles of Association (the “**Proposed Amendments to the Articles of Association**”) and propose at the AGM to authorize the Company's operation and management members to handle matters relating to changes in business registration. Please refer to Appendix V to this circular for further details on the Proposed Amendments to the Articles of Association.

The Proposed Amendments to the Articles of Association delete one article and amend 15 articles in total. The number of the articles of the amended Articles of Association decreases from the original 284 articles to 283 articles, and the numbering of the relevant chapters and the relevant articles is adjusted accordingly and the numbering of the relevant articles as referred to in the Articles of Association is also adjusted accordingly. The amended Articles of Association shall become effective on the date of passing this resolution at the AGM. Prior to the passing of this resolution at the AGM, the prevailing Articles of Association shall remain valid.

The above resolution has been considered and approved on the meeting of the Board of Directors held on April 29, 2020 and is now submitted to the AGM for consideration and approval.

11. RESOLUTION REGARDING THE AMENDMENTS TO THE RULES OF PROCEDURE OF THE GENERAL MEETING

A special resolution will be proposed at the AGM to approve the amendments to the Rules of Procedure of the General Meeting.

Pursuant to the Securities Law adopted at the 15th meeting of the Standing Committee of the 13th National People's Congress, the requirements under the Official Reply of the State Council on the Adjustment of the Notice Period for the General Meeting and Other Matters Applicable to the Overseas Listed Companies (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》) and the actual situation of the Company, the Company proposed to amend relevant sections of the Articles of Association and amend the Rules of Procedure of the General Meeting accordingly (the “**Proposed Amendments to the Rules of Procedure of the General Meeting**”). Please refer to Appendix VI to this circular for further details on the Proposed Amendments to the Rules of Procedure of the General Meeting.

LETTER FROM THE BOARD

The Proposed Amendments to the Rules of Procedure of the General Meeting delete 1 article and amend 7 articles in total. The number of the articles of the amended Rules of Procedure of the General Meeting decreases from the original 82 articles to 81 articles, and the numbering of the relevant chapters and the relevant articles is adjusted accordingly. The revised Rules of Procedure of the General Meeting shall become effective on the date of passing this resolution at the AGM. Prior to the passing of this resolution at the AGM, the prevailing Rules of Procedure of the General Meeting of the Company shall remain valid.

The above resolution has been considered and approved on the meeting of the Board of Directors held on April 29, 2020 and is now submitted to the AGM for consideration and approval.

THE AGM

The 2019 annual general meeting of the Company will be held at 2:30 p.m. on Tuesday, June 23, 2020 at the Company's conference room, No. 19, Taipingqiao Street, Xicheng District, Beijing, the PRC. A notice of the AGM is set out on pages 46 to 48 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, May 22, 2020
Closure of Register for H Shares:	Sunday, May 24, 2020 to Tuesday, June 23, 2020
Submission of Reply Slip:	on or before Wednesday, June 3, 2020
Submission of Proxy Form:	at or before 2:30 p.m. on Monday, June 22, 2020

In order to determine the H Shareholders' entitlement to attend the AGM, the H Share register of members of the Company will be closed from Sunday, May 24, 2020 to Tuesday, June 23, 2020 (both days inclusive), during which period no transfer of H Shares will be registered. In order for H Shareholders to attend the AGM, 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, by 4:30 p.m. on Friday, May 22, 2020. H Shareholders whose names appear on the H Share register of members of the Company on Sunday, May 24, 2020 shall be entitled to attend and vote at the AGM.

A proxy form and a reply slip for use at the AGM have been dispatched on May 8, 2020. H Shareholders who intend to attend the AGM either in person or by proxy are required to complete and return the reply slip for the AGM, by hand or by post, 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 on or before Wednesday, June 3, 2020.

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 AGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the AGM or any adjournment thereof in person if you so wish.

LETTER FROM THE BOARD

The record date for determination of the qualified A Shareholders to attend the AGM and the registration date for such meeting are Wednesday, June 17, 2020 and Thursday, June 18, 2020, respectively. For details, please refer to the notice of the AGM dated Friday, May 8, 2020 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 AGM 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 AGM.

The aforesaid resolutions 1 to 9 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 AGM with voting rights; the resolutions 10 to 11 are special resolutions to be passed by the affirmative votes representing over two thirds of the total number of Shares held by the Shareholders attending the AGM with voting rights.

In particular, the cumulative poll method shall be adopted for the resolution 9, i.e. the number of votes each Shareholder is entitled to shall be equal to the number of Shares with voting rights held by him/her multiplied by the number of Directors to be elected, and Shareholders may allocate his/her votes arbitrarily to candidates to the extent of the number of Directors to be elected (he/she can allocate no vote to any candidate) provided that the total number of votes allocated shall not be more than the number of votes he/she is entitled to.

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 6.1, i.e. JIC and Central Huijin, will abstain from voting on the resolution 6.1; the Shareholder who has a material interest in the resolution 6.2, i.e. Shanghai Jiushi (Group) Co., Ltd., will abstain from voting on the resolution 6.2; the Shareholders who have a material interest in the resolution 6.3, i.e. Sichuan Development Holding Co., Ltd., China Everbright Group Ltd. and Shanghai Automotive Asset Management Co., Ltd., will abstain from voting on the resolution 6.3; the Shareholders who have a material interest in the resolution 7, i.e. JIC and Central Huijin, will abstain from voting on the resolution 7, and 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 resolution proposed at the AGM and has to abstain from voting at the AGM approving the resolution.

LETTER FROM THE BOARD

RECOMMENDATION

The Independent Board Committee (comprising all independent non-executive Directors, i.e. Ms. Ye Mei, Mr. Xie Rong, Ms. Huang Danhan and Ms. Yang Qiumei) has been established to advise the Independent Shareholders in respect of the proposed amendments to the annual caps for the securities and financial products and transactions and the securities and financial services under the Securities and Financial Products, Transactions and Services Framework Agreement for the years ending December 31, 2020 and 2021. 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 29 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser (as set out on pages 30 to 45 of this circular), is of the view that the terms of the Framework Agreement and the proposed amended annual caps are entered into in the ordinary and usual course of business on normal commercial terms, 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 Proposed Amendments.

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

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

Yours faithfully,
By order of the Board
Shenwan Hongyuan Group Co., Ltd.
Chu Xiaoming
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)

June 3, 2020

To the Independent Shareholders

Dear Sir or Madam,

**PROPOSED AMENDMENTS TO THE ANNUAL CAPS OF
CONTINUING CONNECTED TRANSACTIONS**

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 proposed amendments to the annual caps for the securities and financial products and transactions and the securities and financial services under the Securities and Financial Products, Transactions and Services Framework Agreement for the years ending December 31, 2020 and 2021, details of which are set out in the “Letter from the Board” in the circular dated June 3, 2020 (the “**Circular**”) to the Shareholders. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used in this letter.

Your attention is drawn to the advice of Somerley to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Amendments as set out in the “Letter from the Independent Financial Adviser” of the Circular. Having taken into account the advice of Somerley, we consider that the terms of the Framework Agreement and the Proposed Amendments to the annual caps are entered into on normal commercial terms in the ordinary and usual course of business of the Company, and 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 Proposed Amendments at the 2019 annual general meeting.

Yours faithfully

For and on behalf of the Independent Board Committee

*Independent
non-executive Director*

Ye Mei

*Independent
non-executive Director*

Xie Rong

*Independent
non-executive Director*

Huang Danhan

*Independent
non-executive Director*

Yang Qiumei

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 Proposed Amendments for inclusion in this circular.



SOMERLEY CAPITAL LIMITED

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

June 3, 2020

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

Dear Sirs,

**CONTINUING CONNECTED TRANSACTIONS —
PROPOSED AMENDMENTS TO THE ANNUAL CAPS OF
CONTINUING CONNECTED TRANSACTIONS FOR 2020 AND 2021**

INTRODUCTION

We refer to our appointment by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with the Proposed Amendments. Details of the Proposed Amendments are set out in the letter from the Board contained in the circular of the Company to the H Shareholders dated June 3, 2020 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

Pursuant to the Framework Agreement, the Group and JIC and/or their respective associate(s) 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/or its associates. As discussed in the letter from the Board contained in the Circular, as the securities market picked up in 2019 and Shenwan Hongyuan Securities, a wholly-owned subsidiary of the Company, obtained the qualification for primary market maker for ETFs from the Shanghai Stock Exchange in December 2019, there was an obvious increase in the demand for business cooperation in terms of investment banking business, asset management business, fund market-making business, etc. between Shenwan Hongyuan Securities and its subsidiaries and JIC and its subsidiaries, which may result in the annual caps of the Securities and Financial Products and Transactions (the “**Existing Products and Transactions Annual Caps**”) and the Securities and Financial Services (the “**Existing Services Annual Caps**”, together with the Existing Products and Transactions Annual Caps, the “**Existing Annual Caps**”) between Shenwan Hongyuan Securities and its subsidiaries and JIC and its subsidiaries for the years ending December 31, 2020 and December 31, 2021 fail to meet the current business need of the Company. Therefore, on March 27, 2020, the Company proposed to amend the existing annual caps of the Securities and Financial Products and Transactions (the “**Proposed Products and Transactions Annual Caps**”) and the Securities and Financial Services (the “**Proposed Services Annual Caps**”, together with the Proposed Products and Transactions Annual Caps, the “**Proposed Annual Caps**”).

LETTER FROM SOMERLEY

As at the Latest Practicable Date, JIC directly held approximately 26.34% of the total issued share capital of the Company. Therefore JIC is a Substantial Shareholder of the Company and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the 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 Framework Agreements and the Proposed Amendments are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Ms. Ye Mei, Mr. Xie Rong, Ms. Huang Danhan and Ms. Yang Qiumei, has been formed to make recommendation to the Independent Shareholders in respect of the Proposed Amendments and to make recommendations 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 Proposed Amendments. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, JIC or their respective associates, close associates or core connected persons.

During the past two years, we acted as an independent financial adviser to Shenwan Hongyuan (H.K.) Limited (stock code: 218) (“**SWHYHK**”), a non wholly-owned subsidiary of the Company, in relation to subscription of new shares by the Group (as disclosed in SWHYHK's circular dated January 16, 2019). The past engagement was limited to providing independent advisory services to SWHYHK pursuant to the Listing Rules, for which we received normal professional fee relevant to this type of engagement. Accordingly, we do not consider the past engagement would affect our independence to act as the independent financial adviser to the Company under the current engagement.

In formulating our opinion, we have reviewed, among others, the Framework Agreement, the Prospectus, the annual report of the Company for the year ended December 31, 2019 (the “**2019 Annual 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 basis for estimating 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. 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 Proposed Amendments, 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. In January 2015, the Company's A Shares (stock code: 000166) were listed on the Shenzhen Stock Exchange and the Company completed its initial public offering of H Shares (stock code: 6806) in April 2019 and became listed on the Main Board of the Hong Kong Stock Exchange. 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. Set out below a brief summary of each of the business segments.

- (i) Enterprise finance — the Group provides investment banking and principal investment services to its clients. Particularly for investment banking business, the Group provides equity underwriting and sponsorship, debt underwriting and financial advisory services. In addition, it is engaged in equity investment in unlisted companies and debt investment primarily through various financial instruments.
- (ii) Personal finance — the Group is engaged to serve the comprehensive financial needs of individuals and non-professional institutional clients. 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) Institution services and trading — the Group provides prime brokerage and research services for professional institutional clients. Also, the Group is engaged in the trading of fixed income currencies and commodities (FICC), equity and equity-linked securities with its own funds or as a counterparty to institutional clients. Based on the Group's trading capabilities, it offers sales, market-making, hedging and over-the-counter (“**OTC**”) derivatives services to institutional clients as well.
- (iv) Investment management — the Group is engaged in asset management, mutual fund management and private equity fund management services.

LETTER FROM SOMERLEY

(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, 2019 and 2018.

	For the year ended December 31,	
	2019	2018
	<i>(RMB million)</i>	<i>(RMB million)</i>
Segment revenue and other income		
Enterprise finance		
— Investment banking	1,218.8	955.7
— Principal investment	1,499.1	1,210.5
Personal finance	11,344.7	11,137.7
Institutional services and trading	17,166.2	8,864.0
Investment management	2,022.7	1,941.7
Total	33,251.5	24,109.6
Profit for the year attributable to the Shareholders	5,735.4	4,160.2

Revenue and other income of the Group increased by approximately 37.9% from approximately RMB24,109.6 million for the year ended December 31, 2018 to RMB33,251.5 million for the year ended December 31, 2019. The Group also recorded a growth in profit attributable to the Shareholders to approximately RMB5,735.4 million for the year ended December 31, 2019, representing an increase of approximately 37.9% compared with that for the year ended December 31, 2018. According to the 2019 Annual Report, the financial performance of the Group was predominantly driven by the growth of the enterprise finance and institutional services and trading segments, the revenue and other income of which grew by approximately 25.5% and 93.7%, respectively, comparing with those for the year ended December 31, 2018. The improvement in financial performance was primarily due to the organic growth of the Group, synergic effect of the Group's different business segments, economies of scale and a prudent cost control exercised by the Group.

2. Information on JIC

China Jianyin 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. According to the website of JIC, it has more than 15,000 employees around the world and more than 200 subsidiaries that are wholly or partly owned and operating across the PRC, Hong Kong and overseas markets. Financial services, industrial manufacturing, culture, consumption and information technologies are among the sectors to which JIC attaches great importance. In addition, JIC's financial services segment comprises multiple businesses including trust, fund, brokerage, retail bank 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 June 30, 2019, JIC directly held 90.05% stake of JIC Trust Co., Ltd. and 60% stake of Guotai Asset Management Co., Ltd..

LETTER FROM SOMERLEY

According to the 2018 annual report of JIC, its operating income totalled approximately RMB10.6 billion and its consolidated net profit was approximately RMB4.7 billion for the year ended December 31, 2018. Its total consolidated assets and consolidated net assets amounted to approximately RMB160.0 billion and approximately RMB81.2 billion respectively at the end of 2018.

3. Background and principal terms of the Framework Agreement

The Framework Agreement was entered into between the Company and JIC on March 29, 2019. Pursuant to the Framework Agreement, (i) the Group and JIC and/or their respective associate(s) shall provide 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 (ii) the Group shall provide the Securities and Financial Services to JIC and/or its associates.

The Securities and Financial Products and Transactions include (but are not limited to) the followings:

- equity-related products or transactions, including funds, trust, bonds asset management schemes, convertible bonds, structured products, etc.;
- fixed-income products, including funds, trust, bonds, and structured products with fixed income characteristics, etc.;
- financing transactions among financial institutions with or without securities; and
- other related securities and financial products and derivative products.

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 underwriting and sponsorship services for equity securities and other products, and financial advisory services for other general corporate restructuring, mergers and acquisition;
- asset management services; and
- other comprehensive securities and financial advisory and consulting services.

Other principal terms of the Framework Agreement, including the details of pricing basis for the Securities and Financial Products and Transactions and the Securities and Financial Services, are set out in the letter from the Board contained in the Circular.

LETTER FROM SOMERLEY

4. Reasons for and the benefits of the Proposed Amendments

As stated in the letter from the Board contained in the Circular, in the normal course of the Group's business, the Group regularly engages in various kinds of securities and financial products transactions with various counterparties, including JIC and its associates (the "JIC Group"). The Group purchases suitable securities and financial products from different providers (including the JIC Group 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. The JIC Group also purchase securities and financial products from the Group in their ordinary 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 course of business, the Group provides securities and financial services to its clients, which include the JIC Group. Due to their business needs and the Group's expertise and professional capabilities, the Group had been engaged by the JIC Group to provide securities and financial services from time to time.

As the securities market picked up in 2019 and Shenwan Hongyuan Securities obtained the qualification for primary market maker for ETFs from the Shanghai Stock Exchange in December 2019, there was an obvious increase in the demand for business cooperation in terms of investment banking business, asset management business, fund market-making business, etc. between Shenwan Hongyuan Securities and its subsidiaries and JIC and its subsidiaries, which may result in the Existing Annual Caps for the years ending December 31, 2020 and December 31, 2021 fail to meet the current business need of the Company. Therefore, the Company proposed to amend the Existing Annual Caps to the Proposed Annual Caps.

5. The Proposed Annual Caps

(a) *The Proposed Products and Transactions Annual Caps*

As stated in the letter from the Board contained in the Circular, the actual transaction amounts of the Securities and Financial Products and Transactions for the year ended December 31, 2019 and four months ended April 30, 2020, the Existing Products and Transactions Annual Caps and the Proposed Products and Transactions Annual Caps for the years ending December 31, 2020 and December 31, 2021 are as follow:

	For the year ended December 31, 2019	For the four months ended April 30, 2020	For the year ending December 31, 2020		For the year ending December 31, 2021	
	Actual transaction amount	Actual transaction amount	Existing annual caps	Proposed annual caps	Existing annual caps	Proposed annual caps
	<i>Approximately (RMB million)</i>	<i>Approximately (RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
In <i>(Note 1)</i>	2,289.7	802.2	4,048.5	8,108.5	4,456.5	9,718.5
Out <i>(Note 2)</i>	1,557.7	537.0	4,419.0	8,479.0	4,437.8	9,999.8

LETTER FROM SOMERLEY

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, interest paid for the relevant products and the repurchase of relevant products from the Group’s counterparties.

Based on the table above, both the cash inflow and outflow of the Proposed Products and Transactions Annual Caps for the year ending December 31, 2020 will increase by RMB4,060.0 million from the Existing Products and Transactions Annual Caps. The cash inflow and outflow of the Proposed Products and Transactions Annual Caps for the year ending December 31, 2021 will increase by RMB5,262.0 million and RMB5,562.0 million respectively from the Existing Products and Transactions Annual Caps. Set out in the table below are breakdowns of the proposed increases in the annual caps for cash inflow and outflow of the Securities and Financial Products and Transactions for the years ending December 31, 2020 and December 31, 2021.

