
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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国联证券股份有限公司
GUOLIAN SECURITIES CO., LTD.

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

(Stock Code: 01456)

PROPOSED NON-PUBLIC ISSUANCE OF A SHARES AND RELATED MATTERS AND NOTICE OF THE EXTRAORDINARY GENERAL MEETING AND H SHAREHOLDERS' CLASS MEETING

Guolian Securities Co., Ltd. intends to book the conference room at 4th Floor, No. 8 Jinrong One Street, Wuxi, Jiangsu Province, the PRC to hold a General Meeting at 1 p.m. on Monday, 1 March 2021. A letter from the Board is set out on pages 4 to 17 of this circular. The notice of the EGM is set out on pages 108 to 110 of this circular. The notice of the H Shareholders' Class Meeting is set out on pages 111 to 113 of this circular.

Please complete and return the applicable proxy form attached hereto in accordance with the instructions printed thereon as soon as possible, if you would like to appoint a proxy to attend the meetings. For H Shareholders, the proxy form should be returned as soon as possible, but in any event not less than 24 hours before the time appointed for holding relevant meetings or any adjourned meetings to the Company's Hong Kong H Shares share registrar, Computershare Hong Kong Investor Services Limited with the address being at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shares). The completion and return of the proxy form will not preclude you from attending and voting in person at the EGM and the H Shareholders' Class Meeting.

10 February, 2021

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DEFINITIONS

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

“A Share(s)”	the ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each, which have been listed on the Shanghai Stock Exchange
“A Shareholders”	holders of A Shares
“A Shareholders’ Class Meeting”	the first A Shareholders’ class meeting of the Company to be held on Monday, 1 March 2021 immediately after the end of the 2021 Second Extraordinary General Meeting at the booked conference room at 4th Floor, No. 8 Jinrong One Street, Wuxi, Jiangsu Province, the PRC
“Administrative Measures for Issuance”	the Administrative Measures for the Issuance of Securities by Listed Companies
“Articles of Association”	the articles of association of the Company
“Board” or “Board of Directors”	the board of Directors of the Company
“Chairman”	The chairman of the Board of Directors
“Company”	Guolian Securities Co., Ltd. (國聯證券股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares of which have been listed on the main board of the Stock Exchange (stock code: 01456) and the A Shares of which have been listed on the Shanghai Stock Exchange (stock code: 601456)
“Company Law”	the Company Law of the People’s Republic of China
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company

DEFINITIONS

“EGM” or “2021 Second Extraordinary General Meeting”	The extraordinary general meeting of the Company to be held at 1 p.m. on Monday, 1 March 2021 at the booked conference room at 4th Floor, No. 8 Jinrong One Street, Wuxi, Jiangsu Province, the PRC
“Guolian Hong Kong”	Guolian Securities (Hong Kong) Limited
“H Share(s)”	overseas listed foreign invested shares of RMB1.00 each in the share capital of the Company which are listed and traded in HK dollars on the Stock Exchange
“H Shareholders”	holders of H Shares
“H Shareholders’ Class Meeting”	the first H Shareholders’ class meeting of the Company to be held on Monday, 1 March 2021 immediately after the end of the A Shareholders’ Class Meeting at the booked conference room at 4th Floor, No. 8 Jinrong One Street, Wuxi, Jiangsu Province, the PRC
“HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Implementation Rules”	the Implementation Rules for the Non-public Issuance of Stocks by Listed Companies
“Independent Non-executive Director(s)”	the independent non-executive Director(s) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, as amended from time to time
“Non-public Issuance” or “Issuance”	the proposed non-public issuance of not more than 475,623,800 A Shares by the Company

DEFINITIONS

“PRC” or “China”	the People’s Republic of China, but for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan region
“Regulatory Questions and Answers”	Issuance Regulation Questions and Answers – Regulatory Requirements regarding Guiding and Regulating Financing Activities of Listed Companies (Revision)
“RMB”	Renminbi, the lawful currency of the PRC
“Securities Law”	the Securities Law of the People’s Republic of China
“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)
“Shareholders’ Meeting”	the 2021 Second Extraordinary General Meeting, the A Shareholders’ Class Meeting and the H Shareholders’ Class Meeting
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

In the event of any discrepancy between the English and Chinese versions of this circular, the Chinese version shall prevail.

LETTER FROM THE BOARD



国联证券股份有限公司

GUOLIAN SECURITIES CO., LTD.