	For the year ending December 31,	
	2020	2021
	<i>(RMB million)</i>	<i>(RMB million)</i>
Cash inflow		
The Existing Products and Transactions Annual Caps	4,048.5	4,456.5
<i>Add:</i>		
(i) Introduction of ETF market-making services	1,260.0	1,512.0
(ii) Increased size of FICC investment	1,500.0	1,500.0
(iii) Increased size of the principal of entrusted management products	800.0	1,000.0
(iv) Increase in asset management products	500.0	1,250.0
The Proposed Products and Transactions Annual Caps	8,108.5	9,718.5

LETTER FROM SOMERLEY

	For the year ending December 31,	
	2020	2021
	<i>(RMB million)</i>	<i>(RMB million)</i>
Cash outflow		
The Existing Products and Transactions Annual Caps	4,419.0	4,437.8
<i>Add:</i>		
(i) Introduction of ETF market-making services	1,260.0	1,512.0
(ii) Increased size of FICC investment	1,500.0	1,500.0
(iii) Increased size of the principal of entrusted management products	800.0	1,800.0
(iv) Increase in asset management products	500.0	750.0
The Proposed Products and Transactions Annual Caps	8,479.0	9,999.8

As advised by the Management, the proposed increases in the annual caps for cash inflow and outflow of the Securities and Financial Products and Transactions are mainly attributable to the following factors:

(i) Introduction of ETFs market-making services

After Shenwan Hongyuan Securities obtained the qualification for primary market maker for ETFs from the Shanghai Stock Exchange in December 2019, the investment trading department of Shenwan Hongyuan Securities expected that it would start cooperation with the fund companies subordinated to JIC (the “**JIC Fund Company**”) in 2020 to provide market-making services for the ETFs of the JIC Fund Company. As the cooperation involves a large transaction amount which may exceed the original annual caps, the Group, based on the business expansion needs of Shenwan Hongyuan Securities, proposed to increase the Existing Products and Transactions Annual Caps for the years ending December 31, 2020 and December 31, 2021. In the provision of market-making services for ETFs of the JIC Fund Company, Shenwan Hongyuan Securities subscribes ETFs issued by the JIC Fund Company in cash and sells such ETFs to investors. Conversely, Shenwan Hongyuan Securities may redeem such ETFs from the JIC Fund Company for cash. Based on our understanding from the Management, investors may purchase ETFs of the JIC Fund Company directly in the market or through various market-makers of the relevant ETFs.

LETTER FROM SOMERLEY

As discussed with the Management, based on the current size of ETFs of approximately RMB31,480 million and the position limit of 4% imposed by the Group, it is proposed that the maximum amounts of both cash inflow and outflow of this category of transactions to increase by approximately RMB1,260 million. We have obtained the trading information of the JIC Fund Company's ETFs from iFinD¹ and noted that there were 12 ETFs established by the JIC Fund Company with the total size of approximately RMB31,480 million as at December 31, 2019 and the average annual turnover of these 12 ETFs was approximately 10.0 times in 2019. Moreover, based on our discussion with Management, we noted that there were currently on average four market-makers for the JIC Fund Company's ETFs. Without taking into account the possible subscription of the JIC Fund Company's ETFs directly by investors (i.e. without trading through market-makers) and based on the current size of the JIC Fund Company's ETFs of approximately RMB31,480 million, the average annual turnover of approximately 10.0 times and an average of 5 market-makers (comprising the existing 4 market-makers and Shenwan Hongyuan Securities), the annual turnover of the JIC Fund Company's ETFs to be transacted through Shenwan Hongyuan Securities may be up to RMB62,960 million. Accordingly, the proposed maximum amounts of both cash inflow and outflow of this category of transactions to increase by RMB1,260 million is considered not excessive.

The Management expects that the total size of ETFs of the JIC Fund Company in 2021 may increase by up to 20% from that in 2020, therefore the maximum amounts of both the cash inflow and outflow of this category of transactions for the year ending December 31, 2021 will increase by RMB1,512 million, representing a 20% increment from the RMB1,260 million for 2020. We have reviewed the market size of ETFs in China based on the information from iFinD and noted it was approximately RMB1,170.4 billion in 2019, representing a compound annual growth rate of approximately 38.7% compared to that in 2017 of approximately RMB608.6 billion. Accordingly, the aforesaid projected 20% increment in the total size of ETFs of the JIC Fund Company for the year ending December 31, 2021 is considered not excessive as compared to the recent historical growth rate of the total size of ETF market in China.

(ii) Increased size of FICC investment

According to the Management, the Group engages in the proprietary trading business through Shenwan Hongyuan Securities. The Group engages in trading in the FICC products, including bonds and derivative financial instruments with its own funds or as a counterparty to institutional clients, and may purchase the FICC products from the JIC Fund Company. As discussed with the Management, in late 2019, Shenwan Hongyuan Securities strengthened its business cooperation with fund companies, including the JIC Fund Company. At the end of 2019, the initial cooperation intention reached between Shenwan Hongyuan Securities and the JIC Fund Company that the investment to be made by Shenwan Hongyuan Securities in this category of transactions could reach approximately RMB700 million for 2019, which exceeded the previous estimate of RMB500 million. As advised by the Management, the actual amount of this category of transactions with the JIC Fund Company for the year ended December 31, 2019 was approximately RMB479.6 million.

¹ iFinD is a financial information terminal developed by Hithink Royalflush Information Network Co., Ltd. (同花順) (300033 SZ), which is listed on Shenzhen Stock Exchange and focused on financial information service, intelligent distribution service, system maintenance service and other financial service to individuals.

LETTER FROM SOMERLEY

Based on our discussion with the Management, the Group proposed to increase the maximum cash inflow and outflow of this category of transactions by RMB1,500 million from RMB500 million to RMB2,000 million for each of the years ending December 31, 2020 and December 31, 2021. We have reviewed the Company's latest internal memo in relation to the planned investment and exposure of the Group and noted that the planned net investment in the FICC products by the Group for the year ending December 31, 2020 would increase by RMB30,000 million. Accordingly, it was anticipated that there would be potential increases in net investment in FICC products of up to RMB30,000 million during the years ending December 31, 2020 and December 31, 2021. Multiplying the net investment of RMB30,000 million by 5%, being the limit of placing funds in a particular fund for risk diversification purpose in accordance with the Group's policy, the expected maximum increments in the cash inflow and outflow of this category of transactions will be RMB1,500 million for each of the years ending December 31, 2020 and December 31, 2021.

(iii) Increased size of the principal of entrusted management products

As set out in the letter from the Board contained in the Circular, the trust company subordinated to JIC (the "**JIC Trust Company**") proposed to entrust Shenwan Hongyuan Securities to set up more active management products in the year of 2020. According to the Management, it was the intention of the JIC Trust Company to invest its funds in active management products set up by Shenwan Hongyuan Securities. The proposed maximum principals of entrusted management products for the years ending December 31, 2020 and December 31, 2021 would be RMB800 million and RMB1,000 million respectively. Accordingly, the maximum cash inflows of this category of transactions for the years ending December 31, 2020 and December 31, 2021 are expected to increase by RMB800 million and RMB1,000 million respectively. We have obtained and reviewed the correspondence between representatives of Shenwan Hongyuan Securities and the JIC Trust Company and noted that the JIC Trust Company proposed to increase the size of the principal of entrusted management products to Shenwan Hongyuan Securities by the abovementioned amounts in 2020 and 2021.

The maximum cash outflows of this category of transaction for the years ending December 31, 2020 and December 31, 2021 are expected to increase by RMB800 million and RMB1,800 million respectively. Based on our discussion with the Management, the cash outflow represents the amount of redemption of the entrusted management products by the JIC Trust Company, which may take place in the first year or subsequent years of investment at the discretion of the JIC Trust Company. Given that the Group is unable to control the timing of redemption of the entrusted management products by the JIC Trust Company, the maximum cash outflow of this category of transactions represents the cumulative amount of the previous cash inflows from the corresponding transactions. Accordingly, the maximum cash outflows of this category of transactions are expected to increase by RMB800 million (being the maximum cumulative amount of the increased cash inflow for the year ending December 31, 2020) and RMB1,800 million (being the maximum cumulative amount of the increased cash inflow for the years ending December 31, 2020 and December 31, 2021) for the years ending December 31, 2020 and December 31, 2021 respectively.

LETTER FROM SOMERLEY

(iv) Increase in asset management products

As set out in the letter from the Board contained in the Circular, Shenwan Hongyuan Securities set up a number of new asset management products for investment in mutual funds in 2019. We have reviewed the list of such asset management products set up by Shenwan Hongyuan Securities in 2019 and noted that there were 13 new asset management products with total assets of approximately RMB11,482.5 million as at December 31, 2019. According to the Management, temporary unutilised funds of asset management products shall be allocated to money market funds for cash management purpose, including funds set up by the JIC Fund Company and independent third parties. The cash outflow and inflow of this category of transactions represent the subscription and redemption of money market funds set up by the JIC Fund Company respectively. The Group expects the maximum cash outflow and inflow of this category of transactions will be RMB540 million (being an increase of RMB500 million from the original expected maximum transaction amount of RMB40 million) for the year ending December 31, 2020, representing roughly 5% of the total size of the asset management products of the Group in 2019 of approximately RMB11,482.5 million. We have discussed with the Management and noted that it had been the Group's practices to allocate not more than 5% of total market value of an asset management product to a money market fund, irrespective of funds set up by the JIC Fund Company or independent third parties, for risk diversification purpose.

The maximum increase in cash outflow of this category of transactions for the year ending December 31, 2021 is expected to be RMB750 million, representing an increase of approximately 50% compared to that for the year ending December 31, 2020. According to the Notice of the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) on matters in relation to establishment of special purpose products by insurance and asset management companies (關於保險資產管理公司設立專項產品有關事項的通知) in October 2018, insurers and asset management companies were allowed to set up special purpose products (i.e. the aforesaid asset management products) to provide financing support to listed companies and private companies in China. In the beginning of 2020, the Chinese government has launched a series of supporting measures including increasing low-cost funding and lower rate of borrowings to distressed entities in China. Also, financial institutions are encouraged to provide essential support to small and medium enterprises in China. Moreover, we understand from the Management that the Group planned to considerably increase the number and the size of the aforesaid asset management products in 2021. Given that such asset management products were introduced in late 2018, the substantial increase in such asset management products in 2019, the management's plan of expansion of the number and size of such asset management products in 2021 as well as the sluggish economic environment in the PRC in late 2019 and early 2020, it is considered that the maximum increase of 50% in the aforesaid asset management products set up by the Group for the year ending December 31, 2021 acceptable.

LETTER FROM SOMERLEY

The maximum cash inflow of this category of transactions for the year ending December 31, 2021 is expected to be RMB1,250 million. Similar to the sub-section headed “(iii) Increased size of the principal of entrusted management products” above, the redemption of money market fund is generally at the discretion of the subscriber and therefore the redemption can be taken place in the first year or subsequent years of investment. Given that the Group has the discretion in redemption of the money market fund, the maximum cash inflows of this category of transactions are expected to increase by RMB500 million (being the maximum cumulative amount of the increased cash outflow for the year ending December 31, 2020) and RMB1,250 million (being the maximum cumulative amount of the increased cash outflow for the years ending December 31, 2020 and December 31, 2021) for the years ending December 31, 2020 and December 31, 2021 respectively.

(b) The Proposed Services Annual Caps

As stated in the letter from the Board contained in the Circular, the actual transaction amounts of the Securities and Financial Services for the year ended December 31, 2019 and the four months ended April 30, 2020 were approximately RMB15,323.0 million and RMB11.7 million respectively. The Existing Services Annual Caps and the Proposed Services Annual Caps for the years ending December 31, 2020 and December 31, 2021 are as follow:

	For the year ending December 31,	
	2020	2021
	<i>(RMB million)</i>	<i>(RMB million)</i>
The Existing Services Annual Caps	22.80	27.36
The Proposed Services Annual Caps	107.30	135.36

Based on the table above, the Proposed Services Annual Caps for the years ending December 31, 2020 and December 31, 2021 will increase by RMB84.5 million and RMB108.0 million respectively as compared to the Existing Services Annual Caps. Set out in the table below are breakdowns of the proposed increases in the annual caps for the Securities and Financial Services for the years ending December 31, 2020 and December 31, 2021.

	For the year ending December 31,	
	2020	2021
	<i>(RMB million)</i>	<i>(RMB million)</i>
The Existing Services Annual Caps	22.80	27.36
<i>Add:</i>		
(i) Development of investment banking business	50.0	60.0
(ii) Increase in commission income from the leasing of trading units to the JIC Group	30.5	43.0
(iii) Increased size of the principal of entrusted management products	4.0	5.0
The Proposed Services Annual Caps	107.30	135.36

LETTER FROM SOMERLEY

As advised by the Management, the proposed increases in the annual caps for the Securities and Financial Services are mainly attributable to the following factors:

(i) Development of investment banking business

The Group proposed to vigorously develop the investment banking business. As JIC and its subsidiary principally cover multiple businesses including trust, leasing, technology and culture, the Group has a possibility to provide investment banking services including in bond underwriting, issuance of asset-backed securities, underwriting and sponsorship, merger and acquisition, and restructuring and listing recommendation to JIC and its subsidiary.

Based on our discussion with the Management, because of the thriving of the STAR market (科創板), which has the focus on start-up innovation science and technology companies, since its launch in June 2019 in Shanghai, it was expected to offer more cooperation opportunities between the Group and technology companies held by the JIC Group, particularly in sponsorship and initial public offering underwriting. Furthermore, with the booming of the debt market in China, the turnover of which grown by 95% in 2019, as compared to that in previous year in accordance with iFinD, the business of debt underwriting and issuance of asset-backed securities could be more active and might lead to potential transactions for the trust and leasing businesses of the JIC Group. Having considered the focus on investment in technology companies by the JIC Group and total size of assets held by the JIC Group of approximately RMB160,000 million by the end of 2018 and based on the relevant service fee levels, it was expected that one or more of the investment banking transactions might be carried out by the Group for the JIC Group and might generate service fees of up to RMB50 million for the year ending December 31, 2020.

According to the 2019 Annual Report, the revenue and other income of the investment banking business of the Group increased by approximately 27.5% to RMB1,218.8 million for the year ended December 31, 2019 as compared with RMB955.7 million for the year ended December 31, 2018. After taking into account the recent growth rate of the revenue and other income of the investment banking business of the Group and the Group expected that such business would maintain relatively stable growth, a 20% increment from the expected revenue of up to RMB50 million for the year ending December 31, 2020 to up to RMB60 million for the year ending December 31, 2021 is considered not excessive.

(ii) Increase in commission income from the leasing of trading units to the JIC Group

The Group leases trading units to mutual fund managers, including JIC and its subsidiaries, and insurance companies, who are not members of stock exchanges, enabling them to trade securities on the PRC stock exchanges. The Group charges commission and/or other fees for provision of such lease service.

LETTER FROM SOMERLEY

With the warming up of the securities market in 2019, the overall securities trading volume of the PRC stock market has simultaneously increased. The Shanghai Securities Composite Index (“SSCI”) turnover increased by 35.5% in 2019 as compared with that in 2018. This also led to the growth in the commission income from leasing of trading units by the Group, which increased by RMB16.1 million from previous year to RMB421.7 million for the year ended December 31, 2019, and the revenue and other income of the institutional services and trading segment of the Group increased by approximately 93.7% for the year ended December 31, 2019.

Due to the surge in stock market turnover, the commission income of the leasing of trading units to the JIC Group also increased by 26.3% to RMB14.4 million in 2019 compared with RMB11.4 million in 2018. Such commission income from the JIC Group accounted for approximately 3.4% and 2.8% of the total amount of the commission income of the leasing of trading units of the Group for the year ended December 31, 2019 and 2018 respectively.

The PRC securities market has become more active since late 2019. The total SSCI turnover of December 2019 and January and February in 2020 (the “**Trailing Three Months**”) reached approximately RMB1,202 billion, representing an increase of approximately 81.6% as compared with that for the corresponding period in prior year. Similarly, the Group recorded the commission income of the leasing of trading units to the JIC Group of approximately RMB10.28 million for the Trailing Three Months, comprising approximately RMB3.29 million, RMB3.59 million and RMB3.40 million in December 2019, January 2020 and February 2020, respectively, which together represented a growth of over 7 times as compared with that for the corresponding period in prior year.

Having taken into account the recent growth of the trading volume in the PRC securities market, the increasing commission income generated from the leasing of trading units to the JIC Group and in particular that for the Trailing Three Months, as well as the growing importance of the aforesaid commission income from the JIC Group as discussed above, the maximum commission income from the JIC Group was expected to grow to RMB40 million, which was estimated after annualising the actual commission income of approximately RMB10.28 million for the Trailing Three Months, for the year ending December 31, of 2020. Based on the above, in particular the historical annual SSCI turnover growth of approximately 35.5% in 2019, the maximum commission income from the JIC Group was expected to further increase by 30% to RMB52 million for the year ending December 31, 2021.

As the previous estimates of the maximum commission income from the leasing of trading units to the JIC Group were RMB9.5 million and RMB9.0 million for the years ending December 31, 2020 and 2021, thus the corresponding annual caps were proposed to increase by RMB30.5 million and RMB43.0 million respectively.

LETTER FROM SOMERLEY

(iii) Increased size of the principal of entrusted management products

According to the intention of the JIC Trust Company, it proposed to entrust Shenwan Hongyuan Securities to set up more active management products meeting new asset management regulations in 2020. The Group would be entitled to service fee for management of the aforesaid products. In addition, JIC Trust Company would increase the size of the principal of entrusted management products by up to RMB800 million and the annual growth rate of the size of principal would be 25% per year. Based on our review of the correspondences between the Management and the JIC Trust Company, we noted the JIC Trust Company expressed its intention to increase the investment size to RMB800 million and RMB1,000 million in 2020 and 2021, respectively.

As discussed with the Management, the service fee will be equal to the sum of (i) management fee, which will be equal to management fee rate of 0.1% multiplies by the value of the entrusted asset; and (ii) the performance fee, which will be equal to 20% of the excess profit (the “**Distribution Rate**”). The excess profit will be calculated as the value of entrusted asset multiplies by the difference between actual return and the threshold return rate of 6%. According to our review on the similar products managed by the Group, the management fee rate is in the range from 0.1% to 1.5% subject to the type of financial products, the threshold return rate is in the range from 3.7% to 9.0% and the Distribution Rate is in the range from 0% to 50%. Accordingly, the fee structure of the active management products of the JIC Trust Company to be managed by the Group falls within those of the similar products currently managed by the Group.

The actual investment return, based on our review of the historical investment performance of the related financial products managed by the Group, was approximately 8% on average.

Based on above expected size of investment for the years ending December 31, 2020 and 2021, the service fee structure as well as the historical returns, the expected maximum service fee of this category of transactions would increase by approximately RMB4.0 million, comprising management fee and performance fee of RMB0.8 million and RMB3.2 million, and RMB5.0 million, comprising management fee and performance fee of RMB1.0 million and RMB4.0 million, for the years ending December 31, 2020 and 2021, respectively.

LETTER FROM SOMERLEY

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Proposed Amendments are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. We are also of view that the terms of the Proposed Amendments 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 Proposed Amendments at the AGM.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Danny Cheng
Director

Mr. Danny Cheng is a licensed person registered with the Securities and Futures Commission and a responsible officer of Somerley Capital Limited, who is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over 15 years of experience in the corporate finance industry.