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

(Stock Code: 01456)

Executive Director:

Mr. Ge Xiaobo

Non-executive Director:

Mr. Yao Zhiyong (Chairman)

Mr. Hua Weirong

Mr. Zhou Weiping

Mr. Liu Hailin

Mr. Zhang Weigang

Independent Non-executive Director:

Mr. Lu Yuanzhu

Mr. Wu Xingyu

Mr. Chu, Howard Ho Hwa

Registered Address in PRC:

No. 8 Jinrong One Street,

Wuxi,

Jiangsu Province

the PRC

*Head office/Principal place of
business in the PRC:*

No. 8 Jinrong One Street,

Wuxi,

Jiangsu Province

the PRC

*Principal place of business
in Hong Kong:*

40/F,

Sunlight Tower

248 Queen's Road East

Wanchai,

Hong Kong

To the Shareholders:

Dear Sir or Madam,

**PROPOSED NON-PUBLIC ISSUANCE OF A SHARES AND
RELATED MATTERS
AND
NOTICE OF THE EXTRAORDINARY GENERAL MEETING AND
H SHAREHOLDERS' CLASS MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 5 February 2021 in relation to the application for Non-public Issuance and the convening of the Shareholders' Meetings. The Company intends to book the conference room at 4th Floor, No. 8 Jinrong One Street, Wuxi, Jiangsu Province, the PRC to hold the Shareholders' Meeting on Monday, 1 March 2021. The notice of the EGM is set out on pages 108 to 110 of this circular. The notice of the H Shareholders' Class Meeting is set out on pages 111 to 113 of this circular.

LETTER FROM THE BOARD

1. BUSINESS TO BE CONSIDERED AT THE EGM AND THE H SHAREHOLDERS' CLASS MEETING

Resolutions will be proposed at the EGM to approve: (1) the resolution on the fulfilment of conditions for the Non-public Issuance of A Shares by the Company; (2) the resolution on the proposed Non-public Issuance of A Shares of the Company; (3) the resolution on the plan for the Non-public Issuance of A Shares of the Company; (4) the resolution on the feasibility report for the use of Proceeds from the Non-public Issuance of the A Shares of the Company; (5) the resolution on the report on the use of proceeds previously raised by the Company; (6) the resolution on the dilution of current returns by the Non-public Issuance of A Shares and remedial measures of the Company; (7) the resolution to ask the Shareholders' Meeting to authorize the Board and to authorize the Board for the Board to in turn authorize the management of the Company to deal with specific matters in relation to the Non-public Issuance of A Shares of the Company; and (8) the resolution on the plans of the Shareholders' return in the next three years.

Resolutions (1), (2), (3), (4), (5), (7) and (8) above are subject to the approval by the Shareholders at the EGM by way of special resolutions, and resolutions (6) above is subject to the approval by the Shareholders at the EGM by way of an ordinary resolution.

The above resolutions (2), (3), (4), (6) and (7) are also respectively subject to approval by the A Shareholders at the A Shareholders' Class Meeting by way of special resolutions, and by the H Shareholders at the H Shareholders' Class Meeting by way of special resolutions.

The purpose of this circular is to provide you with the information on resolutions (1) to (8) above to enable you to vote for or against the proposed resolutions at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting under fully informed condition.

(1) Fulfilment of Conditions for the Non-public Issuance of A Shares by the Company

Pursuant to the provisions under the Company Law, Securities Law, Administrative Measures for Issuance, Implementation Rules, the Regulatory Questions and Answers and other relevant laws, regulations and normative documents, after conducting self-examination item by item, the Company has complied with various requirements of the non-public issuance of A Shares.

LETTER FROM THE BOARD

(2) Proposed Non-public Issuance of A Shares of the Company

To strengthen capital capability of the Company and enhance overall competitiveness and ability to withstand risks, the Company intends to conduct the non-public issuance of the A Shares. Pursuant to the provisions under the Company Law, Securities Law, Administrative Measures for Issuance, Implementation Rules, the Regulatory Questions and Answers and other relevant laws, regulations and normative documents, the detailed plan of the Non-public Issuance of A Shares is as follows:

A. Class and nominal value of shares to be issued

The class of shares under the Non-public Issuance is domestically listed RMB-denominated ordinary share (A Share) with a nominal value of RMB1.00 each.

B. Method and time of Issuance

Issuance is conducted by way of non-public issuance of shares to specific subscribers. The Company will issue shares at an appropriate time within the validity period upon obtaining the approval documents of the CSRC.

C. Target subscribers and subscription method

The target subscribers for the Non-public Issuance will be no more than 35 (inclusive) specific subscribers which satisfy the relevant requirements of the CSRC. The scope of the target subscribers includes securities investment fund management companies, securities firms, trust investment companies, finance companies, insurance institutional investors, qualified foreign institutional investors (QFII), and other domestic institutional and individual investors, which satisfy the relevant requirements of the CSRC. A securities investment fund management company, a securities firm, a qualified foreign institutional investors (QFII) or a Renminbi qualified foreign institutional investors (QFII) subscribing for the Shares through two or more of the products under its management shall be deemed as one single target subscriber. Target subscribers which are Trust investment companies shall only subscribe for the Shares with their own capital. No connected persons of the Company shall be target subscribers, and no target subscribers will become substantial shareholders after the non-public issuance of A shares.

The final target subscribers shall be determined by the Company upon obtaining the written approval for the Non-public Issuance based on the prices offered by the target subscribers in accordance with the requirements of the Implementation Rules and the principle of price priority.

All target subscribers shall subscribe the shares under the Non-public Issuance in cash.

LETTER FROM THE BOARD

Those target subscribers who are required by regulatory authorities to comply with other provisions in relation to their shareholder qualifications and respective approval procedures shall follow and comply with such provisions.

D. Issue size

Subject to compliance with the regulatory requirements of the places where the Shares are listed, the number of A Shares to be issued under the Non-public Issuance shall be no more than 475,623,800 Shares (inclusive). In the event that the Company grants bonus shares, allots new shares, converts capital reserve into share capital or carries out any other ex-right activities during the period commencing from the date on which the Board approved the Issuance to the Date of Issuance, the issue size of the Issuance shall be adjusted accordingly.

The final issue size of the Non-public Issuance of A Shares shall be determined by the Board or its authorized person(s) (pursuant to the authorization granted at the general meeting) with the lead underwriter according to the cap and the issue price approved by the CSRC.

E. Issue price and pricing principles

The Price Determination Date of the Non-public Issuance shall be the first day of the offer period of the Non-public Issuance. The issue price of the Non-public Issuance shall be no less than 80% of the average trading price of the A Shares for the 20 trading days preceding the Price Determination Date (excluding the Price Determination Date), or the last audited net asset value per Share attributable to the shareholders of the parent company of the Company, whichever is higher. For reference purpose, as disclosed in the Company's annual report published on 17 March 2020, as of 31 December 2019, the latest audited net assets per share attributable to owners of the Company is RMB4.24 per Share. The issue price of this Non-public Issuance shall not be lower than RMB4.24 per Share.

The average trading price of the A Shares of the Company for the 20 trading days preceding the Price Determination Date equals to total trading value of A Shares of the Company for the 20 trading days preceding the Price Determination Date divided by the total trading volume of A Shares of the Company for the 20 trading days preceding the Price Determination Date. In the event that there occurs any ex-right or ex-dividend activities causing adjustment to the share prices during the 20-trading-day period, the trading prices for those trading days prior to such adjustment shall be adjusted by the ex-right or ex-dividend activities accordingly.

LETTER FROM THE BOARD

In the event that the Company distributes dividends, grants bonus shares, allots new shares, converts capital reserve into share capital or carries out any other ex-right or ex-dividend activities during the period commencing from the balance sheet date of its latest audited financial reports to the Date of Issuance, adjustments shall be made to the abovementioned net assets per Share accordingly.

Upon obtaining the written approval of the CSRC, the final issue price under the Non-public Issuance shall be determined by the Board or its authorized person(s) (pursuant to the authorization granted by the Shareholders at the general meeting) with the lead underwriter based on the prices offered by the target subscribers and in accordance with the requirements of the CSRC and the principle of price priority.

F. Amount and the use of proceeds

The total proceeds from the Non-public Issuance will not exceed RMB6.5 billion (inclusive), all of which will, after deducting expenses, be used for further expanding credit trading business including margin financing and securities lending, expanding fixed income, equity, equity derivatives and other transaction business, increasing investment in the subsidiaries and replenishing other general working capital of the Company. Proceeds from the Non-public Issuance will be applied as follows:

No.	Investment projects for the proceeds	Proposed investment amount
1	Further expanding credit trading business including margin financing and securities lending	Not exceeding RMB2.5 billion
2	Expanding fixed income, equity, equity derivatives and other transaction business	Not exceeding RMB3 billion
3	Increase investment in the subsidiaries	Not exceeding RMB500 million
4	General working capital	<u>Not exceeding RMB500 million</u>
	Total	<u>Not exceeding RMB6.5 billion</u>

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G. Lock-up period

According to the relevant requirements under the Administrative Measures for Issuance, the Implementation Rules and the Guidelines on Administrative Approval for Securities Companies No.10 – Increase and Change in Equity Interest of Securities Companies (《證券公司行政許可審核工作指引第10號－證券公司增資擴股和股權變更》), following the completion of the Issuance, the specific target subscribers holding 5% (inclusive) or more of the total issued Shares of the Company shall not transfer their Shares within 36 months from the date of completion of Issuance. Specific target subscribers holding less than 5% of the Shares of the Company shall not transfer their shares within six months from the date of completion of the Issuance.

Where there are provisions of other laws and regulations on the lock-up period, those provisions shall also be complied with.