NOTICE OF THE 2019 ANNUAL 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 2019 ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2019 annual general meeting (the “AGM”) of Shenwan Hongyuan Group Co., Ltd. (the “Company”) will be held at 2:30 p.m. on Tuesday, June 23, 2020 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 2019 work report of the Board of Directors
2. To consider and approve the 2019 work report of the Board of Supervisors
3. To consider and approve the 2019 annual financial report
4. To consider and approve the 2019 profit distribution plan
5. To consider and approve the 2019 annual report
6. To consider and approve the resolution regarding the estimated ordinary related party transactions for 2020
 - 6.1 Ordinary related party transactions with China Jianyin Investment Ltd. and its subsidiaries
 - 6.2 Ordinary related party transactions with Shanghai Jiushi (Group) Co., Ltd.
 - 6.3 Ordinary related party transactions with other related parties
7. To consider and approve the resolution regarding the proposed amendments to the annual caps of continuing connected transactions of the Company for 2020 and 2021
8. To consider and approve the resolution regarding the re-appointment of auditors of the Company for 2020
9. To consider and approve the resolution regarding the election of directors of the Company
 - 9.1. To consider and approve the election of Mr. Xu Zhibin as an executive director of the Company
 - 9.2. To consider and approve the election of Mr. Zhang Yigang as a non-executive director of the Company

NOTICE OF THE 2019 ANNUAL GENERAL MEETING

SPECIAL RESOLUTIONS

10. To consider and approve the resolution regarding the amendments to the Articles of Association
11. To consider and approve the resolution regarding the amendments to the Rules of Procedure of the General Meeting

OTHER MATTER

12. To listen to the work report of independent directors

By order of the Board
Shenwan Hongyuan Group Co., Ltd.
Chu Xiaoming
Chairman

Beijing, the PRC
May 8, 2020

As at the date of this notice, the Board of Directors comprises Mr. Chu Xiaoming and Mr. Yang Wenqing as Executive Directors; Mr. Chen Jianmin, Mr. Wang Honggang, Mr. Wang Fengchao, Ms. Ge Rongrong and Mr. Ren Xiaotao as Non-executive Directors; Ms. Ye Mei, Mr. Xie Rong, Ms. Huang Danhan and Ms. Yang Qiumei as Independent Non-executive Directors.

Notes:

1. In order to determine the H Shareholders' entitlement to attend the AGM, the H Share register of members of the Company will be closed from Sunday, May 24, 2020 to Tuesday, June 23, 2020 (both days inclusive), during which period no transfer of H Shares will be registered. In order for H Shareholders to attend the AGM, 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, by 4:30 p.m. on Friday, May 22, 2020. H Shareholders whose names appear on the H Share register of members of the Company on Sunday, May 24, 2020 shall be entitled to attend and vote at the AGM.
2. H Shareholders who intend to attend the AGM either in person or by proxy are required to complete and return the reply slip for the AGM, by hand or by post, 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 on or before Wednesday, June 3, 2020.

Shareholders or their proxies attending the AGM shall produce their identity documents. If a Shareholder is a legal person, its legal representative or other person authorized by the board of directors or other governing body of such Shareholder may attend the AGM by producing a copy of the resolution of the board of directors or other governing body of such Shareholder appointing such person to attend the meeting.

3. Any Shareholder entitled to attend and vote at the AGM is entitled to appoint one or more proxies to attend and vote on his/her/its behalf at the AGM. 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, this 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 2019 ANNUAL GENERAL MEETING

H Shareholders are required to return the proxy form or the notarized power of attorney or any 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 AGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the AGM or any adjournment thereof in person if you so wish.

4. 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.
5. 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, all resolutions to be proposed at the AGM will be voted by poll.

The aforesaid resolutions 1 to 9 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 AGM with voting rights; the resolutions 10 to 11 are special resolutions to be passed by the affirmative votes representing over two thirds of the total number of Shares held by the Shareholders attending the AGM with voting rights.

In particular, the cumulative poll method shall be adopted for the resolution 9, i.e. the number of votes each Shareholder is entitled to shall be equal to the number of shares with voting rights held by him/her multiplied by the number of Directors to be elected, and Shareholders may allocate his/her votes arbitrarily to candidates to the extent of the number of Directors to be elected (he/she can allocate no vote to any candidate) provided that the total number of votes allocated shall not be more than the number of votes he/she is entitled to.

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 6.1, i.e. China Jianyin Investment Ltd. ("**JIC**") and Central Huijin Investment Ltd. ("**Central Huijin**"), will abstain from voting on the resolution 6.1; the Shareholder who has a material interest in the resolution 6.2, i.e. Shanghai Jiushi (Group) Co., Ltd., will abstain from voting on the resolution 6.2; the Shareholders who have a material interest in the resolution 6.3, i.e. Sichuan Development Holding Co., Ltd., China Everbright Group Ltd. and Shanghai Automotive Asset Management Co., Ltd., will abstain from voting on the resolution 6.3; the Shareholders who have a material interest in the resolution 7, i.e. JIC and Central Huijin, will abstain from voting on the resolution 7. Save as disclosed above, no Shareholder is considered to have a material interest in any of the resolution proposed at the AGM and has to abstain from voting at the AGM approving the resolution.

6. 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: Peng Xiaojia/Li Dan

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

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

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

SHENWAN HONGYUAN GROUP CO., LTD.
2019 WORK REPORT OF THE BOARD OF DIRECTORS

In 2019, given the grim and complex domestic and international situation, there were many challenges in macroeconomic operation and financial risk prevention and control was further challenged. With the release and steady implementation of the plan on comprehensively deepening the reform of capital market, the approval of the amendments to the Securities Law, the establishment of the STAR Market and the implementation of major reform of pilot registration system, as well as the stable enhancement of opening-up, the capital market will see opportunities including vigorous development of direct financing and continued promotion of structural reform on the financial supply side. Regulatory authorities, with an ever more prominent reliance on information disclosure, continue to emphasize improving the quality of listed companies and consolidating the basic functions of the capital market. As at the end of 2019, the SSE Composite Index closed at 3,050.12 points, representing an increase of 22.30% as compared to the beginning of the year; and the SZSE Component Index closed at 10,430.77 points, representing an increase of 44.08% as compared to the beginning of the year.

In the past year, the Company proactively responded to the complex market situation. With the goal of building a first-class investment holding group, it continued to expand its strategic layout, enhance its business capabilities, and consolidate its management foundation, and achieved good results in all aspects. The Company recorded consolidated revenue of RMB24.593 billion, net profit attributable to shareholders of the parent company of RMB5.735 billion, basic earnings per share of RMB0.24 per share and a weighted average return on equity of 7.41%.

I. Main Work in 2019

(I) Promotion of the implementation of the Company's development strategy, resulting in improvement of operating results and comprehensive competitiveness

In 2019, the Board of Directors of the Company further intensified its strategic leadership role. Under the leadership of the Party committee of the Company, the Company, focusing on the overall strategic objectives under the Development Planning Outline of Shenwan Hongyuan for 2017–2020, earnestly promoted its business transformation and in-depth reform in terms of “specialization, platformization and globalization” through sub-strategies of business lines, middle and back stages, branch companies and subsidiaries. Facing the fierce industry competition and challenges in opening-up, the Company implemented its development strategies and adopted the “investment + investment banking” model to accelerate transformation, prevent and control risks, resulting in good operating results and further improvement of comprehensive competitiveness.

In respect of the **enterprise finance segment**, the Company further improved the implementation method and working mechanism of the “investment + investment banking” strategy. For **investment banking business**, the Company seized market opportunities to intensify the introduction of strategic customers, advanced its layout in key regions, and proactively set its presence in the STAR Market. It leveraged on the opportunities of merger and acquisition projects to develop the full range of fixed income financing businesses, and initial results were achieved in comprehensive financial services led by investment banking. In terms of **principal investment business**, in-depth collaboration was reinforced with the securities business line for in-depth tapping of opportunities arising from collaborative business, and positive results were realized with the risks under strict control.

As to **personal finance segment**, the Company consolidated the basic fundamentals of brokerage credit business while accelerating the transformation of wealth management in an in-depth way. For **securities brokerage business**, the Company increased the introduction of customer assets and efforts to revitalize assets through expansion of channel construction, intensifying brand publicity, promoting customer stratification, and deploying the businesses to embrace trends. It also enhanced the professional service ability of investment counseling, stepped up the utilisation of FinTech, and accelerated the transformation of wealth management. In terms of **margin financing and securities lending business**, more efforts were exerted to promote institutional transformation and capture the trends of securities refinancing business in the STAR Market. In respect of **stock-backed lending business**, the Company further strengthened business risk control, and adjusted and optimized business structure.

For the **institutional services and trading segment**, based on the core advantages of investment research, the Company continued to consolidate its market position as the main broker and obtained good results from proprietary trading. It promote the transformation of traditional proprietary trading to integrated trading and collaborative services, to provide institutional clients with comprehensive financial services integrating “product, sales and trading”, striving to build a whole business chain of institutional business. In respect of **prime brokerage business**, the revenue generated from units leasing throughout the year amounted to RMB422 million, maintaining in the top rank in the industry. The Company standardised the development of PB trading system to achieve full-market and full-variety coverage and obtained the qualification for custody of securities investment funds as administratively licensed by the CSRC. SWS Research was awarded a number of honors and provided support of industry research for the businesses of the Company. As for **proprietary trading business**, based on an accurate understanding of the market trend, the Company optimised the allocation of large-scale assets and proactively engaged in allocation of low- and medium-risk assets, and achieved good investment performance. In terms of the **sales and trading business**, the Company steadily advanced innovative businesses including interest rate derivatives business, commodity investment, OTC derivatives business, and various market-making businesses. Business qualifications obtained by the Company include market maker for treasury bond futures of China Financial Futures Exchange, main market maker for listed funds of the Shanghai Stock Exchange, quotation agency of “Bond Connect”, qualification for sales of credit derivatives, general market maker for 300ETF options of the Shanghai Stock Exchange, main market maker for listed funds of the Shanghai Stock Exchange, general market maker for 300ETFs of the Shenzhen Stock Exchange, market maker for 300ETFs of China Financial Futures Exchange and options market maker for PTA and methanol of Zhengzhou Commodity Exchange, which consolidated the comprehensive financial service capabilities of the Company.

In terms of **investment management business segment**, the Company continuously improved product creation and active management capabilities. For the **asset management business line**, the Company endeavored to cope with the challenges brought about by regulatory policies and market competition, and the size of its asset management business was RMB543.9 billion as at the end of the year. **SWS MU** achieved stable net value of funds and performance growth on the premise of effective risk control. The scale of mutual funds under **Fullgoal Fund**'s management was RMB339.059 billion, representing an increase of over 70% year on year. As to **private equity fund business**, relying on the capital market, the Company strengthened cooperation with key provinces and relevant listed groups, large state-owned enterprises, etc., to comprehensively serve the development of the real economy and industrial transformation and upgrading, and achieved good results.

(II) Successful completion of the issuance and listing of H shares, creating an international capital structure with A+H shares listed

In light of the new competitive situation posed by the accelerated financial opening-up and the transformation of the securities industry, in order to enrich the Company's capital, further promote the internationalization strategy and enhance the corporate governance, and continue to strengthen the core competitiveness, the Company, with a firm strategic vision, prudently and decisively advanced the plan on issuance and listing of H shares in the environment with market fluctuations. The half-year timetable established by the Company is the fastest implementation plan that is rarely adopted in the industry, seizing the best strategic timing to complete listing in Hong Kong. On April 26, 2019, the Company efficiently completed the issuance and listing of 2,504,000,000 H shares on the Hong Kong Stock Exchange at the issue price of HK\$3.63 per share, and raised a total of approximately HK\$8.87 billion. Through the issuance, the Company built an international capital structure, which further enhanced its capital strength, and successfully introduced high-quality domestic and foreign investors with strong financial strength and significance of strategic synergy. The shareholding structure was further optimized, creating larger development potential for the Company's international layout.

(III) Continuous reinforcement of the building of the Board of Directors to further improve corporate governance

In 2019, the Company held 4 general meetings at which 19 resolutions were considered and approved. The Board of Directors held 12 meetings at which 53 resolutions were considered and approved. The Audit Committee of the Board of Directors held 6 meetings at which 13 resolutions were considered and approved, and 4 reports were heard. The Risk Control Committee of the Board of Directors held 3 meetings at which 2 resolutions were considered and approved, and 2 reports were heard. The Remuneration and Nomination Committee of the Board of Directors held 5 meetings at which 7 resolutions were considered and approved.

In accordance with the listing requirements of Hong Kong, the Company comprehensively sorted out various governance systems during the year and revised and perfected nearly 20 basic systems including the Articles of Association, the Rules of Procedure of the General Meeting, the Rules of Procedure of the Board of Directors, the Information Disclosure Management System, the Management Policy of Related Party Transactions, the Investor Relations Management System and the Management Rules of External Guarantee, which laid a foundation at the system level for the Company to create a corporate governance structure in which the general meeting, the Board of Directors, the Board of Supervisors and the management perform their duties and independent directors and special committees have clear roles in accordance with the regulatory requirements of the PRC and Hong Kong. The Company conducted election and appointment of four directors, one supervisor, and one senior management member in a prudent way, including one independent director who is a Hong Kong citizen, which further enriched the composition of the Board of Directors, and formulated the Board Diversity Policy. By enriching the training of directors and increasing research efforts, the Board of Directors has strengthened its self-building, and practically improved the ability to make decisions on major issues in the context of listing of A and H shares. The communication and coordination mechanism between the Company's shareholders, the Board of Directors, and management has also been further improved. In accordance with the requirements on financial and state-owned assets management and reform and development, the Company intensified the leadership of the Party, to give full play to the dual advantages of corporate governance of state-owned enterprises and Party leadership, to improve the quality and efficiency of corporate governance. According to the requirements on listing of A + H shares, various mechanisms of corporate governance and standardized operation were re-sorted out and consummated, to ensure compliance with the regulatory requirements of the listing rules of the PRC and Hong Kong in terms of management and control of related party (connected) transactions, independence of listed company, code of conduct of substantial shareholders, internal control, deposit and management of proceeds, etc.

(IV) Enhancement of the construction of systems and processes to continuously improve the quality of information disclosure

The Company prepared and disclosed high-quality periodic reports and interim reports in strict accordance with the relevant requirements on information disclosure in the PRC and Hong Kong. It completed the preparation and disclosure of a total of 119 reports including four periodic reports, i.e. the 2018 annual report, the 2019 first quarterly report (in Simplified Chinese, Traditional Chinese and English), the 2019 semi-annual report (for A and H shares) (in Simplified Chinese, Traditional Chinese and English), and the third quarterly report (in Simplified Chinese, Traditional Chinese and English), and other interim reports, and disclosed information on 350 matters regarding A shares and H shares. In the first year of achieving listing of both A shares and H shares, **on the one hand**, the Company continued to strengthen the management and internal guidelines in terms of information reporting on major issues in accordance with the increasingly stricter and more detailed information disclosure requirements of the CSRC and the exchanges, further optimized the information reporting and management working mechanism for both A shares and H shares, and built an efficient mechanism for information transfer between and coordinated standard operation of the parent company and subsidiaries, which effectively laid a solid foundation for timely, accurate and complete information disclosure. The Company was rated as “A” again in the assessment of annual information disclosure of the Shenzhen Stock Exchange. **On the other hand**, the Company prudently gave consideration to and complied with the domestic and overseas listing supervision system and information disclosure standards. Before and after the listing in Hong Kong, through rich and diverse information disclosure trainings, the Company continuously cultivated and enhanced the awareness of information disclosure compliance of substantial shareholders, directors, supervisors, executives and all employees of the Company.

(V) More efforts on investor relationship management and share management, to continuously optimize and enhance the Company’s image in the capital market and effectively safeguard shareholders’ rights

The Board of Directors of the Company attached great importance to the investor relations management. Through active, interactive, professional and efficient investor communication, it established effective interaction with the capital market to enhance the Company’s transparency and safeguard investors’ rights. During the preparation of listing in Hong Kong, the Company proactively carried out roadshows and analyst meetings to deeply analyze the development situation in the market and was highly recognized. After the listing in Hong Kong, the Company maintained positive communication, disclosed its strategic layout and business development trends to the market in a timely manner, and understood and responded to investor concerns. In addition, it proactively listened to and collected shareholders’ opinions and suggestions on the Company’s operation management and future development, resulting in great improvement of the Company’s transparency. During the year, nearly 100 meetings and events including annual results presentation, results roadshows, brokers meetings, and analyst surveys were held to respond promptly to investors’ questions from the Shenzhen Stock Exchange’s interactive platform and patiently dealt with investors’ daily inquiries. Besides, it proactively participated in the investor collective reception day event held by Xinjiang Branch of the CSRC, and strengthened communication with all shareholders, the media and the public through various means, to convey the Company’s investment value, promote the formation of relatively stable market expectations, and create a company image respected by investors and welcomed by the capital market.

During the reporting period, the Board of Directors of the Company, upholding the fundamental concept of serving investors, earnestly conducted management of shares, to safeguard shareholders' interests. First, in accordance with the dividend policy, the Company formulated, approved and implemented the 2018 profit distribution plan and continued to improve the shareholder return mechanism, to proactively return shareholders and protect shareholders' legitimate interests. Second, the Company assisted holders of shares subject to selling restrictions in proceeding with the procedures for release from selling restrictions, and coordinated communication with exchanges and other authorities, and complete the release from selling restrictions for the 2,506,295,012 shares subject to selling restrictions held by 6 shareholders (including four strategic shareholders such as Sichuan Development) in a proper and orderly manner. Third, while earnestly serving and communicating with shareholders to further strengthen professional communication with substantial shareholders, the Company kept abreast of financial and state-owned assets management requirements and continuously improved the shareholders' communication mechanism, to obtain shareholders' support for major decisions of the Company.

(VI) Further optimization of systems, mechanisms and basic management to empower the Company's transformation and development

In light of the new situation of industry competition and the needs of the Company's development strategy, the Board of Directors vigorously promoted the construction of the Company's endogenous development mechanism and optimized the top-level design, to release organizational vitality and consolidate basic management. **First**, the Company further streamlined the corporate governance authorization system, refined and improved the decision-making authorization system for the management, and established a professional management committee, to improve the scientificity and effectiveness of decision-making. **Second**, the Company reformed its organizational structure in line with business development and the securities company established the fixed-income foreign exchange commodity business department and the fixed-income sales and trading headquarters, to further leverage the Company's advantages in respect of FICC investment research business and sales resource endowments. An inclusive financial headquarters was set up to further enhance the comprehensive financial service capabilities for small and medium clients and support the Company's overall business collaboration. **Third**, the Company continuously refined financial management and capital management, to strengthen budget and cost management. **Fourth**, while intensifying the building of product creation capability, the Company improved the trading service capacity by means of products produced using the domestic and overseas high-quality assets according to client's needs, and promoted the transformation of traditional channel services to wealth management and institutional trading services, driving the improvement of the Company's comprehensive financial service capabilities. **Fifth**, to promote human resources reform and strengthen the building of talent teams, the Company continuously optimized and established performance assessment and incentive and restraint mechanisms that meet the needs of the Company's development.