H. Listing venue

The Shares issued under the Non-public Issuance will be listed on the Shanghai Stock Exchange.

I. Arrangement of accumulated undistributed profits prior to completion of the Issuance

After the Issuance, both new Shareholders and existing Shareholders shall be entitled to the undistributed profits of the Company accumulated prior to the Issuance.

J. Validity period of the resolutions

Validity period of the resolutions for the Non-public Issuance is 12 months from the date when the resolutions relating to the Issuance are considered and approved at the general meeting.

The Non-public Issuance of the A Shares is subject to review and individual approval by the EGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting of the Company, and will be submitted to the CSRC for approval. The plan approved by the CSRC shall be final. The detailed terms on the Issuance (including the issue price and issue size) will be announced separately by the Company upon final determination.

The above resolution has been individually approved by the Directors at the Board Meeting, and is hereby proposed for approval by the EGM and A Shareholders' Class Meeting and H Shareholders' Class Meeting of the Company.

LETTER FROM THE BOARD

(3) The Plan for the Non-public Issuance of A Shares of the Company

Pursuant to Administrative Measures for Issuance, the Implementation Rules, the No. 25 of Standard of Content and Format on Information Disclosure for Publicly Listed Companies – Listed Company Non-public Issuance of Shares Proposal and Issuance Report (《公開發行證券的公司信息披露內容與格式準則第25號—上市公司非公開發行股票預案和發行情況報告書》) and other relevant laws and regulations and in light of the actual conditions of the Company, the Company has formulated the Plan for the Non-public Issuance of A Shares of Guolian Securities Co., Ltd., which is appended hereto as Appendix I. The plan has been approved by the Directors at the Board Meeting, and is hereby proposed for approval by the Shareholders at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting, respectively.

(4) Feasibility Report for the Use of Proceeds from the Non-public Issuance of the A Shares of the Company

According to the requirements of the Administrative Measures for Issuance, in line of the actual situation of the Company, the Company has prepared the Guolian Securities Co., Ltd. Feasibility Report for the Use of Proceeds from the Non-public Issuance of the A Shares, which is appended hereto as Appendix II. The Feasibility Report has been approved by the Directors at the Board Meeting, and is hereby proposed for approval by the Shareholders at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting, respectively.

(5) Report on the Use of Proceeds Previously Raised by the Company

Pursuant to the provisions under the Administrative Measures for Issuance and the Regulations on the Report on the Use of the Proceeds Raised in the Previously Issuance of Shares, and in light of the actual situation of the Company, the Company had prepared the Special Report on the Use of Proceeds Previously Raised of Guolian Securities Co., Ltd., which is appended hereto as Appendix III. The Report has been approved by the Directors at the Board Meeting, and is hereby proposed for approval by the Shareholders at the EGM.

LETTER FROM THE BOARD

(6) Dilution of Current Returns by the Non-public Issuance of A Shares and Remedial Measures of the Company

Pursuant to the requirements of the Opinions of the General Office of the State Council on Further Enhancing the Protection of Legitimate Rights and Interests of Medium and Small Investors in Capital Markets (Guo Ban Fa [2013] No. 110), the Several Opinions of the State Council on Further Promoting the Sound Development of Capital Markets (Guo Fa [2014] No. 17) and the Guiding Opinions on the Dilution of Current Returns by Initial Offering, Refinancing and Material Asset Restructuring (CSRC Announcement [2015] No. 31) issued by CSRC and other relevant provisions, in order to protect the interests of minority investors, the Company had conducted analysis on the impact of the Non-public Issuance of A Shares on dilution of current returns, and had formulated remedial measures for dilution of current returns. Specific details are appended hereto as Appendix IV. The above resolution has been approved by the Directors at the Board Meeting, and is hereby proposed for approval by the Shareholders at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting, respectively.

(7) To authorize the Board and to authorize the Board for the Board to in turn authorize the management of the Company to deal with specific matters in relation to the Non-public Issuance of A Shares of the Company

In order to complete the Non-public Issuance in an efficient and orderly manner, in accordance with the relevant provisions under the Company Law, Securities Law, Administrative Measures for Issuance and other relevant laws, regulations and the Articles of Association, this resolution will be submitted to the Shareholders for approval by way of a special resolution at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting, respectively, to authorize the Board and to authorize the Board for it to in turn authorize the management of the Company to deal with the matters in relation to the Non-public Issuance of A Shares within of the Company scope of authorization. The contents of authorization include but not limited to:

- (i) formulate, adjust and implement a detailed plan for the Non-public Issuance in accordance with the PRC laws and regulations, relevant provisions and opinions of regulatory authorities and taking into account the market environment and the Company's actual conditions, including but not limited to the determination or adjustment of issuance date, amount of proceeds, issue price, issue size, target subscribers and any other matters relating to the issuance plan;