(VII) Consummation of compliance and risk management and continuous enhancement of the effectiveness of internal control

While proactively conducting transformation of its business, the Company placed the focus of risk prevention and control on business operation and operation management, and constantly proceeded with the improvement of risk management and control mechanism to withstand the risk control pressure arising from the economic downturn, the turbulence and decline of the stock market and financial risk exposure. Overall, it maintained healthy development. **First**, the Company further strengthened the construction of the risk management system at group level with high penetration "in all aspects throughout the entire business process and with full coverage", improved its risk reporting mechanism, subsidiary risk events and important risk information reporting mechanism, and optimized the risk management organizational structure. **Second**, it advanced the construction of internal credit rating system and beefed

up the coordination of the management and control mechanisms of parent and subsidiaries. Meanwhile, it formulated the same customer concentration control plan, perfected the investment decision-making mechanism, and optimized valuation and risk management processes. **Third**, with strengthened business risk prevention, the Company achieved full coverage of full process risk management, conducted regular risk tracking, and sorted out risk concerns for investment business; the Company increased comprehensive governance measures for projects, and organized and carried out risk investigations on related businesses including asset securitization, stock pledge, investment banking, etc., to resolve risks for projects in a timely manner. **Fourth**, the construction of internal control system was reinforced to propel the Company's internal control to be conducted in a standardized way through standard procedures.

(VIII) Proactive discharge of social responsibilities and serving the development of the real economy

During the reporting period, the Company always upheld its core values in pursuit of healthy, sustainable and stable development, and gave back to the society in various ways by making new positive contributions to the promotion of coordinated economic and social development. The Company proactively supported various national reform measures and industrial innovation, transformation and upgrading, increased investment in the real economy, and improved direct financing services in terms of shares, bonds, and the NEEQ. As a listed company with the registered address located in Xinjiang, it proactively supported the economic and social development of Xinjiang, with a view to contributing to the supply-side structural reform and the construction of a multi-level capital market. To effectively protect the legitimate interests of shareholders, in particular minority shareholders, the Company discharged its responsibilities for shareholders through continuous improvement of corporate governance structure, strengthening construction of internal control, strict implementation of information disclosure obligations, enhancement of investor relations management and formulation of shareholder return plan. With the "customer-centric" concept throughout the entire business development process, the Company provides clients with three-dimensional, professional and personalized comprehensive financial services to improve customer satisfaction in terms of innovation of financial products, construction of investment platform, optimization of customer service channels and service experience, and investor education. Always adhering to putting people first, the Company regards human resources as the primary resource for its development, proactively expanded the career development space for employees, and created good working conditions and atmosphere for employees, to discharge its responsibilities to employees. As a state-owned listed company, it proactively adheres to the concept of contributing value to the society. While creating good economic benefits, the Company pays taxes in good faith according to law, conducted comprehensive risk management to strictly prevent commercial bribery, and put great efforts on the long-term mechanism for security and stability maintenance. For targeted poverty alleviation, the Company always regards targeted assistance and support as an important reflection of practicing the "two maintenances" and the responsibility of state-owned financial enterprises. The Company formulated the annual poverty alleviation plan as a proactive response to the "One Company for One County" paired assistance initiative of the Securities Association of China, and continued to conduct targeted poverty alleviation in "six counties, one district and one village", i.e. Huining County in Gansu Province, Maigaiti County and Jimunai County in Xinjiang, Xi County in Shanxi Province, Baiyu County and Jinyang County in Sichuan Province, Qianjiang District in Chongqing, and Gaobei Village in Shibing County of Guizhou Province, striving to overcome the difficulties and pain points of the people's livelihood; it supports the local collective economy, characteristic industries and leading enterprises in the poverty-stricken areas to grow bigger and stronger, to consolidate the foundation for poverty alleviation in poverty-stricken areas; and exerts its professional advantages to strengthen poverty alleviation through finance and improve the quality of poverty alleviation and cultivates a poverty alleviation culture which everyone in the Company participates in and everyone cares about. It is proactively engaged in the construction of public welfare undertakings, and donated RMB13 million during the outbreak of the COVID-19. It always complies with the national requirements on environmental protection and sustainable development, striving to create good social benefits, fully discharge its social responsibilities, and proactively assume social obligations, with a view to becoming an excellent corporate citizen and developing and progressing with the society.

II. Key Work Arrangements for 2020

In respect of the external environment, the year 2020 is the year for the state to fully build a well-off society and the last year of the “13th Five-Year” Plan as well as the year for the capital market to vigorously promote reform and development, with both severe challenges and development opportunities. In terms of challenges, there are still many uncertainties in the global economy, and the domestic economy is in a critical period of changing the development mode; the recent COVID-19 epidemic has had a significant impact on macroeconomics, capital markets, and corporate credit; with the opening-up of the financial industry, competition in the industry has intensified; strict regulation has become the norm, which poses greater challenges to the brokers’ business capabilities and compliance risk control. In terms of opportunities, the reform of the top-level design of the capital market in the PRC has been initiated, and the resilience of China’s capital market is being further reshaped, laying an important market foundation for the development of securities companies; the industry has obvious characteristics of classified regulation and “supporting the superior enterprises and limiting the disadvantaged ones”, and the industry concentration is constantly increasing. Facing the complicated economic environment and strict regulatory situation, large brokers have more prominent competitive advantages due to their strong capital strength, comprehensive and diversified business structure, and comprehensive risk control.

From the perspective of the Company’s own conditions, the year 2020 signifies start of the Company after the fifth anniversary of the merger and reorganization. The reform and development are in progress, and there will be achievements and problems. In terms of achievements, in recent years, the Company formulated and promoted the Development Strategy Plan for 2017–2020 based on the results of restructuring and integration of strong alliances and mutual complement, and completed the construction of the structure with listing of A shares and H shares and A-share refinancing. At the same time, the Company has reached a critical period of transformation and development. With the deepening of the transformation, certain problems have become increasingly prominent, mainly represented by: the urgent need of further improvement of capital strength, business transformation subject to further deepening, and the need of further acceleration of the reform of systems and mechanisms.

Based on the above situation analysis, the Company’s general idea for 2020 is as follows: it will endeavour to grasp development opportunities to promote various strategic measures, and accelerate the construction of a new development system for investment holding group. To achieve the goal of creating a leading broker and improving competitiveness, it will strongly support the development of securities subsidiaries, adopt innovative profit model and create new growth drivers, speed up the reform of systems and mechanisms and improvement of management capabilities, to enhance market competitiveness and profitability and start new high-quality development in an all-round way. The Board of Directors of the Company will continue to promote good and effective corporate governance, and propel the Company to focus on the following aspects in order to achieve the above goals:

(I) To strengthen the strategic leading role and accelerate the creation of a first-class investment holding group with the capital market as the core

The year 2020 is the final year of the Company’s three-year development strategy plan, and a crucial year to seize the strategic opportunities arising from the reform of capital market, accelerate the strategic layout, and enhance the position in the industry. As a state-owned financial enterprise, the Company will further combine the political advantage of the core leadership of the Party for state-owned enterprises with the advantages of corporate governance of listed companies, and further propel the “four major layouts” and regionalization strategy. **To continue to accelerate the capital layout**, the Company will respond to the needs of profit model reconstruction and make good use of the platform with the listing of A shares and H shares, to supplement the Company’s working capital through multiple channels. **To**

continue to accelerate business transformation and layout, the Company will increase the proportion of wealth management, institutional services and trading, and capital intermediary business. **To continue to accelerate the international layout**, the Company will take the opportunity of listing in Hong Kong to realize the layout integrating cross-border businesses of the group company, securities companies and subsidiaries, to greatly increase the proportion of overseas business income, and to accelerate the cultivation and introduction of international professionals. **To continue to expedite the promotion of financial technology layout**, the Company will quicken the organic integration of finance and technology, to drive business transformation and high-quality development through technology.

The Development Strategy Outline for 2017–2020 of the Company is the first strategy after the Company’s merger and reorganization, and has played an important role in promoting the Company’s integration, reform and development. In 2020, the Board of Directors will guide the management to further intensify the evaluation of strategy implementation, comprehensively review the effects of and problems in strategy implementation, and study and formulate the strategy for a new round of development in light of environmental changes and the actual conditions of the Company, which will clarify the strategic direction of building a leading broker, implementation method and key measures, and further align the Company’s development direction and build a consensus in the Company.

(II) To speed up in-depth business transformation, striving to enhance sustainable development capability

The Board of Directors of the Company will support the management to speed up in-depth transformation of business lines through construction of customer system and product system. In respect of the **enterprise finance business segment**, the Company will continue to improve investment banking business development capabilities, and improve market influence through mergers and reorganizations; expand the synergy results of “investment + investment banking”, and optimise and refine the businesses including fixed income investment and direct investment equity investment focusing on the needs of real economy. For **personal finance business segment**, while stabilizing the basic fundamentals, the Company will continue to accelerate the construction of a wealth management system to create the wealth management brand of Shenwan Hongyuan; focusing on customer needs, the Company will increase efforts on the construction of investment advisory team, improve the incentive and restraint mechanism for investment advisors, and improve the professionalism of services; while expediting the construction of trading system and APP, it will optimize online customer experience through intelligent investment advisory, etc.; client classification and grading will be conducted to provide high net worth clients with personalized asset allocation services and richer and more diverse product varieties. In terms of **institutional services and trading business segment**, while consolidating the advantageous fields for the prime brokerage business, the Company will also strengthen business coordination and enrich profit models; for proprietary business lines, the Company will continue to strengthen and optimize multi-strategy large-scale asset allocation, accelerate the implementation of cross-border business, OTC business and other innovative businesses, to consolidate and enhance profitability. A multi-level product system will be built based on customer needs to promote the transformation of traditional proprietary trading to integrated trading and collaborative services. As to the **investment management business segment**, the Company will quicken the improvement of active management capability of the asset management business of the securities company, further enhance the competitiveness of mutual fund business, and continue to develop private equity fund investment business.

(III) To deepen the reform of systems and mechanisms, to further release the vitality of development

The Board of Directors of the Company will promote the management to further intensify the innovation of systems and mechanisms, promote and advance domestic and international collaboration and the collaboration between the headquarters and branches, to jointly advance the implementation of the Company's strategy. **First**, following the principles of "integrating resources, benchmarking leading enterprises, strengthening collaboration, and improving efficiency", the Company will re-streamline the organizational structure of business lines including retail, institution, international, asset management, and investment trading to further optimize the decision-making operation mechanism, increase collaboration efforts and exert the joint efforts of the Company. **Second**, the Company will optimize the assessment mechanism, increase the deployment of operating indicators, and optimize the dual-counting model of coordinated revenue, and strengthen the risk treatment requirements and quantitative indicators. **Third**, in accordance with the concept of professional and market-oriented development, the Company will improve professional committees under the management of the Company and give full play to the role of professional committees in business decision-making. It will improve the authorization mechanism and revitalize branch companies, to release branches' potential for development of distinctive businesses based on their own advantages and building a regional integrated financial service platform. **Fourth**, the Company will establish a flexible performance-oriented incentive and restraint mechanism that aligns to the market and features survival of the fittest, and proactively and steadily explore various long-term innovative incentive and restraint methods.

(IV) To optimize the corporate governance structure to improve the standard operation level of the Group

In accordance with the regulatory rules of domestic and overseas capital markets and industries, the Board of Directors of the Company will continue to improve the corporate governance structure, strengthen its own construction to enhance its scientific decision-making ability, and exercise the supervisory function of the Board of Supervisors. While further refining investor relations management, the Company will steadily increase its attention through solid internal and external research and proactive external communication, promote the market to reasonably understand the Company's valuation, and formulate a shareholder return plan to protect shareholders' legitimate interests. To strengthen information disclosure management, it will prepare and disclose high quality periodic reports and interim reports in strict accordance with domestic and overseas information disclosure requirements. Further efforts will be exerted to strengthen supervision over standard operation and improve the overall standard operation level of the Group. The Company will get a full understanding of the requirements of domestic and foreign regulatory authorities on the standard operation of listed companies and strictly comply with requirements in terms of related party transaction management, code of conduct of substantial shareholders, related party (connected) transactions, and proceeds management. The leadership of the Party will be intensified, and the Company will combine the core political advantages of the Party of state-owned enterprise with the advantages of corporate governance of listed company, to strictly and practically proceed with Party building and transform political advantages into the leadership advantages and core competitive advantages of the Company.

(V) **To improve risk management and internal control system to further enhance risk management level**

The Board of Directors of the Company will urge the management to resolutely implement the requirements of the central government and win the battle of prevention and control of financial risks, to prevent systematic financial risks. **First**, the construction of compliance risk control system will be improved in terms of top-level design in accordance with the requirements of management at group level with high penetration “in all aspects throughout the entire business process and with full coverage”. **Second**, the Company will strengthen liquidity management, optimize asset allocation, and focus on allocation of pro-cyclical assets, to diversify venture investment and to reduce concentration. **Third**, the project management mechanism will be consummated and the project management systems including pre-loan due diligence, review at grant of loans, unified credit, verification of collaterals and pledges, post-management and risk disposal will be improved to enhance risk treatment and resolution capabilities. **Fourth**, the Company will intensify the construction of internal control system, improve the internal audit inspection, evaluation and supervision functions, and further strengthen the self-restricting mechanism.

The year 2020 is a crucial year for Shenwan Hongyuan to accelerate reform, deepen transformation, and promote high-quality development. The Company will seize opportunities, endeavour to further accelerate the implementation of its development strategy, and continuously improve the quality of development, striving to enhance its competitiveness in the industry and return shareholders and the society with practical actions and excellent performance.

SHENWAN HONGYUAN GROUP CO., LTD.
2019 WORK REPORT OF THE BOARD OF SUPERVISORS

In 2019, in the face of a complex and changing market environment and operating situation, Shenwan Hongyuan Group Co., Ltd. (the “Company”), following the spirit of the economic and financial work and major decisions and deployments of the central governments, earnestly complied with the work requirements of shareholders and fully discharged political responsibility, social responsibility and economic responsibility, and proactively promoted strategic transformation and reform and innovation. The Company successfully completed the issuance and listing of H shares and accelerated the comprehensive transformation and development of the securities business. It proactively boosted the optimization of the investment business layout, improved business collaboration and management efficiency, and focused on prevention and mitigation of operating risks. All these resulted in good operating results and further enhanced comprehensive competitiveness and sustainability.

Guided by Xi Jinping’s socialist ideology with Chinese characteristics in the new era, the Board of Supervisors of the Company implemented the requirements on strengthening and perfecting the corporate governance of state-owned financial enterprises and supervision by the board of supervisors. In strict accordance with the Company Law, the Securities Law, the Guidelines for the Work of the Board of Supervisors of Listed Companies, regulatory requirements of domestic and overseas listing places and the Articles of Association, the Board of Supervisors adhered to legal compliance, objectivity and fairness, scientific and effective performance of duties, and proactively safeguard the legitimate interests of all shareholders, improved and optimized the supervision mechanism to enhance the supervision capacity and level, to effectively promote the Company’s standardized, stable operation and high-quality development.

I. Standardization of operation and supervision of performance of duties by the Board of Supervisors in 2019

(I) Strict standardization of the performance of corporate governance responsibilities and earnest consideration of major issues of the Company

The Board of Supervisors conducted in-depth research and consideration of major issues involving shareholders’ interests and the Company’s business development in a timely manner in accordance with corporate governance requirements and operation standards for listed company, and effectively exercised the supervisory authority. A total of 6 meetings of the Board of Supervisors were held throughout the year, at which 11 resolutions were considered and approved. The main contents of the meetings are as follows:

1. The 25th meeting of the fourth session of the Board of Supervisors was held on February 26, 2019, at which the 2018 Annual Financial Report of Shenwan Hongyuan Group Co., Ltd., the 2018 Profit Distribution Proposal of Shenwan Hongyuan Group Co., Ltd., the 2018 Annual Report of Shenwan Hongyuan Group Co., Ltd. and the Summary Thereof, the 2018 Internal Control Evaluation Report of Shenwan Hongyuan Group Co., Ltd., and the 2018 Work Report of the Board of Supervisors of Shenwan Hongyuan Group Co., Ltd. were considered and approved;
2. The 26th meeting of the fourth session of the Board of Supervisors was held on April 29, 2019, at which the 2019 First Quarterly Report of Shenwan Hongyuan Group Co., Ltd. was considered and approved;
3. The 27th meeting of the fourth session of the Board of Supervisors was held on August 12, 2019, at which the Resolution Regarding the Nomination of Candidates for Supervisors of the Company was considered and approved;

4. The 28th meeting of the fourth session of the Board of Supervisors was held on August 30, 2019, at which the 2019 Semi-annual Report of Shenwan Hongyuan Group Co., Ltd. and the Summary Thereof, the 2019 Interim Report of Shenwan Hongyuan Group Co., Ltd. and the 2019 Interim Results Announcement of Shenwan Hongyuan Group Co., Ltd. were considered and approved;
5. The 29th meeting of the fourth session of the Board of Supervisors was held on October 25, 2019, at which the Resolution Regarding the Election of the Chairman of the Board of Supervisors and the Resolution Regarding the Election of the Chairman of the Performance Supervision and Inspection Committee under the Board of Supervisors were considered and approved;
6. The 30th meeting of the fourth session of the Board of Supervisors was held on October 30, 2019, at which the 2019 Third Quarterly Report of Shenwan Hongyuan Group Co., Ltd. was considered and approved.

The above contents and procedures of the meetings of the Board of Supervisors are in compliance with the Rules of Procedure of the Board of Supervisors and related regulations, and were promptly announced in strict accordance with the information disclosure system. In addition, the members of the Board of Supervisors attended the general meetings in accordance with the regulations, and the Board of Supervisors made work report to the general meetings in accordance with the law and fully fulfilled all relevant obligations.

In the preparation of issuance and listing of the Company's H shares, the Board of Supervisors fully cooperated with the Board of Directors, the management and relevant intermediaries, reviewed the relevant contents of the prospectus and organized the supervisors to accept due diligence and confirm personal data, and sign relevant statements and commitments, creating conditions for the success of listing.

On July 18, 2019, due to work arrangement, Mr. Yang Yucheng, chairman of the Board of Supervisors, resigned as the chairman and supervisor of the Board of Supervisors. On October 25, 2019, Mr. Xu Yiyang was elected as a supervisor and the chairman of the Board of Supervisors at the general meeting and by the Board of Supervisors, respectively. During the temporary vacancy of the chairman of the Board of Supervisors, in accordance with the Articles of Association of the Company, the supervisors elected Huang Qi as the convener, and all supervisors worked together to ensure the normal operation of the Board of Supervisors.