LETTER FROM THE BOARD

- (ii) process the filing for the Issuance, including but not limited to the preparation, modification, signing, submitting, supplementing, executing and publishing the materials in relation to the Issuance and listing in accordance with the requirements of relevant government authorities, regulatory institutions, stock exchanges and securities depository and clearing institutions; reply to the comments from the relevant regulatory authorities; and deal with information disclosure matters relating to the Issuance according to the regulatory requirements;
- (iii) determine and engage intermediaries such as the sponsor, lead underwriter, law firm, accountant firm, independent financial adviser and deal with other related matters;
- (iv) sign, revise, supplement, complete, submit, execute all agreements, contracts and documents in relation to the Issuance (including but not limited to sponsor and underwriting agreements, engagement letters of intermediaries, agreements relating to proceeds, subscription agreements and supplemental agreements entered into with investors, circulars, announcements and other disclosure documents, etc.);
- (v) subject to the then applicable PRC laws, if there are changes in policies and requirements or market conditions in respect of the non-public issuance of A Shares, except for those matters that must be resolved at a general meeting and which cannot be authorized pursuant to relevant laws, regulations and the Articles of Association, adjust the plan of the proposed Non-public Issuance and use of proceeds in accordance with relevant rules and requirements of regulatory authorities (including any comments upon review of the application for the Non-public Issuance), the market situation and actual operations of the Company, and to continue to deal with the matters relating to the Non-public Issuance;
- (vi) open a special account for proceeds to be raised from the Non-public Issuance, and deal with matters in relation to the use of proceeds raised from the Issuance;
- (vii) upon completion of the Issuance, confirm the change in registered capital and amend the relevant provisions in the Articles of Association in accordance with the results of the Issuance, and report to the relevant governmental departments and regulatory authorities for approval or filing, and complete the change of industry and commerce registration with the industry and commerce administrative authorities and filing of the Articles of Association as a result of the change in registered capital, and complete the registration, custody and restricted sales of new shares and other relevant matters with the relevant authorities;

LETTER FROM THE BOARD

- (viii) review and screen the qualifications of investors who intend to subscribe for the Shares to be issued under the Issuance according to the CSRC's qualification requirements for shareholders of securities companies;
- (ix) in the event that the relevant laws and regulations and regulatory authorities impose new provisions and requirements regarding compensating current returns by refinancing, further analyze, study and demonstrate the effect of the Non-public Issuance on the current financial indicators and current return for Shareholders of the Company, formulate and modify relevant remedial measures and policies, and deal with all other relevant matters with absolute discretion;
- (x) deal with other matters relating to the Non-public Issuance; and
- (xi) The validity period of the above authorization is 12 months from the date when this resolution is considered and approved by the Shareholders at the EGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting, respectively.

(8) Plans of the Shareholders' return in the next three years

According to the Notice on Matters in relation to Further Implementing Cash Dividend of Listed Companies, the Regulatory Guidelines for Listed Companies No. 3 Cash Dividend of Listed Companies issued by CSRC and other relevant requirements in the guideline on cash dividend issued by the stock exchange, in order to further improve the Shareholders' returns level, enhance and fulfill the cash dividend policy, clarify the Company's returns plan of the Shareholders' reasonable investment, increase the transparency and operability of profit distribution decisions, and facilitate Shareholders' supervision of the Company's operation and profit distribution, the Company has formulated the Plans of the Shareholders' Return In the Next Three Years (2021-2023) of Guolian Securities Co., Ltd., the specific details are set out in Appendix V of this circular. The resolution above has been approved by the Directors at the Board meeting and is hereby proposed at the EGM for Shareholders' approval.

LETTER FROM THE BOARD

2. IMPACT OF THE A SHARE OFFERING ON THE COMPANY'S SHAREHOLDING STRUCTURE

For reference and illustration purposes only, assuming that there are no changes to the total issued share capital of the Company prior to the completion of the Issuance and that subject to the regulatory requirements of the places where the Shares of the Company are listed, a maximum of 475,623,800 A Shares are issued under the Issuance (which represents approximately 20% of the total issued share capital of the Company as at the date of this circular and approximately 16.67% of the total issued share capital of the Company as enlarged by the issuance of the A Shares under the Issuance).