(II) Accurate supervision positioning and proactive supervision over the performance of duties by the Board of Directors and the management

The Board of Supervisors fully supervised the performance of duties by the Board of Directors, the management and its members. In 2019, the Board of Supervisors organized supervisors to attend the 7 meetings of the Board of Directors and 7 meetings of the special meetings under the Board of Directors to fully understand and evaluate major issues including the implementation of the Company's strategies, business plan and execution thereof, financial management, internal control and risk management. At the same time, the person in charge of the Board of Supervisors, supervisors and personnel of the Board of Supervisors maintained continuous attention to the Company's important decisions and the implementation there by participating in or attending the general manager's office meeting and important business management meetings. In the course of the above work, the Board of Supervisors focused on the implementation of effective supervision over the implementation of deployment of the central government and servicing national strategy by the Board of Directors and the management, the implementation of the resolutions approved at the general meetings, the decision-making in accordance with corporate governance procedures, the timeliness and effectiveness of information disclosure, the operation and performance of duties of the special committees under the Board of Directors, the performance of due diligence by the directors and senior management, etc.

The performance evaluation was continuously improved. On the basis of supervision over daily performance of duties, the Board of Supervisors objectively evaluated the performance of duties of the Board of Directors, the management and its members in the previous year and made suggestions for improvement in terms of work performance, due diligence and risk management according to the performance evaluation measures based on the relevant materials including the work report of the Board of Directors, the work report of general manager, and annual personal work reports of directors and senior management. The evaluation opinions are included in the Company's annual assessment of directors and senior management as a reference basis.

(III) Effective enhancement of financial supervision to promote the Company to improve financial management

The Board of Supervisors carefully audited periodic reports to check the legal compliance of the Company's finance, and supervised accounting policies, major financial matters and the preparation of financial reports. It audited the Company's 2018 annual report, 2019 first quarterly report, 2019 semi-annual report and interim report, and 2019 third quarterly report through reviewing the periodic reports prepared by the Board of Directors, the annual audit report issued by the accounting firm and the report on the agreed procedures, and issued independent objective and fair opinions thereon.

In order to perform daily financial supervision properly, the Board of Supervisors organizes supervisors to attend the meetings of the audit committee of the Board of Directors and the meetings between independent directors and the Company's management and auditors in charge of annual audit, participate in the discussion and analysis of the preparation of the Company's periodic reports, financial matters and audit recommendations, and track and understand the Company's annual report preparation procedures, the implementation of annual report system by independent directors and the work of auditors in charge of annual audit. According to relevant regulations, it supervised the performance and business expenditure of the person in charge of the enterprise, reviewed the Company's information on non-public issuance of corporate bonds, and at the same time, conducted financial inspection and supervision using the results of internal audit and internal control departments.

(IV) Adherence to the risk orientation to intensify the supervision over risk and internal control

While effectively performing the duties of risk supervision, the Board of Supervisors proactively complied with the requirements of superior shareholders to further strengthen risk management and prevent and resolve financial risks, and promoted the Company to improve its penetrating and full-coverage risk management system and its operating mechanism. By listening to the special reports of the legal risk control department on the Company's main risks and risk management and attending the meetings of the risk control committee of the Board of Directors, it got an understanding of the Company's risk management system construction and risk control in a timely manner. It strengthened daily risk identification, dynamically tracked the Company's risk exposure, post-investment management and project risks, and put forward opinions and suggestions after research, to urge the Company to further pay attention to and improve risk management.

To promote the Company to improve its internal control system, the Board of Supervisors paid close attention to the effectiveness of the Company's internal control, supervised in a timely manner the Company's internal control construction, and continuously monitored the rectification of internal control deficiencies and problems found in the audit. Besides, it reviewed the Company's internal control evaluation plan, paid attention to and evaluated the standardization and scientificity of the defect identification standards for internal control evaluation, evaluation coverage, and key evaluation contents, and issued special independent opinions on the Company's internal control evaluation report for the previous year.

(V) Strengthening the self-construction of the Board of Supervisors to enhance the operation efficiency of the Board of Supervisors

The Board of Supervisors conducted work planning and research, and formulated its work focuses for the year based on the actual conditions at the beginning of the year and earnestly implemented thereof. To promote the close integration of supervision and business practices, it carried out investigation and research according to local conditions, to give full play to the role of constructive supervision. In particular, it carried out in-depth analysis on the Company's operation and management and formed a comprehensive supervision report; in response to the new situation after the listing of H shares, a special research report was formed on improvement of the effectiveness of supervision by the Board of Supervisors and enhancement of the quality of operation of the Board of Supervisors. In the survey and inspection report issued for Hongyuan Huizhi, a subsidiary of the Company, the Board of Supervisors made suggestions on improvement in terms of strategy, operation, and risk.

In respect of improvement of the ability to ensure the performance of duties, the Board of Supervisors ensured effective performance of duties by employee representative supervisors, supervised and guided the work of supervisors dispatched by subsidiaries directly under the Group, and established and maintained supervisors' duty performance files. Focusing on the listing in Hong Kong, supervisors were organized to participate in a number of compliance trainings on corporate governance, information disclosure, and related party transactions to enhance supervisors' awareness and ability to perform their duties. In addition, the Board of Supervisors conducted information consultation according to regulations and prepared the Work Information of the Board of Supervisors to convey the latest policies and important business developments of the Company to the supervisors in a timely manner and to provide good information guarantee for the performance of duties by supervisors.

II. Evaluation on the Performance of Duties by Supervisors in 2019

In the work in 2019, all supervisors strictly abided by laws and regulations, regulatory rules and the Articles of Association, and performed their duties as supervisors diligently, professionally and efficiently in accordance with the law. They performed supervisory responsibilities for the Board of Directors, the management and its members and the Company's operation management, attended the meetings of the Board of Supervisors on time in accordance with corporate governance procedures and requirements, proactively participated in the activities of the professional committees of the Board of Supervisors, and earnestly participated in the consideration and voting of resolution; moreover, supervisors participated in general meetings in accordance with law and attended Board meetings and other important business management meetings, at which they listened to and reviewed relevant reports and issued supervisory opinions and suggestions. They proactively promoted the improvement of the working mechanism of the Board of Supervisors, participated in the system construction of the Board of Supervisors, and carried out work research, supervision and inspection. While continuously improving their ability in terms of supervision and performance of their duties, they studied and analyzed the Company's operation information, and proactively participated in training activities related to performance of duties. They maintained good communication and coordination with the Board of Directors, the management and other members of the Board of Supervisors, to serve the overall development of the Company, effectively protect the interests of shareholders, and make positive contributions to the scientific, stable and healthy development of the Company.

III. Work Plan of the Board of Supervisors for 2020

The year 2020 is the decisive year for China to build a well-off society in an all-round way and to achieve the first century-long struggle goal and also a key year for the Company to accelerate reform and transformation and achieve high-quality development. The Board of Supervisors will continue to earnestly study and implement the important deployment of the Party Central Committee on economic and financial work under the guidance of Xi Jinping's socialist ideology with Chinese characteristics in the new era, and take the responsibility of deepening the reform of state-owned enterprise and improving the modern enterprise system with Chinese characteristics. Adhering to the Party's leadership, it will focus on main responsibilities and principal businesses, improve the supervision ability, and exert the supervision efficiency, to provide more powerful support and guarantee for the Company's standardized and stable operation and high-quality development.

(I) Adherence to the Party's leadership in earnest implementation of the Party Central Committee's policy guidelines on financial work

The Board of Supervisors will learn and comply with the requirements on the Party building of state-owned enterprises to improve its political position, adhere to the two "consistencies" to combine the Party's leadership with corporate governance and maintain the core leadership role of the Company's party committee to guide the direction, manage the overall situation and ensure implementation, and further develop its own advantages and find the correct positioning to transform the advantages of system into the governance efficiency of state-owned enterprise. The Board of Supervisors will clarify its supervisory goals and take the implementation of the "three major tasks" of financial work and serving the national strategy as important supervision contents. According to the actual development of the Company, supervision will be conducted to enhance the Company's competitiveness, innovation, control, influence and anti-risk ability and strengthen and optimize the state-owned capital. The Board of Supervisors will promote the Company to further implement the new requirements on state-owned financial capital management, strengthen strategic guidance, proactively adapt to the new trends of financial regulation and industry development, face up to existing problems and risks, and accelerate business transformation and development and management system reform.

(II) Intensification of standardized operations and strict compliance with governance regulations for listed companies and regulatory requirements

The Board of Supervisors will exercise its powers and responsibilities in strict accordance with the standardized operation requirements of A + H share listed companies and the Articles of Association to ensure the authority and independence of the Board of Supervisors. It will optimize the composition of the Board of Supervisors as required, organize and convene the meetings of the Board of Supervisors in time to study and consider the relevant resolutions, and issue supervision opinions on statutory and major issues; supervisors will be organized to participate in general meetings and attend Board meetings and business management meetings. The Board of Supervisors will adjust and improve its operation and safeguard measures, refine and optimize the work, and proceed with meeting organization and information disclosure in a standard and efficient way to effectively protect the legitimate interests of the Company and shareholders.

(III) Improvement of the supervision mechanism and promotion of the close integration of supervision and operation

The Board of Supervisors will study and improve its daily supervision mechanism and specific measures, promote the performance of duties by the Board of Directors and management and the Company's management level, and further improve the performance evaluation on the Board of Directors, the management and its members. The role of the Financial Supervision and Inspection Committee and the Duty Supervision and Inspection Committee will be fully exerted to reinforce grass-roots investigations, increase the frequency and depth of investigations, track and analyze the Company's daily operations, and improve accurate precision and professional supervision. Adhering to the risk orientation, the Board of Supervisors will continue to put more efforts on the monitoring and evaluation of the effectiveness of the Company's risk management system, intensify the supervision of business risk prevention and control and key risk project disposal under the impact of the COVID-19 epidemic and the re-supervision of the identification of internal control defects and rectification of problems found in audit, and implement risk accountability. Moreover, it will strengthen the work coordination with the legal risk control, internal audit, finance, investment management and other departments and the cooperation with intermediaries including accounting firms and refine the work guidance for the supervisors dispatched by the subsidiaries, to promote the effective integration of supervision resources.

(IV) Enhancement of performance guarantee and promotion of the continuous improvement of the supervisory ability of the Board of Supervisors

The Board of Supervisors will continue to consolidate its system construction with a view to building scientific and effective systems of the Board of Supervisors in accordance with the new concepts and requirements for corporate governance of state-owned enterprises and operation of listed companies. It will increase training efforts, formulate training plans, and organize supervisors at all levels in the system and personnel of the Board of Supervisors to participate in external and internal training related to performance of duties, to improve industry communication and enhance professional performance capabilities. To improve the information assurance of the Board of Supervisors, the information reporting requirements will be consummated to enhance the transparency of business information. The Board of Supervisors will strengthen the staffing and personnel training of the working organization of the Board of Supervisors, to provide good support for the performance of supervision duties by the Board of Supervisors.

SHENWAN HONGYUAN GROUP CO., LTD.
2019 ANNUAL FINANCIAL REPORT

In 2019, in the face of the intricate macroeconomic situation, the Company earnestly implemented the work deployment. Under the correct leadership of the Party committee and the Board of Directors of the Company, with the goal of building a first-class investment holding group, the Company will further advance the “four major layouts” and “four basic works” to fully support the development of the securities business, and continue to intensify the strategic layout, improve investment capabilities and consolidate management foundation, to promote transformation and upgrading. As a result, the businesses of the Company recorded good operating results.

I. Overall Financial Position

Unit: RMB100 million

Item	December 31, 2019	December 31, 2018	Increase or decrease (%)
Total assets	3,885.37	3,477.25	11.74
Total liabilities	3,037.06	2,765.29	9.83
Interests attributable to shareholders of the parent company	832.06	693.99	19.89
Item	2019	2018	Increase or decrease (%)
Operating income	245.93	152.77	60.98
Operating profit	69.51	52.01	33.65
Total profit	69.27	51.87	33.54
Net profit	58.03	42.48	36.62
Net profit attributable to shareholders of the parent company	57.35	41.60	37.86
Basic earnings per share (RMB per share)	0.24	0.19	26.32
Weighted average return on equity (%)	7.41	6.19	Increased by 1.22 percentage points

As at December 31, 2019, the Company’s consolidated total assets amounted to RMB388.537 billion, representing an increase of 11.74% from the beginning of the year; the consolidated total liabilities amounted to RMB303.706 billion, representing an increase of 9.83% from the beginning of the year; the interests attributable to shareholders of the parent company amounted to RMB83.206 billion, representing an increase of 19.89% from the beginning of the year, mainly due to the proceeds from the issuance of H shares and profits from operations.

Benefited from the increase in the operating results of the Company's brokerage, asset management, investment banking, investment and other principal businesses and the increase in the scale of basis trading business in 2019, the Company recorded consolidated operating income of RMB24.593 billion, representing a year-on-year increase of 60.98% over the previous year; net profit of RMB5.803 billion, representing a year-on-year increase of 36.62% over the previous year; net profit attributable to shareholders of the parent company of RMB5.735 billion, representing a year-on-year increase of 37.86% over the previous year; basic earnings of RMB0.24 per share, representing a year-on-year increase of 26.32% over the previous year; and the weighted average return on equity of 7.41%, representing a year-on-year increase of 1.22 percentage points over the previous year.

II. Assets and Liabilities

(I) Self-owned Assets

Excluding the effects of clients' funds, as at December 31, 2019, the balance of the Company's consolidated self-owned assets was RMB311.483 billion, representing an increase of 8.36% as compared with the beginning of the year. The items that account for a large proportion of the Company's self-owned assets are as follows:

1. Financial assets: the total amount of trading financial assets, other debt investment, other investments in equity instruments, and debt investment held by the Company at the end of the year was RMB176.015 billion, accounting for 56.52% of the consolidated self-owned assets of the Company and representing an increase of RMB40.00 billion or 29.41% as compared with the beginning of the year, mainly due to the increase in the size and fair value of bonds investment held by the Company.
2. Margin accounts receivable: due to the increase in the trading volume in the market and the increase in the margin financing and securities lending business during the year, the balance of margin accounts receivable of the Company at the end of the year amounted to RMB53.048 billion, accounting for 17.03% of the consolidated self-owned assets of the Company and representing an increase of RMB8.90 billion or 20.16% as compared with the beginning of the year.
3. Financial assets held under resale agreements: the financial assets held under resale agreements of the Company at the end of the year amounted to RMB39.251 billion, accounting for 12.60% of the consolidated self-owned assets of the Company and representing a decrease of RMB27.017 billion or 40.77% as compared with the beginning of the year, mainly due to the reduction of the size of stock-pledged repurchase business and bond-pledged repurchase business.

(II) Self-owned Liabilities

Excluding the effects of clients' funds, as at December 31, 2019, the balance of the Company's consolidated self-owned liabilities was RMB226.653 billion, representing an increase of 4.81% as compared with the beginning of the year. The items that account for a large proportion of the Company's self-owned liabilities are as follows:

1. Bonds payable: the balance of the bonds payable of the Company amounted to RMB91.735 billion, accounting for 40.47% of the consolidated self-owned liabilities of the Company and representing an increase of RMB2.227 billion or 2.49% as compared with the beginning of the year, mainly due to the issuance of corporate bonds and the net increase in the size of long-term structured notes.
2. Financial assets sold under repurchase agreements: the balance of the financial assets sold under repurchase agreements of the Company amounted to RMB83.944 billion, accounting for 37.04% of the consolidated self-owned liabilities of the Company and representing an increase of RMB4.582 billion or 5.77% as compared with the beginning of the year, mainly due to the increase in the size of bond-pledged financial assets sold under repurchase agreements.
3. Short-term financing payables: the balance of short-term financing payables of the Company amounted to RMB17.065 billion, accounting for 7.53% of the consolidated self-owned liabilities of the Company and representing an increase of RMB3.497 billion or 25.77% as compared with the beginning of the year, mainly due to the increase in the size of issuance of short-term financing bonds by the securities subsidiary.
4. Other liabilities: the balance of other liabilities of the Company amounted to RMB12.215 billion, accounting for 5.41% of the consolidated self-owned liabilities of the Company and representing a decrease of RMB618 million or 4.81% as compared with the beginning of the year, mainly due to the consolidation of structured entities.

III. Financial Income and Expenses**(I) Operating Income**

In 2019, the Company realized consolidated operating income of RMB24.593 billion, representing a year-on-year increase of 60.98% over the previous year. The main income items are as follows:

1. Net fee and commission income amounted to RMB6.410 billion, representing a year-on-year increase of RMB937 million or 17.12% over the previous year. In particular: due to the recovery of the securities market and the rebound in trading activity, the net fee income of brokerage business increased by RMB535 million or 16.39% year-on-year over the previous year; Under the policy background of accelerating reform in the capital market and increasing the proportion of direct financing, the Company seized the opportunity for the undertaking of shares and bonds and achieved a year-on-year increase of RMB286 million or 32.68% in the net fee income from investment banking business; the Company promoted transformation of asset management business in terms of professional reform and active management capabilities and the net fee income from asset management and fund management business increased by RMB91 million or 7.59% year-on-year over the previous year.

2. The investment income and gains on changes in fair value totaled RMB5.608 billion, representing a year-on-year increase of RMB1.747 billion or 45.25% over the previous year, mainly due to the increase in income from bonds held by the Company and fund investment and income from bid-ask spread.
3. The net interest income amounted to RMB3.220 billion, which is basically flat with that of the previous year.
4. Income from other businesses amounted to RMB8.968 billion, representing a year-on-year increase of RMB6.523 billion or 266.79% over the previous year, mainly due to the significant increase in the size of basis trading business.

(II) Operating Expenses

In 2019, the Company's consolidated operating expenses amounted to RMB17.642 billion, representing a year-on-year increase of RMB7.565 billion or 75.08% over the previous year. The main expense items are as follows:

1. Business and management fees amounted to RMB7.911 billion, representing a year-on-year increase of RMB964 million or 13.87% over the previous year, mainly due to the increase in labour costs and the provision for depreciation expenses of use-of-rights assets according to the new standards on lease initially adopted in the year.
2. Asset and credit impairment losses amounted to RMB860 million, representing a year-on-year increase of RMB201 million or 30.53% over the previous year, mainly due to the provision for impairment of debt investment, other debt investment, receivables, long-term equity investment and financial assets held under resale agreements.
3. Expenses of other businesses amounted to RMB8.725 billion, representing a year-on-year increase of RMB6.385 billion or 272.93% over the previous year, mainly due to the increase in the size of basis trading business.