	(a) Immediately before completion of the Issuance		(b) Immediately after completion of the Issuance	
	Number of Shares	%	Number of Shares	%
Non-public Shareholder				
– A Shares	1,376,336,123	57.87%	1,376,336,123	48.23%
Wuxi Guolian Development (Group) Co., Ltd.	543,901,329	22.87%	543,901,329	19.06%
Guolian Trust Co., Ltd.	390,137,552	16.41%	390,137,552	13.67%
Wuxi Guolian Municipal Electric Power Co., Ltd.* (無錫市國聯 地方電力有限公司)	266,899,445	11.22%	266,899,445	9.35%
Wuxi Minsheng Investment Co., Ltd.* (無錫民生投資有限公 司)	73,500,000	3.09%	73,500,000	2.58%
Wuxi Cotton Textile Group Co., Ltd.* (無錫一棉紡織集團有限 公司)	72,784,141	3.06%	72,784,141	2.55%
Wuxi Huaguang Environmental Energy (Group) Co., Ltd.* (無錫華光環保能源集團股份 有限公司)	29,113,656	1.22%	29,113,656	1.02%
– H Shares	–	–	–	–
Public Shareholder				
– A Shares	559,142,877	23.52%	1,034,766,677 ^{Note}	36.26%
– H Shares	<u>442,640,000</u>	<u>18.61%</u>	<u>442,640,000</u>	<u>15.51%</u>
Total:	<u>2,378,119,000</u>	<u>100%</u>	<u>2,853,742,800</u>	<u>100%</u>

Note: Shares subscribed by target subscribers under the Non-public Issuance are included.

The Board expects that the Company will continue to satisfy the public float requirement under the Listing Rules after the completion of the Non-public Issuance of A Shares.

LETTER FROM THE BOARD

3. REASONS FOR AND BENEFITS OF THE PROPOSED A SHARE OFFERING

As the economy of the PRC is transformed and upgraded, and as many guiding policies, such as developing multi-level capital markets, are published, which laid a policy foundation for securities companies engaging in innovative capital investment and capital-based intermediary business, the business model of securities companies will undergo transition from the previous commission-based business model to the integrated business model focusing on fee-based intermediary business, capital-based intermediary business, and self-funded investment business, and will gradually become a new niche for profit growth of securities companies; the development of the Company's relevant businesses will require further capital investment. Under the regulatory system centered on net capital, capital capability will become one of the key factors for securities companies to develop capital-based intermediaries and other innovative business, and enhance competitive advantages. Sufficient capital is the foundation and safeguards for securities companies to realize continuing healthy development and enhance competitive strength.

The Company continues to supplement the capital required for its business through debt financing. But at present, the Company's net capital is generally small. Under the regulatory system that focuses on net capital, the continuous expansion of the Company's capital is the basis and guarantee for the Company to expand its business scale, enhance its profitability, achieve sustainable and healthy development and improve its competitive strength.

At the current stage, the Company is still a securities company that mainly focuses on domestic business. This Non-public Issuance in the domestic market is more conducive to enhancing its influence in the domestic market and customers while achieving financing purpose; while the valuation difference between the Company's A shares and H shares is large at present, the implementation of share placement is more complicated in terms of pricing and operation.

To actively seize the development opportunities in the industry and enhance the Company's competitiveness, the Company intends to expand its capital scale and reinforce the capital strength by way of non-public issuance of A Shares. On the basis of consolidating the advantageous business, the Company strengthens the capital-driven business and promotes the development of innovative business, in order to further optimize the income structure, improve resilience capability of risks, and help the Company maintain and steadily strengthen the advantage of innovative capability, thereby creating larger returns to the Shareholders by seizing the strategic opportunities for the Company among the increasingly fierce competition in the industry.

The Directors consider that the additional issuance of A Share is in the interests of the Company and the Shareholders as a whole. The above resolutions are required for the Issuance. In the event that any resolution is not approved by the Shareholders at the EGM, the A Shareholders' Class Meeting or the H Shareholders' Class Meeting, the Company will not proceed with the Issuance and will consider revising the terms of Issuance and have them re-submitted for Shareholders' approval.

LETTER FROM THE BOARD

4. CAPITAL RAISING ACTIVITIES

The Company completed initial public offering of A Shares on July 31, 2020, with net proceeds amounting to RMB1,938,084,540.00, which were fully utilized for replenishment of the working capital of the Company.

As at the date of this circular, the Company has not conducted any fund-raising activities in relation to the issue of the equity securities in the 12 months immediately preceding the date of this circular, except for the initial public offering of A Shares by the Company.

For the upcoming 12 months starting from the date of this circular, based on its working capital need and market conditions, the Company will flexibly raise capital through issuing corporate bonds, short-term corporate bonds, income receipts, and subordinated bonds etc., in order to satisfy the working capital need in relation to the Company's business development.

5. RESPONSIBILITY STATEMENT

This circular, for which the Directors of the Company 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 inquiries, confirm that, as far as they are aware and are satisfied that the information contained in this circular is accurate and complete in all material respects, there is no misleading or fraudulent material and no omission of any of the information contained in this circular or other matters which are misleading.