IV. Cash Flows

- (I) Cash flows from operating activities: in 2019, the net cash inflow from the operating activities of the Company amounted to RMB10.116 billion. In particular, the net cash inflow from customer deposits amounted to RMB16.778 billion. Excluding the effects of customer deposits, the net cash outflow from operating activities of the Company amounted to RMB6.662 billion, mainly due to the higher cash outflow for purchase of trading financial assets including bonds, funds and wealth management products.
- (II) Cash flows from investing activities: in 2019, the net cash outflow from investing activities of the Company amounted to RMB7.601 billion, mainly due to the cash paid for investment of RMB10.677 billion and the cash received from investment income of RMB3.289 billion.
- (III) Cash flows from financing activities: in 2019, the net cash inflow from financing activities of the Company amounted to RMB7.564 billion, mainly due to the cash received from the issuance of bonds of the Company of RMB79.590 billion; cash paid for repayment of debts of RMB75.458 billion; cash received from issuance of H shares of RMB7.691 billion; and cash paid for profit distribution and repayment of interests on bonds of RMB5.103 billion.

V. Risk Control Indicators (calculated based on the data of the parent company of Shenwan Hongyuan Securities)

Unit: RMB100 million

Item	December 31, 2019	December 31, 2018	Increase or decrease
Core net capital	538.48	476.54	13.00%
Net supplementary capital	23.00	107.20	-78.54%
Net capital	561.48	583.74	-3.81%
Net assets	704.34	623.31	13.00%
Total risk capital reserves	264.65	245.48	7.81%
Total on-balance sheet & off-balance sheet assets	2,710.75	2,518.78	7.62%
Risk coverage ratio	212.16%	237.80%	Decreased by 25.64 percentage points
Capital leverage ratio	19.86%	18.92%	Increased by 0.94 percentage point
Liquidity coverage ratio	259.18%	333.57%	Decreased by 74.39 percentage points
Net stable funding ratio	137.32%	130.22%	Increased by 7.10 percentage points
Net capital/net assets	79.72%	93.65%	Decreased by 13.93 percentage points
Net capital/liabilities	29.54%	31.54%	Decreased by 2.00 percentage points
Net assets/liabilities	37.05%	33.68%	Increased by 3.37 percentage points
Equity securities and derivatives held/net capital	29.67%	20.28%	Increased by 9.39 percentage points
Non-equity securities and derivatives held/net capital	277.43%	172.09%	Increased by 105.34 percentage points

All indicators meet the requirements of the risk supervision standards.

The report is hereby made.

**APPENDIX IV RESOLUTION REGARDING THE ESTIMATED ORDINARY
RELATED PARTY TRANSACTIONS FOR 2020**

In order to further strengthen the management of the Company's ordinary related party transactions and continuously improve the Company's standard operation level, according to the Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange and other regulatory provisions, for the numerous daily related party transactions each year, the Company can reasonably estimate the total amount of ordinary related-party transactions that will occur in the current year before the disclosure of the annual report for the previous year, and submit the estimated amount to the Board of Directors or general meeting for consideration and disclosure, in order to improve the efficiency of business development and promote profit growth and long-term development.

According to the characteristics of Securities and financial products and transactions, etc. including large trading amount, strong trading timeliness, and great possibilities to trigger consideration and disclosure procedures, the Company has estimated the ordinary related-party transactions for 2019, and the estimated and actual ordinary related-party transactions in 2019 are as follows:

Unit: RMB'0,000

Category of related-party transaction	Related party	Subject matter of related-party transaction	Actual amount (RMB'0,000)	Estimated amount	Proportion of actual amount in similar businesses (%)
Securities and financial services	China Jianyin Investment Ltd. and its subsidiaries	Income from provision of securities and financial services to the related party including securities brokerage, investment banking, asset management, agency sale and leasing marketing unit	1,532.25	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	0.275
		Expenses incurred by acceptance of securities and financial services provided by the related party including fund management	351.69	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	44.992
	Shanghai Jiushi (Group) Co., Ltd.	Income from provision of securities and financial services to the related party including securities brokerage	119.07	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	0.030

Category of related-party transaction	Related party	Subject matter of related-party transaction	Actual amount (RMB'0,000)	Estimated amount	Proportion of actual amount in similar businesses (%)
	China Everbright Bank Company Limited	Interests on self-owned funds and third-party deposits, income from provision of securities and financial services including asset management and agency sale to the related party	3,735.97	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	1.026
		Expenses incurred by acceptance of securities and financial services provided by the related party including asset trusteeship, financial advisory and funds trusteeship	852.52	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	3.716
	Shanghai International Trust Co., Ltd.	Income from provision of securities and financial services to the related party including consulting services and investment banking services	724.80	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	0.636
	SAIC Finance Corporation Limited	Income from provision of securities and financial services to the related party including asset management and brokerage services	142.33	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	0.028
	SAIC-GMAC Automotive Finance Co., Ltd.	Income from provision of securities and financial services to the related party including investment banking services	1,048.00	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	1.207
	Sichuan Development Holding Co., Ltd.	Income from provision of securities and financial services to the related party including investment banking services and training	480.53	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	0.553

Category of related-party transaction	Related party	Subject matter of related-party transaction	Actual amount (RMB'0,000)	Estimated amount	Proportion of actual amount in similar businesses (%)
	Sichuan Financial Holding Group Co., Ltd.	Income from provision of securities and financial services to the related party including investment banking services	1.00	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	0.001
	ICBC Credit Suisse Asset Management Co., Ltd.	Income from provision of securities and financial services to the related party including agency sale and leasing marketing unit	1,060.22	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	2.074
Securities and financial products and transactions	China Jiayin Investment Ltd. and its subsidiaries	Total cash inflow from securities and financial products and transactions including repurchase transactions with related party and subscription of the asset management products under the management of the Company by the related party	10,000.00	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	0.001
		Total cash outflow for securities and financial products and transactions including payment of interests of repurchase transactions and subscription of the asset management products under the management of the related party	10,001.29	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	5.707

Category of related-party transaction	Related party	Subject matter of related-party transaction	Actual amount (RMB'0,000)	Estimated amount	Proportion of actual amount in similar businesses (%)
	China Everbright Bank Company Limited	Total cash inflow from receipt of interests on repurchase transaction and interbank lending, repurchase transaction with the related party, bonds trading, interbank lending, derivatives trading and subscription of financial products under non-public issuance or management of the Company by the related party	31,246,809.09	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	2.522
		Total cash outflow for payment of interests on repurchase transaction and interbank lending, repurchase transaction with the related party, interbank lending, bonds trading, derivatives trading and subscription of financial products under non-public issuance or management of the related party	3,581,836.94	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	1.462
	Shanghai International Trust Co., Ltd.	Total cash inflow from securities and financial products and transactions including repurchase transaction with the related party and bonds trading	6,641,161.85	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	0.627
		Total cash outflow for securities and financial products and transactions including payment of interests of repurchase transactions and bonds trading with the related party	10,144.57	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	0.009

Category of related-party transaction	Related party	Subject matter of related-party transaction	Actual amount (RMB'0,000)	Estimated amount	Proportion of actual amount in similar businesses (%)
	DBS Bank (China) Limited	Total cash inflow from securities and financial products and transactions including bonds trading with the related party	30,476.88	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	0.022
		Total cash outflow for securities and financial products and transactions including bonds trading with the related party	1,032.50	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	0.001
	ICBC Credit Suisse Asset Management Co., Ltd.	Total cash inflow from securities and financial products and transactions including receipt of interests on reverse repurchase and repurchase transaction with the related party and bonds trading	978,341.08	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	0.083
		Total cash outflow for securities and financial products and transactions including payment of interests of repurchase transactions, reverse repurchase transaction with the related party and bonds trading	192,360.36	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	0.085
Lease	China Jianyin Investment Ltd.	House lease	1,462.17 ^{Note}	280	7.668
Comprehensive services	Jiantou Data Technology Co., Limited	Expenses incurred by acceptance of the services provided by the related party including maintenance of computer room	874.4	960	6.706

Note: The reason for the large difference between the lease amount and the estimated amount is that the original estimated amount is the amount under the house lease contract with a lease term of 1 year, and the actual amount in 2019 is the amount under three house lease contracts with different lease terms ranging from 4 years and 7 months to 5 years. The excess over the estimated amount does not meet the criteria on the procedure of submission for consideration.

**APPENDIX IV RESOLUTION REGARDING THE ESTIMATED ORDINARY
RELATED PARTY TRANSACTIONS FOR 2020**

In 2020, based on the actual business development of the Company, the Company will continue to estimate the ordinary related party transactions in 2020. In 2020, the ordinary related party transactions mainly involve businesses including securities and financial services, securities and financial products and transactions, house lease, and comprehensive service businesses. Details are as follows:

I. Basic Information on the Estimated Ordinary Related Party Transactions in 2020

(I) Overview of Ordinary Related Party Transactions

The ordinary related party transactions between the Company and its subsidiaries and related parties are mainly related to securities and financial products and transactions and services, housing lease, and comprehensive services.

(II) Category and Amount of Estimated Ordinary Related Party Transactions

1. Ordinary related party transactions with China Jianyin Investment Ltd. and its subsidiaries

Unit: RMB'0,000

Category of related-party transaction	Subject matter of related-party transaction	Pricing principles of related-party transaction	Estimated transaction cap and explanation	Amount incurred as at the disclosure date (March 27)	Actual amount incurred in 2019 ^{Note}
Securities and financial services	Income from provision of securities and financial services to the related party including securities brokerage, investment banking, asset management, agency sale and leasing marketing unit	Determined after arm's length negotiations with reference to market rates and industry practices	Due to the uncertainty of business occurrence and scale, it is calculated based on the actual amount	1,059.03	1,532.25
	Expenses incurred by securities and financial services provided by the related party including fund management			101.79	351.69

Category of related-party transaction	Subject matter of related-party transaction	Pricing principles of related-party transaction	Estimated transaction cap and explanation	Amount incurred as at the disclosure date (March 27)	Actual amount incurred in 2019 ^{Note}
Securities and financial products and transactions	Total cash inflow from securities and financial products and transactions including repurchase transaction with the related party, bonds trading, and subscription of financial products under non-public issuance or management of the Company and its subsidiaries by the related party	Determined after arm's length negotiations by both parties with reference to market prices or market rates	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	0	129,750.57
	Total cash outflow for securities and financial products including interests of repurchase transaction, bonds trading with the related party, and subscription of financial products under non-public issuance or management of the related party			20,000.00	117,095.40
Lease	Expenses incurred by the lease of house from the related party	Determined after arm's length negotiations by both parties with reference to market rentals	280	0	1,462.17 ^{Note}
Comprehensive services	Expenses incurred by the services provided by the related party including maintenance of computer room	Determined after arm's length negotiations by both parties with reference to market prices	874.4	0	874.4

Note: The reason for the large difference between the actual amount in 2019 and the estimated amount for 2020 is that the estimated amount for 2020 is the amount under the house lease contract with a lease term of 1 year, and the actual amount in 2019 is the amount under three house lease contracts with different lease terms ranging from 4 years and 7 months to 5 years.

**APPENDIX IV RESOLUTION REGARDING THE ESTIMATED ORDINARY
RELATED PARTY TRANSACTIONS FOR 2020**

2. Ordinary related party transactions with Shanghai Jiushi (Group) Co., Ltd.

Unit: RMB'0,000

Category of related-party transaction	Subject matter of related-party transaction	Pricing principles of related-party transaction	Estimated transaction cap and explanation	Amount incurred as at the disclosure date (March 27)	Actual amount incurred in 2019 ^{Note}
Securities and financial services	Income from provision of securities and financial services to the related party including securities brokerage	Determined after arm's length negotiations with reference to market rates and industry practices	Due to the uncertainty of business occurrence and scale, it is calculated based on the actual amount	26.81	119.07
Securities and financial products and transactions	Total cash inflow from securities and financial products and transactions including subscription of financial products under non-public issuance or management of the Company by the related party	Determined after arm's length negotiations by both parties with reference to market prices or market rates	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	0	0
	Total cash outflow for securities and financial products and transactions including subscription of securities and financial products under non-public issuance of the related party			0	0

Note: Cash inflow and outflow are the amount incurred by securities and financial products and transactions in 2019.

3. Ordinary related party transactions with other related parties

Unit: RMB'0,000

Category of related-party transaction	Related party	Subject matter of related-party transaction	Pricing principles of related-party transaction	Estimated transaction cap and explanation	Amount incurred as at the disclosure date (March 27)	Actual amount incurred in 2019 ^{Note 1}
Securities and financial services	China Everbright Bank Company Limited	Income from securities and financial services including deposit interest, provision of asset management to the related party, and agency sale	Determined after arm's length negotiations with reference to market rates and industry practices	Due to the uncertainty of business occurrence and scale, it is calculated based on the actual amount	456.56	3,735.97
		Expenses incurred by securities and financial services provided by the related party including asset trusteeship, financial advisory and funds trusteeship			122.86	852.52
	Shanghai International Trust Co., Ltd.	Income from provision of securities and financial services to the related party including consulting services and investment banking services	Determined after arm's length negotiations with reference to market rates and industry practices	Due to the uncertainty of business occurrence and scale, it is calculated based on the actual amount	63.29	724.80
	SAIC Finance Corporation Limited	Income from provision of securities and financial services to the related party including securities brokerage and asset management	Determined after arm's length negotiations with reference to market rates and industry practices	Due to the uncertainty of business occurrence and scale, it is calculated based on the actual amount	52.18	142.33
	SAIC-GMAC Automotive Finance Co., Ltd.	Income from provision of securities and financial services to the related party including investment banking services	Determined after arm's length negotiations with reference to market rates and industry practices	Due to the uncertainty of business occurrence and scale, it is calculated based on the actual amount	0	1,048.00
	ICBC Credit Suisse Asset Management Co., Ltd.	Income from securities and financial services including lease of marketing units to the related party and agency sale	Determined after arm's length negotiations with reference to market rates	Due to the uncertainty of business occurrence and scale, it is calculated based on the actual amount	501.24	1,060.22
	Sichuan Development Holding Co., Ltd.	Income from provision of securities and financial services to the related party including investment banking and training	Determined after arm's length negotiations with reference to market prices	Due to the uncertainty of business occurrence and scale, it is calculated based on the actual amount	0	480.53
	Sichuan Financial Holding Group Co., Ltd.	Income from provision of securities and financial services to the related party including investment banking and training	Determined after arm's length negotiations with reference to market prices	Due to the uncertainty of business occurrence and scale, it is calculated based on the actual amount	0	1.00

Category of related-party transaction	Related party	Subject matter of related-party transaction	Pricing principles of related-party transaction	Estimated transaction cap and explanation	Amount incurred as at the disclosure date (March 27)	Actual amount incurred in 2019 ^{Note 1}
	Bank of Shanghai Co., Ltd. ^{Note 2}	Income from securities and financial services including deposit interest, provision of asset management to the related party, and agency sale	Determined after arm's length negotiations with reference to market rates and industry practices	Due to the uncertainty of business occurrence and scale, it is calculated based on the actual amount	1,194.84	—
		Expenses incurred by securities and financial services provided by the related party including asset trusteeship, financial advisory and funds trusteeship			16.63	—
	Other related parties of the Company except those listed above	Income or expenses in relation to mutual provision of securities and financial services with the related party	Determined after arm's length negotiations with reference to market rates and industry practices	Due to the uncertainty of business occurrence and scale, it is calculated based on the actual amount	0	0
Securities and financial products and transactions	China Everbright Bank Company Limited	Total cash inflow from securities and financial products and transactions including interests on repurchase transaction and interbank lending, repurchase transaction with the related party, bonds trading, interbank lending, derivatives trading, and subscription of financial products under non-public issuance or management of the Company by the related party	Determined after arm's length negotiations by both parties with reference to market prices or market rates	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	431,901.12	31,246,809.09
		Total cash outflow for securities and financial products and transactions including payment of interests on repurchase transaction and interbank lending, repurchase transaction with the related party, interbank lending, bonds trading, derivatives trading, and subscription of financial products under non-public issuance or management of the related party			20,445.33	3,581,836.94

Category of related-party transaction	Related party	Subject matter of related-party transaction	Pricing principles of related-party transaction	Estimated transaction cap and explanation	Amount incurred as at the disclosure date (March 27)	Actual amount incurred in 2019 ^{Note 1}
	Shanghai International Trust Co., Ltd.	Total cash inflow from securities and financial products and transactions including receipt of interests on repurchase transaction and interbank lending, repurchase transaction with the related party, bonds trading, interbank lending, derivatives trading, and subscription of financial products under non-public issuance or management of the Company by the related party	Determined after arm's length negotiations by both parties with reference to market prices or market rates	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	1,402,973.98	6,641,161.85
		Total cash outflow for securities and financial products and transactions including payment of interests on repurchase transaction and interbank lending, repurchase transaction with the related party, interbank lending, bonds trading, derivatives trading, and subscription of financial products under non-public issuance or management of the related party			395.58	10,144.57
	DBS Bank (China) Limited	Total cash inflow from securities and financial products and transactions including receipt of interests on repurchase transaction and interbank lending, repurchase transaction with the related party, bonds trading, interbank lending, derivatives trading, and subscription of financial products under non-public issuance or management of the Company by the related party	Determined after arm's length negotiations by both parties with reference to market prices or market rates	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	0	30,476.88
		Total cash outflow for securities and financial products and transactions including payment of interests on repurchase transaction and interbank lending, repurchase transaction with the related party, interbank lending, bonds trading, derivatives trading, and subscription of financial products under non-public issuance or management of the related party			18,407.81	1,023.50

Category of related-party transaction	Related party	Subject matter of related-party transaction	Pricing principles of related-party transaction	Estimated transaction cap and explanation	Amount incurred as at the disclosure date (March 27)	Actual amount incurred in 2019 ^{Note 1}
	ICBC Credit Suisse Asset Management Co., Ltd.	Total cash inflow from securities and financial products and transactions including receipt of interests on repurchase transaction and interbank lending, repurchase transaction with the related party, bonds trading, interbank lending, derivatives trading, and subscription of financial products under non-public issuance or management of the Company by the related party	Determined after arm's length negotiations by both parties with reference to market prices or market rates	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	162,599.61	973,841.08
		Total cash outflow for securities and financial products and transactions including payment of interests on repurchase transaction and interbank lending, repurchase transaction with the related party, interbank lending, bonds trading, derivatives trading, and subscription of financial products under non-public issuance or management of the related party			35,070.06	192,360.36
	Bank of Shanghai Co., Ltd. ^{Note2}	Total cash inflow from securities and financial products and transactions including receipt of interests on repurchase transaction and interbank lending, repurchase transaction with the related party, bonds trading, interbank lending, derivatives trading, and subscription of financial products under non-public issuance or management of the Company by the related party	Determined after arm's length negotiations by both parties with reference to market prices or market rates	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	85,003.43	—
		Total cash outflow for securities and financial products and transactions including payment of interests on repurchase transaction and interbank lending, repurchase transaction with the related party, interbank lending, bonds trading, derivatives trading, and subscription of financial products under non-public issuance or management of the related party			91,094.04	—

Category of related-party transaction	Related party	Subject matter of related-party transaction	Pricing principles of related-party transaction	Estimated transaction cap and explanation	Amount incurred as at the disclosure date (March 27)	Actual amount incurred in 2019 ^{Note 1}
	Other related parties of the Company except those listed above	Total cash inflow from securities and financial products and transactions including receipt of interests on repurchase transaction and interbank lending, repurchase transaction with the related party, bonds trading, interbank lending, derivatives trading, and subscription of financial products under non-public issuance or management of the Company by the related party	Determined after arm's length negotiations by both parties with reference to market prices or market rates	Due to the unpredictability of the securities market and the unpredictable trading volume, it is calculated based on the actual amount	0	0
		Total cash outflow for securities and financial products and transactions including payment of interests on repurchase transaction and interbank lending, repurchase transaction with the related party, interbank lending, bonds trading, derivatives trading, and subscription of financial products under non-public issuance or management of the related party			0	0

Notes:

- The actual amount of securities and financial products and transactions incurred in 2019 represents cash inflow and outflow
- Bank of Shanghai Co., Ltd. is a new related party in 2020

**APPENDIX IV RESOLUTION REGARDING THE ESTIMATED ORDINARY
RELATED PARTY TRANSACTIONS FOR 2020**

Other than the abovementioned estimated related party transactions, the Company may be exempted from performing relevant obligations in accordance with the provisions of Article 13 of the Management Policy of Related Party Transactions of the Company for the following related party transactions with the related parties:

- (I) either party subscribes for the publicly offered shares, company bonds or corporate bonds, convertible company bonds or other types of derivatives of another party in cash;
- (II) either party, as a member of the underwriting syndicate (other than the lead underwriter), underwrites the publicly offered shares, company bonds or corporate bonds, convertible company bonds or other types of derivatives issued by another party;
- (III) either party receives dividend, bonus or reward in accordance with the resolutions passed at a general meeting of another party;
- (IV) Purchase or sales of uniformly offered (to more than ten targets, including no more than two related parties of the Company) marketable securities or products with no special terms (e.g. collective wealth management products, trust products, funds, etc.);
- (V) Other circumstances as recognized by the places where the shares of the Company are listed.

When the Company conducts a related party transaction with a related party due to public bidding, public auction, etc., the Company may apply to the Shenzhen Stock Exchange for exemption from performing related obligations for the related party transaction.

II. Main Contents of the Related Party Transactions

(I) Pricing Policy of the Related Party Transactions

1. Securities and financial services

Securities and financial services transactions include various securities and financial services permitted by the regulatory authorities mutually provided by the Company and its subsidiaries and related parties, including but not limited to: securities brokerage business, futures brokerage business, fund outsourcing, leasing marketing unit, agency sale of financial products, investment banking business, asset management services, deposit services, advisory and consulting services, futures margin deposit, etc. The pricing of the aforementioned securities and financial services is determined after arm's length negotiations with reference to market prices, industry practices, deposit and loan interest rates approved and released by the People's Bank of China.

2. *Securities and financial products and transactions*

Securities and financial products and transactions, include various securities and financial products and transactions permitted by the regulatory authorities, including but not limited to: repurchase transaction; bonds trading; subscription of financial products issued or managed by related parties; subscription of financial products issued or managed by the Company and its subsidiaries by related parties; interbank lending; derivatives trading, etc. The prices or rates of the above securities and financial products and transactions are generally transparent and standardized in the market. The prices or rates of such transactions shall be determined after arm's length negotiations between the parties with reference to the then applicable market prices or market rates.

3. *Lease*

The vehicle and house leasing business mainly includes the mutual lease of real estate and vehicles from the other party for business operation purpose between the Company and its subsidiaries and related parties. The rental shall be determined through negotiation by both parties with reference to the market rentals in accordance with the principles of fairness and reasonableness.

4. *Comprehensive services*

Comprehensive services mainly include services including computer room maintenance, system connection, information query, economic police, vehicle management, property management or logistics support, membership management and other services provided by related parties to the Company and its subsidiaries. The pricing of the above services shall be determined after arm's length negotiations with reference to market prices, industry practices, and cost plus.

(II) Execution of Agreements in relation to Related Party Transactions

Within the expected scope of the annual ordinary related party transactions, when the related party transactions actually occur, the Company will otherwise enter into relevant agreements. If the related party transaction exceeds the expected scope, the Company will perform the corresponding approval procedures and information disclosure obligations in accordance with the relevant system in a timely manner.

III. Purpose of the Related Party Transactions and Effects thereof on the Company

1. The related party transactions between the Company and the abovementioned related parties will help the Company's business development and increase profit opportunities.
2. The relevant related-party transactions are fair, and the pricing thereof is determined with reference to market prices or cost plus, without prejudice to the interests of the Company and its shareholders;
3. The relevant related-party transactions do not affect the Company's independence, and the principal businesses of the Company do not rely on the related parties due to the abovementioned related party transactions.

**APPENDIX IV RESOLUTION REGARDING THE ESTIMATED ORDINARY
RELATED PARTY TRANSACTIONS FOR 2020**

According to relevant provisions, in consideration of the resolution in relation to related party transactions, the shareholders who are interested in these related party transactions shall abstain from voting on the related matters in the resolution. Central Huijin Investment Ltd. and China Jianyin Investment Ltd. abstained from voting on the ordinary related party transaction with China Jianyin Investment Ltd. and its subsidiaries (resolution 6.1), Shanghai Jiushi (Group) Co., Ltd. abstained from voting on the ordinary related party transaction with Shanghai Jiushi (Group) Co., Ltd. (resolution 6.2), and Sichuan Development Holding Co., Ltd., China Everbright Group Ltd. and Shanghai Automotive Asset Management Co., Ltd. abstained from voting on the ordinary related party transaction with other related parties (resolution 6.3).

COMPARISON TABLE OF AMENDMENTS TO THE ARTICLES OF
ASSOCIATION OF SHENWAN HONGYUAN GROUP CO., LTD.

Original Article	Amended Article	Basis of Amendment
<p>Article 1 The articles of association (hereinafter referred to as “Articles of Association”) are formulated pursuant to Company Law of the People’s Republic of China (中華人民共和國公司法) (hereinafter referred to as “Company Law”), Securities Law of the People’s Republic of China (中華人民共和國證券法) (hereinafter referred to as “Securities Law”), Special Regulations of the State Council on the Overseas Share Offering and Listing by Joint stock Limited Liability Companies (國務院關於股份有限公司境外募集股份及上市的特別規定) (hereinafter referred to as “Special Regulations”), Mandatory Provisions of Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款) (hereinafter referred to as “Mandatory Provisions”), the Letter of Opinions on the Supplementation and Amendment of Articles of Association of Companies to be Listed in Hong Kong (關於到香港上市公司對公司章程作補充修改的意見的函), Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (hereinafter referred to as “Hong Kong Listing Rules”) and other relevant regulations, in order to protect the legitimate rights and interests of Shenwan Hongyuan Group Co., Ltd. (hereinafter referred to as “the Company”) and shareholders and creditors thereof and regulate the organization and behavior of the Company.</p>	<p>Article 1 The articles of association (hereinafter referred to as “Articles of Association”) are formulated pursuant to Company Law of the People’s Republic of China (中華人民共和國公司法) (hereinafter referred to as “Company Law”), Securities Law of the People’s Republic of China (中華人民共和國證券法) (hereinafter referred to as “Securities Law”), Special Regulations of the State Council on the Overseas Share Offering and Listing by Joint-stock Limited Liability Companies (國務院關於股份有限公司境外募集股份及上市的特別規定) (hereinafter referred to as “Special Regulations”), <u>the Reply of the State Council on the Adjustment of the Notice Period of the General Meeting and Other Matters Applicable to the Overseas Listed Companies,</u> Mandatory Provisions of Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款) (hereinafter referred to as “Mandatory Provisions”), the Letter of Opinions on the Supplementation and Amendment of Articles of Association of Companies to be Listed in Hong Kong (關於到香港上市公司對公司章程作補充修改的意見的函), Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (hereinafter referred to as “Hong Kong Listing Rules”) and other relevant regulations, in order to protect the legitimate rights and interests of Shenwan Hongyuan Group Co., Ltd. (hereinafter referred to as “the Company”) and shareholders and creditors thereof and regulate the organization and behavior of the Company.</p>	<p>Reply of the State Council on the Adjustment of the Notice Period of the General Meeting and Other Matters Applicable to the Overseas Listed Companies</p>

Original Article	Amended Article	Basis of Amendment
<p>Article 43 If the Company’s directors, supervisors, senior management, and shareholders holding 5% or above shares of the Company sell shares within six months after buying the same or buy shares within six months after selling the same, the earnings arising therefrom shall belong to the Company and the Board shall forfeit the said earnings. However, <u>the six-month restriction shall not be applicable to any sale of shares</u> by a securities company holding 5% or above of the Company’s shares as a result of <u>taking up unsubscribed shares as underwriters</u>.</p> <p>If the Company’s Board does not comply with the provision of preceding paragraph, the shareholders can request enforcement by the Board within 30 days. If the Board does not enforce such right within the said period, the shareholders are entitled to commence litigations in the people’s court in their own names for the interests of the Company.</p> <p>.....</p>	<p>Article 43 If the Company’s directors, supervisors, senior management, and shareholders holding 5% or above shares of the Company sell shares <u>or other securities with equity interest</u> within six months after buying the same or buy shares within six months after selling the same, the earnings arising therefrom shall belong to the Company and the Board shall forfeit the said earnings. However, securities companies holding 5% or above of the Company’s shares as a result of <u>taking up unsubscribed shares as underwriters and other circumstances provided by CSRC are exempt from such requirement</u>.</p> <p><u>Shares or other securities with nature of equity interest held by directors, supervisors, senior management, natural person shareholders referred to in the paragraph above include shares or other securities with nature of equity interest held by their spouse, parents, children in their own name and under others’ account.</u></p> <p>If the Company’s Board does not comply with the provision of <u>the first</u> paragraph, the shareholders can request enforcement by the Board within 30 days. If the Board does not enforce such right within the said period, the shareholders are entitled to commence litigations in the people’s court in their own names for the interests of the Company.</p> <p>.....</p>	<p>Article 44 of the Securities Law</p>

Original Article	Amended Article	Basis of Amendment
<p>Article 51 <u>Change of the register of shareholders arising from share transfer shall not be registered within 30 days before the convening of a general meeting or within five days prior to the benchmark date on which the Company decides to distribute dividends.</u></p> <p><u>Provisions otherwise provided by the laws, regulations, rules, regulatory documents and securities regulatory authorities in the place(s) in which the shares of the Company are listed shall prevail.</u></p>	<p>Article 51 <u>Where laws, regulations and regulatory authorities of the place where shares of the Company are listed stipulate on the period of closure of the register of shareholders prior to a general meeting or the reference date set by the Company for the purpose of distribution of dividends, such provisions shall prevail.</u></p>	<p>Delete the statement on the fixed time limit as set out in the original article in accordance with the Reply of the State Council on the Adjustment of the Notice Period of the General Meeting and Other Matters Applicable to the Overseas Listed Companies.</p>
<p>Article 85 Where the Company convenes a general meeting, a written notice of the meeting shall be given <u>45</u> days before the date of the meeting to <u>notify all shareholders whose names appear on the register of shareholders of the matters to be considered at and the date and place of the meeting. A shareholder who intends to attend the meeting shall deliver to the Company his written reply concerning his attendance at such meeting 20 days before the date of the meeting.</u> For calculation of the above-mentioned period notification, the date on which the meeting is held shall be excluded and the date on which the notice is given shall be included.</p>	<p>Article 85 Where the Company convenes a general meeting, a written notice shall be issued <u>20 days or within the period required by regulatory authorities of the place where shares of the Company are listed</u> prior to the <u>annual general meeting and 15 days or within the period required by regulatory authorities of the place where shares of the Company are listed prior to the extraordinary general meeting.</u> For calculation of the above-mentioned period of notification, the date on which the meeting is held shall be excluded and the date on which the notice is given shall be included.</p>	<p>Reply of the State Council on the Adjustment of the Notice Period of the General Meeting and Other Matters Applicable to the Overseas Listed Companies</p>

Original Article	Amended Article	Basis of Amendment
<p>Article 87 <u>The Company shall, based on the written replies received from the shareholders 20 days before the date of the general meeting, calculate the number of voting shares represented by the shareholders who intend to attend the meeting. If the number of voting shares represented by the shareholders who intend to attend the meeting amounts to half or above of the total voting shares, the Company may hold the meeting; if not, the Company shall, within five days, notify the shareholders again by way of public announcement the matters to be considered at, and the place, date and time for, the meeting. The Company may hold the meeting after publication of such announcement.</u></p> <p><u>A general meeting shall not decide on those matters not stated in the notice of meeting.</u></p>	<p>Delete</p> <p>(The numbering of subsequent articles shall be amended accordingly)</p>	<p>Reply of the State Council on the Adjustment of the Notice Period of the General Meeting and Other Matters Applicable to the Overseas Listed Companies</p>

Original Article	Amended Article	Basis of Amendment
<p>Article 88 A notice of general meeting shall be made in writing and include the following contents:</p> <p>.....</p> <p>If a general meeting is held online, the designated time and procedure for voting online and the method to confirm the identity of such shareholders shall be expressly stated in the notice of such meeting.</p> <p><u>Where a general meeting is to be convened via the internet, the time to start voting shall not be earlier than 3:00 PM of the day preceding the date of the physical general meeting or later than 9:30 AM of the date of the physical general meeting, and shall not conclude earlier than 3:00 PM of the date of the physical general meeting.</u></p> <p>The interval between the shareholding record date and the date of the meeting shall not be more than seven working days. The shareholding record date shall not be changed once confirmed.</p>	<p>Article 87 A notice of general meeting shall be made in writing and include the following contents:</p> <p>.....</p> <p>If a general meeting is held online, the designated time and procedure for voting online and the method to confirm the identity of such shareholders shall be expressly stated in the notice of such meeting.</p> <p>The interval between the shareholding record date and the date of the meeting shall not be more than seven working days. The shareholding record date shall not be changed once confirmed.</p>	<p>Details of holding online meetings shall comply with relevant requirements of regulatory authorities. To ensure the long-term applicability, such details would not be elaborated herein.</p>

Original Article	Amended Article	Basis of Amendment
<p>Article 89 Unless these Articles of Association otherwise require, the notice of a general meeting shall be sent to shareholders (regardless of whether they are entitled to vote at the general meeting) by personal delivery or by prepaid mail. The addresses of the recipients shall be such addresses as shown in the register of shareholders. For holders of domestic shares, such notice of the general meeting may also be given by way of announcement.</p> <p>The announcement referred to in the preceding paragraph shall be <u>published in one or more newspapers designated by the securities regulatory authorities of the State Council 45 to 50 days prior to the convening of the meeting.</u> Once such an announcement is made, all holders of the domestic shares shall be deemed to have received the relevant notice of the general meeting.</p>	<p>Article 88 Unless these Articles of Association otherwise require, the notice of a general meeting shall be sent to shareholders (regardless of whether they are entitled to vote at the general meeting) by personal delivery or by prepaid mail. The addresses of the recipients shall be such addresses as shown in the register of shareholders. For holders of domestic shares, such notice of the general meeting may also be given by way of announcement.</p> <p>The announcement referred to in the preceding paragraph shall be <u>published on the website of stock exchange and media that meet the conditions specified by CSRC and other regulatory authorities.</u> Once such an announcement is made, all holders of the domestic shares shall be deemed to have received the relevant notice of the general meeting.</p>	<p>Reply of the State Council on the Adjustment of the Notice Period of the General Meeting and Other Matters Applicable to the Overseas Listed Companies</p>

Original Article	Amended Article	Basis of Amendment
<p>Article 118</p> <p>Subject to laws, administrative regulations, departmental rules, the listing rules of the places where the Company's shares are listed, and these Articles of Association, the Board of the Company, independent non-executive directors <u>and those shareholders who have met the relevant requirements may openly collect voting rights from the Company's shareholders. While collecting votes of the shareholders, sufficient disclosure of information such as the specific voting preference shall be made to the Shareholders from whom voting rights are being collected.</u> No consideration or other form of de facto consideration <u>shall be involved in the collection of voting rights from the shareholders. The Company shall not impose any limitation related to minimum shareholdings on the collection of voting rights.</u></p>	<p>Article 117</p> <p>Subject to laws, administrative regulations, departmental rules, the listing rules of the places where the Company's shares are listed, and these Articles of Association, the Board of the Company, independent non-executive directors, <u>shareholders holding more than 1% shares with voting rights or investor protection institutions established in accordance with laws, administrative regulations and requirements specified by CSRC, as convenors, can publicly require shareholders of the Company, either by themselves or by entrusting securities firms, securities service institutions, to engage them as proxies to attend the general meetings and exercise shareholders' rights including the right of making motion and the voting right.</u></p> <p><u>For the collection of rights from shareholders in accordance with requirements set out in the paragraph above, the convenors shall disclose relevant documents, and the Company shall cooperate in this regard.</u></p> <p>No consideration or other form of de facto consideration <u>shall be involved in the open collection of rights from shareholders. Any open collection of rights from shareholders in violation of laws, administrative regulations or relevant requirements specified by CSRC, which results in losses of the Company or other shareholders, shall be liable for compensation in accordance with laws.</u></p>	<p>Article 90 of the Securities Law</p>

Original Article	Amended Article	Basis of Amendment
<p>Article 121 Election of directors and supervisors shall meet the following requirements:</p> <p>(I) the list of candidates for director and supervisor shall be proposed to the general meeting for voting.</p> <p>(II) shareholder(s) individually or in aggregate holding 3% or more of the total shares of the Company may nominate the candidates for directors to a general meeting, as well as the candidates for supervisors to be elected by a general meeting; employee representative supervisors shall be elected by an employees’ representative assembly.</p> <p>(III) before a general meeting is held, the Board shall disclose the detailed information about the director and supervisor candidate(s) by announcement.</p> <p>.....</p>	<p>Article 120 Election of directors and supervisors shall meet the following requirements:</p> <p>(I) the list of candidates for director and supervisor shall be proposed to the general meeting for voting.</p> <p>(II) <u>the Board may nominate the candidates for directors to the general meeting; the Supervisory Committee may nominate the candidates for supervisors elected by the general meeting to the general meeting;</u> shareholder(s) individually or in aggregate holding 3% or more of the total shares of the Company may nominate the candidates for directors to a general meeting, as well as the candidates for supervisors to be elected by a general meeting; employee representative supervisors shall be elected by an employees’ representative assembly, <u>employee meeting or otherwise democratically.</u></p> <p>(III) before a general meeting is held, the Board, <u>the Supervisory Committee</u> shall disclose the detailed information about the director and supervisor candidate(s) by announcement.</p> <p>.....</p>	<p>It is based on actual conditions and is consistent with the original Article 193 in the Articles of Association.</p>