6. EGM, THE A SHAREHOLDERS' CLASS MEETING AND THE H SHAREHOLDERS' CLASS MEETING

The Shareholders' Meeting of the Company will be held on Monday, 1 March 2021, at the booked conference room at 4th Floor, No. 8 Jinrong One Street, Wuxi, Jiangsu Province, the PRC. The notice of EGM is set out on pages 108 to 110 of this circular. The notice of H Shareholders' Class Meeting is set out on pages 111 to 113 of this circular.

If you intend to attend the meeting by proxy, please complete and return the applicable proxy form attached hereto in accordance with the instructions printed thereon as soon as possible. For H Shareholders, the proxy form should be returned as soon as possible, and in any event not less than 24 hours before the time appointed for the holding of the relevant meetings or any adjourned meetings.

The return of the proxy form will not preclude you from attending and voting in person if you wish at the EGM and the H Shareholders' Class Meeting.

LETTER FROM THE BOARD

In order to determine the list of Shareholders who are entitled to attend the EGM and the H Shareholders' Class Meeting, the Company will close the register of members of H Shares during the period from Tuesday, 23 February 2021 to Monday, 1 March 2021 (both days inclusive), during which no registration of Shares will be made. Shareholders who wish to attend the EGM and the H Shareholders' Class Meeting are required to send all the transfer documents together with the relevant shares to Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shareholders) to register before 4:30 p.m. of Monday, 22 February 2021. At the end of the above business hours, Shareholders registered in Computershare Hong Kong Investor Services Limited are entitled to attend the EGM and the H Shareholders' Class Meeting.

7. VOTING BY POLL

In accordance with rule 13.39 (4) of the Listing Rules, any vote at the EGM and the H Shareholders' Class Meeting shall be conducted by way of poll. Therefore, the chairman of the EGM and the H Shareholders' Class Meeting shall exercise their power to in accordance with the Articles of Association to request to vote by poll on the resolutions proposed at the EGM and the H Shareholders' Class Meeting. To the best knowledge of the Company, no shareholders are required to abstain from voting at the resolutions. The results of the vote by poll will be published on the Company's official website and the disclosure website of Stock Exchange after the meetings.

8. RECOMMENDATION

The Board considers that all resolutions proposed above are in the interests of the Company and the Shareholders as a whole. The Board therefore recommends the Shareholders to vote in favor of all the resolutions to be submitted at the EGM and the H Shareholders' Class Meeting.

By order of the Board
Guolian Securities Co., Ltd.
Yao Zhiyong
Chairman

Wuxi, Jiangsu Province, the PRC
10 February 2021

APPENDIX I THE PLAN FOR THE NON-PUBLIC ISSUANCE OF A SHARES

Stock Short Name: Guolian Sec (A Share) Stock Code: 601456 (A Share)

Stock Short Name: Guolian Sec (H Share) Stock Code: 01456 (H Share)



Guolian Securities Co., Ltd. Plan for the Non-public Issuance of A Shares

February 2021

STATEMENT OF THE ISSUER

1. The Company and all members of its Board warrant that the information contained in the Proposal is true, accurate and complete and the Proposal does not contain any false information, misleading statement or material omission.
2. The Company assumes the liability for any changes in its operation and revenue of the Company after the completion of the Non-Public Issuance. Any investment risks arising from the Non-Public Issuance of Shares shall be borne by the investors.
3. The Proposal is the explanatory statement given by the Board on the Non-Public Issuance, and any statement contrary to the Proposal constitutes misrepresentation.
4. Investors shall consult their stockbrokers, lawyers, professional accountants or other professional advisers if in doubt.
5. Matters mentioned in the Proposal do not represent any substantive judgment, confirmation, approval or authorization from the competent authorities regarding the Non-Public Issuance. Effectiveness and completion of the matters relating to the Non-Public Issuance as contemplated in the Proposal shall be subject to the approval of the Shareholders at the general meeting, and approval or authorization by competent authorities.

SPECIAL REMINDERS

Terms or abbreviations referred to in this section shall have the same meanings as those defined in “Definitions” section in this Proposal.

1. Matters relating to the Non-public Issuance has been considered and approved at the fifteenth meeting of the fourth session of the Board. In accordance with relevant laws and regulations, the Non-public Issuance is still subject to the approval of the Shareholders at the general meeting and the approval of the CSRC.
2. The target subscribers for the Non-public Issuance will be no more than 35 (inclusive) specific subscribers which satisfy the relevant requirements of the CSRC. The scope of the target subscribers includes securities investment fund management companies, securities firms, trust investment companies, finance companies, insurance institutional investors, qualified foreign institutional investors (QFII), and other domestic institutional and individual investors, which satisfy the relevant requirements of the CSRC. A securities investment fund management company, a securities firm, a qualified foreign institutional investors (QFII) or a Renminbi qualified foreign institutional investors (QFII) subscribing for the Shares through two or more of the products under its management shall be deemed as one single target subscriber. Target subscribers which are trust investment companies shall only subscribe for the Shares with their own capital.