Original Article	Amended Article	Basis of Amendment
<p>Article 141 When the Company is to convene a shareholders' class meeting, it shall issue a written notice <u>45 days prior to the date of such meeting</u> informing all the shareholders who are registered as holders of that class in the register of shareholders of the matters to be considered at the meeting as well as the date and place of the meeting. <u>Shareholders who intend to attend the meeting shall deliver their written replies to the Company of their attendance 20 days prior to the date of the meeting.</u></p> <p><u>In the event that the number of the voting shares represented by the shareholders intending to attend the meeting is one half or above of the total number of voting shares of that class, the Company may convene a shareholders class. Otherwise, the Company shall within five days notify the shareholders once again, by way of public announcement, of the matters to be considered at the meeting and the date and place of the meeting. Upon notification by public announcement, the Company may then proceed to convene the shareholders class meeting.</u></p>	<p>Article 140 When the Company is to convene a shareholders' class meeting, it shall issue a written notice <u>in accordance with the requirements as set out in Article 85 of the Articles of Association</u>, informing all the shareholders who are registered as holders of that class in the register of shareholders of the matters to be considered at the meeting as well as the date and place of the meeting.</p>	<p>Reply of the State Council on the Adjustment of the Notice Period of the General Meeting and Other Matters Applicable to the Overseas Listed Companies</p>

Original Article	Amended Article	Basis of Amendment
<p>Article 147 Directors shall fulfill the following obligations of diligence in accordance with the laws, regulations, the listing rules of the places where the Company's shares are listed and the Articles of Association:</p> <p>.....</p> <p>(IV) to approve periodic reports of the Company in written form and to ensure the truthfulness, accuracy and completeness of the information disclosed by the Company;</p> <p>.....</p>	<p>Article 146 Directors shall fulfill the following obligations of diligence in accordance with the laws, regulations, the listing rules of the places where the Company's shares are listed and the Articles of Association:</p> <p>.....</p> <p>(IV) to approve <u>securities issuance documents</u> and periodic reports of the Company in written form and to ensure that the Company <u>disclose information in a timely and fair manner and</u> all information disclosed is true, accurate and complete. <u>If directors cannot ensure the truthfulness, accuracy and completeness of securities issuance documents and periodic reports or have doubt about such information, directors shall express their opinions in the written confirmation and provide the reasons, and the Company shall disclose such matters. Where the Company fails to make such disclosure, directors can apply for the disclosure directly;</u></p> <p>.....</p>	<p>Article 82 of the Securities Law</p>

Original Article	Amended Article	Basis of Amendment
<p>Article 189 Supervisors shall ensure that all information disclosed by the Company is true, accurate and complete.</p>	<p>Article 188 Supervisors shall ensure that the Company <u>disclose information in a timely and fair manner and</u> all information disclosed is true, accurate and complete. <u>If supervisors cannot ensure the truthfulness, accuracy and completeness of securities issuance documents and periodic reports or have any doubt about such information, supervisors shall express their opinions in the written confirmation and provide the reasons, and the Company shall disclose such matters. Where the Company fails to make such disclosure, supervisors can apply for the disclosure directly.</u></p>	<p>Article 82 of the Securities Law</p>
<p>Article 194 The Supervisory Committee shall be accountable to the general meeting and shall perform the following duties:</p> <p>(I) to review the periodic reports of the Company prepared by the Board and express its written opinion;</p> <p>.....</p>	<p>Article 193 The Supervisory Committee shall be accountable to the general meeting and shall perform the following duties:</p> <p>(I) to review <u>securities issuance documents and</u> periodic reports of the Company prepared by the Board and express its written opinion. <u>Supervisors shall sign on the written confirmation;</u></p> <p>.....</p>	<p>Article 82 of the Securities Law</p>

Original Article	Amended Article	Basis of Amendment
<p>Article 250 The Company shall issue announcements and disclose information to holders of domestic shares through <u>newspapers and websites designated by the laws, regulations or the securities regulators of China for information disclosure.</u> If it is required to make public announcements to the holders of overseas-listed foreign shares pursuant to the Articles of Association, such announcements shall also be published in such manner as required by the Hong Kong Listing Rules.</p> <p>The Company may not disclose information through other public media before such information is disclosed through <u>designated newspapers and websites</u>, and may not disclose information by way of press release or interview with reporters in lieu of the announcement.</p> <p>The Board has the right to change <u>the newspapers</u> for information disclosure, but shall ensure that the designated <u>newspapers</u> for information disclosure are allowed by the relevant laws and regulations and comply with the qualifications and conditions stipulated by CSRC, overseas regulatory authorities and domestic and overseas securities exchanges.</p>	<p>Article 249 The Company shall issue announcements and disclose information to holders of domestic shares through the website of <u>stock exchange and media that meet the conditions specified by CSRC and other regulatory authorities.</u> If it is required to make public announcements to the holders of overseas-listed foreign shares pursuant to the Articles of Association, such announcements shall also be published in such manner as required by the Hong Kong Listing Rules.</p> <p>The Company may not disclose information through other public media before such information is disclosed through <u>designated website and other designated media</u>, and may not disclose information by way of press release or interview with reporters in lieu of the announcement.</p> <p>The Board has the right to change <u>the website and other media</u> for information disclosure, but shall ensure that the designated <u>website and other media</u> for information disclosure are allowed by the relevant laws and regulations and comply with the qualifications and conditions stipulated by CSRC, overseas regulatory authorities and domestic and overseas securities exchanges, <u>as well as other regulatory authorities.</u></p>	<p>Article 86 of the Securities Law</p>

Original Article	Amended Article	Basis of Amendment
<p>Article 284 The Articles of Association shall be considered and approved at the general meeting of the Company, and shall take effect from the date <u>when the H shares issued by the Company are publicly listed on the Hong Kong Stock Exchange.</u> The draft amendments to the Articles of Association shall be prepared by the Board of Directors and shall take effect upon the approval at a general meeting. As of the effective date of these Articles of Association, the previous Articles of Association of the Company shall become void automatically.</p>	<p>Article 283 The Articles of Association shall take effect from the date when it is considered and approved at the general meeting of the Company. The draft amendments to the Articles of Association shall be prepared by the Board of Directors and shall take effect upon the approval at a general meeting.</p>	<p>On the basis of actual conditions</p>

COMPARISON TABLE OF AMENDMENTS TO THE RULES OF PROCEDURE
OF THE GENERAL MEETING OF SHENWAN HONGYUAN GROUP CO., LTD.

Original Article	Amended Article	Basis of Amendment
<p>Article 15 Where the Company convenes a general meeting, a written notice of the meeting shall be given 45 days before the date of the meeting to notify all shareholders whose names appear on the register of shareholders of the matters to be considered at and the date and place of the meeting. A shareholder who intends to attend the meeting shall deliver to the Company his written reply concerning his attendance at such meeting 20 days before the date of the meeting. For calculation of the above-mentioned period notification, the date on which the meeting is held shall be excluded and the date on which the notice is given shall be included.</p>	<p>Article 15 Where the Company convenes an annual general meeting, a written notice shall be issued 20 days or within the period required by the securities regulatory authorities of the place where shares of the Company are listed prior to the annual general meeting and 15 days or within the period required by the securities regulatory authorities of the place where shares of the Company are listed prior to the extraordinary general meeting. For calculation of the above-mentioned period of notification, the date on which the meeting is held shall be excluded and the date on which the notice is given shall be included.</p>	<p>Reply of the State Council on the Adjustment of the Notice Period of the General Meeting and Other Matters Applicable to the Overseas Listed Companies</p>

Original Article	Amended Article	Basis of Amendment
<p>Article 16 <u>The Company shall, based on the written replies received from the shareholders 20 days before the date of the general meeting, calculate the number of voting shares represented by the shareholders who intend to attend the meeting. If the number of voting shares represented by the shareholders who intend to attend the meeting amounts to half or above of the total voting shares, the Company may hold the general meeting; if not, the Company shall, within five days, notify the shareholders in writing again by way of public announcement the matters to be considered at, and the place, date and time for, the meeting. The Company may hold the general meeting after publication of such announcement.</u></p> <p><u>A general meeting shall not decide on those matters not stated in the notice of meeting.</u></p>	<p>Delete</p> <p>(The numbering of subsequent articles shall be amended accordingly)</p>	<p>Reply of the State Council on the Adjustment of the Notice Period of the General Meeting and Other Matters Applicable to the Overseas Listed Companies</p>
<p>Article 17 A notice of general meeting shall be made in writing and include the following contents:</p> <p>.....</p> <p><u>Where a general meeting is to be convened via the internet, the time to start voting shall not be earlier than 3:00 p.m. of the day preceding the date of the onsite general meeting or later than 9:30 a.m. of the date of the onsite general meeting, and shall not conclude earlier than 3:00 p.m. of the date of the onsite general meeting.</u></p> <p>.....</p>	<p>Article 16 A notice of general meeting shall be made in writing and include the following contents:</p> <p>.....</p>	<p>Details of holding online meetings shall comply with relevant requirements of regulatory authorities. To ensure the long-term applicability, such details would not be elaborated herein.</p>

Original Article	Amended Article	Basis of Amendment
<p>Article 18</p> <p>The announcement referred to in the preceding paragraph shall be published <u>in one or more newspapers designated by the securities regulatory authorities of the State Council 45 to 50 days prior to the convening of the meeting.</u> Once such an announcement is made, all holders of the <u>domestic listed shares</u> shall be deemed to have received the relevant notice of the general meeting.</p>	<p>Article 17</p> <p>The announcement referred to in the preceding paragraph shall be published <u>on the website of stock exchange and media that meet the conditions specified by CSRC and other regulatory authorities.</u> Once such an announcement is made, all holders of the <u>domestic shares</u> shall be deemed to have received the relevant notice of the general meeting.</p>	<p>Reply of the State Council on the Adjustment of the Notice Period of the General Meeting and Other Matters Applicable to the Overseas Listed Companies, Article 86 of the Securities Law</p>

Original Article	Amended Article	Basis of Amendment
<p>Article 41</p> <p>Subject to laws, administrative regulations, departmental rules, the listing rules of the places where the Company's shares are listed, and these Articles of Association, the Board of the Company, independent non-executive directors <u>and those shareholders who have met the relevant requirements may openly collect voting rights from the Company's shareholders. While collecting voting rights from the shareholders, sufficient disclosure of information such as the specific voting preference shall be made to the shareholders from whom voting rights are being collected.</u> No consideration or other form of de facto consideration <u>shall be involved in the collection of voting rights from the shareholders. The Company shall not impose any limitation related to minimum shareholdings on the collection of voting rights.</u></p>	<p>Article 40</p> <p>Subject to laws, administrative regulations, departmental rules, the listing rules of the places where the Company's shares are listed, and these Articles of Association, the Board of the Company, independent non-executive directors, <u>shareholders holding more than 1% shares with voting rights or investor protection institutions established in accordance with laws, administrative regulations and provisions specified by CSRC, as solicitors, can publicly request shareholders of the Company, either by themselves or by entrusting securities firms, securities service institutions, to engage them as proxies to attend the general meetings and exercise shareholders' rights including the right of making proposals and the voting right.</u></p> <p><u>For the collection of rights from shareholders in accordance with requirements set out in the paragraph above, the solicitors shall disclose relevant soliciting documents, and the Company shall cooperate in this regard.</u></p> <p>No consideration or other form of de facto consideration <u>shall be involved in the public collection of rights from shareholders. Any public collection of rights from shareholders in violation of laws, administrative regulations or relevant provisions specified by CSRC, which results in losses to the Company or other shareholders, shall be liable for damages in accordance with laws.</u></p>	<p>Article 90 of the Securities Law</p>

Original Article	Amended Article	Basis of Amendment
<p>Article 75 When the Company is to convene a shareholders' class meeting, it shall issue a written notice <u>45 days prior to the date of such meeting</u> informing all the shareholders who are registered as holders of that class in the register of shareholders of the matters to be considered at the meeting as well as the date and place of the meeting. <u>Shareholders who intend to attend the meeting shall deliver their written replies to the Company of their attendance 20 days prior to the date of the meeting.</u></p> <p><u>In the event that the number of the voting shares represented by the shareholders intending to attend the meeting is one half or above of the total number of voting shares of that class, the Company may convene a shareholders class. Otherwise, the Company shall within five days notify the shareholders once again, by way of public announcement, of the matters to be considered at the meeting and the date and place of the meeting. Upon notification by public announcement, the Company may then proceed to convene the shareholders class meeting.</u></p>	<p>Article 74 When the Company is to convene a shareholders' class meeting, it shall issue a written notice <u>in accordance with the requirements as set out in Articles 15 of these Rules,</u> informing all the shareholders who are registered as holders of that class in the register of shareholders of the matters to be considered at the meeting as well as the date and place of the meeting.</p>	<p>Reply of the State Council on the Adjustment of the Notice Period of the General Meeting and Other Matters Applicable to the Overseas Listed Companies</p>

Original Article	Amended Article	Basis of Amendment
<p>Article 81 These Rules shall be considered and approved at the general meeting of the Company, <u>and shall take effect from the date when the overseas listed foreign shares (H shares) issued by the Company are publicly listed on the Hong Kong Stock Exchange.</u> As of the effective date of these Rules, the previous Rules of Procedure of the General Meeting of the Company shall become void automatically.</p>	<p>Article 80 These Rules shall be considered and approved at the general meeting of the Company. As of the effective date of these Rules, the previous Rules of Procedure of the General Meeting of the Company shall become void automatically.</p>	<p>On the basis of actual conditions</p>

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 enquiry, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material aspects and not misleading or deceptive, and there are no other matters omitted which 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 was required to be notified to the Company and the 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 is deemed to have under such provisions of the SFO), or which was 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 Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 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 which is not expiring nor 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, none of the Directors or, so far as is known to them, 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, 2019 (being the date on 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:

Name of substantial shareholders	Class of shares	Nature of interests	Number of shares held (share) ^{Note 7}	Percentage of the total number of issued shares of the Company ^{Note 6}	Percentage of the total number of issued A shares/H shares of the Company	Long ^{Note 1} / short ^{Note 2} positions
1. Central Huijin Investment Ltd. ^{Note 3}	A Shares	Beneficial owner	12,813,303,859	51.17	56.86	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 Limited	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 SMAOne) (光大保德信基金管理有限公司 (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 4}	H Shares	Beneficial owner	216,134,000	0.86	8.63	Long positions
6. China Life Insurance (Group) Company ^{Note 4}	H Shares	Beneficial owner	172,907,200	0.69	6.91	Long positions
7. 3A Co., Ltd. ^{Note 5}	H Shares	Interest in controlled corporations	128,000,000	0.51	5.11	Long positions
8. Endo Shoji ^{Note 5}	H Shares	Interest in controlled corporations	128,000,000	0.51	5.11	Long positions
9. IS Holdings Co., Ltd. ^{Note 5}	H Shares	Interest in controlled corporations	128,000,000	0.51	5.11	Long positions
10. Rheos Capital Works Inc. ^{Note 5}	H Shares	Beneficial owner	128,000,000	0.51	5.11	Long positions

- Note 1: A shareholder has a “long position” if he/she has an interest in shares, including interests through holding, selling or issuing financial instruments (including derivatives) under which such shareholder has the following obligations and liabilities: (i) it has a right to buy the related shares; (ii) it is under an obligation to buy the related shares; (iii) it has a right to receive money if the price of the related shares increases; or (iv) it has a right to avoid or reduce a loss if the price of the related shares increases.
- Note 2: A shareholder has a “short position” if he/she borrows shares under a securities borrowing and lending agreement, or holds, sells or issues financial instruments (including derivatives) under which such shareholder has the following obligations and liabilities: (i) it has a right to require another person to buy the related shares; (ii) it is under an obligation to deliver the related shares; (iii) it has a right to receive money if the price of the underlying shares decreases; or (iv) it has a right to avoid or reduce a loss if the price of the underlying shares decreases.
- Note 3: Central Huijin holds the entire equity interest in JIC, the entire equity interest in Central Huijin Asset Management Ltd., and 55.67% 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 held 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 indirectly held 648,404,800 shares through Industrial and Commercial Bank of China Limited and 108,067,200 shares through China Reinsurance (Group) Corporation.
- Note 4: 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 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 the H Shares of the Company on behalf Huaxia Life Insurance Co., Ltd.
- Note 5: Endo Shoji holds the entire equity interest in 3A Co., Ltd. which in turn holds 85.36% of equity interest in IS Holdings Co., Ltd. and 12.10% of equity interest in Rheos Capital Works Inc., while IS Holdings Co., Ltd. holds 53.55% of equity interest in Rheos Capital Works Inc. Therefore, pursuant to the Securities and Futures Ordinance, Endo Shoji, 3A Co., Ltd. and IS Holdings Co., Ltd. are deemed to hold equity interest in the 128,000,000 H Shares held by Rheos Capital Works Inc.
- Note 6: 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.
- Note 7: According to Part XV of the Securities and Futures Ordinance, 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 Securities and Futures Ordinance, the actual shareholdings of the shareholders in the Company may be different from the shareholdings filed with the Hong Kong Stock Exchange as of the end of the Reporting Period. 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 may be different from the shareholdings filed with the Hong Kong Stock Exchange as of the Latest Practicable Date.

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
Mr. Chen Jianmin	Designated director of Equity Management Department II/Office of the Directly Managed Enterprises Leading Group of Central Huijin
Ms. Ge Rongrong	Designated director of Equity Management Department II/Office of the Directly Managed Enterprises Leading Group of Central Huijin
Mr. Ren Xiaotao	Designated director of Equity Management Department II/Office of the Directly Managed Enterprises Leading Group 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, 2019, being the date to which the latest published audited accounts of the Company have been prepared.

9. 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 Securities and Futures Ordinance

- (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 by or leased to or which were proposed to be acquired, disposed by or leased to any member of the Group, since December 31, 2019, being the date to which the latest published audited consolidated accounts of the Group were prepared.

- (4) Somerley issued a letter dated June 3, 2020 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.

10. OTHER INFORMATION

- (1) The joint company secretaries of the Company are Mr. Yang Changyun and Ms. Fok Po Yi (HKICPA).
- (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, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong.
- (3) The H Share registrar of the Company is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong for a period of 14 days (excluding Saturdays and Sundays) from the date of this circular:

- (1) Framework Agreement;
- (2) the letter from the Independent Board Committee to the Independent Shareholders, which is set out on page 29 of this circular;
- (3) the letter from Somerley to the Independent Board Committee and the Independent Shareholders, which is set out on pages 30 to 45 of this circular;
- (4) the written consent referred to in the paragraph 9 of this Appendix; and
- (5) this circular.