The final target subscribers shall be determined by the Company upon obtaining the written approval for the Non-public Issuance based on the prices offered by the target subscribers in accordance with the requirements of the Implementation Rules and the principle of price priority.

All target subscribers shall subscribe the Shares under the Non-public Issuance in cash.

Those target subscribers who are required by regulatory authorities to comply with other provisions in relation to their shareholder qualifications and respective approval procedures shall follow and comply with such provisions.

3. The Price Determination Date of the Non-public Issuance shall be the first day of the offer period of the Non-public Issuance. The issue price of the Non-public Issuance shall be no less than 80% of the average trading price of the A Shares for the 20 trading days preceding the Price Determination Date (excluding the Price Determination Date), or the last audited net asset value per Share attributable to the shareholders of the parent company of the Company, whichever is higher.

APPENDIX I THE PLAN FOR THE NON-PUBLIC ISSUANCE OF A SHARES

The average trading price of the A Shares of the Company for the 20 trading days preceding the Price Determination Date equals to total trading value of A Shares of the Company for the 20 trading days preceding the Price Determination Date divided by the total trading volume of A Shares of the Company for the 20 trading days preceding the Price Determination Date. In the event that there occurs any ex-right or ex-dividend activities causing adjustment to the share prices during the 20-trading-day period, the trading prices for those trading days prior to such adjustment shall be adjusted by the ex-right or ex-dividend activities accordingly.

In the event that the Company distributes dividends, grants bonus shares, allots new shares, converts capital reserve into share capital or carries out any other ex-right or ex-dividend activities during the period commencing from the balance sheet date of its latest audited financial reports to the Date of Issuance, adjustments shall be made to the abovementioned net assets per Share accordingly.

Upon obtaining the written approval of the CSRC, the final issue price under the Non-public Issuance shall be determined by the Board or its authorized person(s) (pursuant to the authorization granted by the Shareholders at the general meeting) with the lead underwriter based on the prices offered by the target subscribers and in accordance with the requirements of the CSRC and the principle of price priority.

4. Subject to compliance with the regulatory requirements of the places where the Shares are listed, the number of A Shares to be issued under the Non-public Issuance shall be no more than 475,623,800 Shares (inclusive). In the event that the Company grants bonus shares, allots new shares, converts capital reserve into share capital or carries out any other ex-right activities during the period commencing from the date on which the Board approved the Issuance to the Date of Issuance, the issue size of the Issuance shall be adjusted accordingly.

The final issue size of the Non-public Issuance of A Shares shall be determined by the Board or its authorized person(s) (pursuant to the authorization granted at the general meeting) with the lead underwriter according to the cap and the issue price approved by the CSRC.

APPENDIX I THE PLAN FOR THE NON-PUBLIC ISSUANCE OF A SHARES

5. The total proceeds from the Non-public Issuance will not exceed RMB6.5 billion (inclusive), all of which will, after deducting expenses, be used for further expanding credit trading business including margin financing and securities lending, expanding fixed income, equity, equity derivatives and other transaction business, increasing investment in the subsidiaries and replenishing other general working capital of the Company. Proceeds from the Non-public Issuance will be applied as follows:

No.	Investment projects for the proceeds	Proposed investment amount
1	Further expanding credit trading business including margin financing and securities lending	Not exceeding RMB2.5 billion
2	Expanding fixed income, equity, equity derivatives and other transaction business	Not exceeding RMB3 billion
3	Increase investment in the subsidiaries	Not exceeding RMB500 million
4	General working capital	<u>Not exceeding RMB500 million</u>
Total		<u>Not exceeding RMB6.5 billion</u>

6. According to the relevant requirements under the Administrative Measures for Issuance, the Implementation Rules and the Guidelines on Administrative Approval for Securities Companies No.10 – Increase and Change in Equity Interest of Securities Companies (《證券公司行政許可審核工作指引第10號—證券公司增資擴股和股權變更》), following the completion of the Issuance, the specific target subscribers holding 5% (inclusive) or more of the total issued Shares of the Company shall not transfer their Shares within 36 months from the date of completion of Issuance. Specific target subscribers holding less than 5% of the Shares of the Company shall not transfer their shares within six months from the date of completion of the Issuance.

Where there are provisions of other laws and regulations on the lock-up period, those provisions shall also be complied with.

7. After the Issuance, both new Shareholders and existing Shareholders shall be entitled to the undistributed profits of the Company accumulated prior to the Issuance.

APPENDIX I THE PLAN FOR THE NON-PUBLIC ISSUANCE OF A SHARES

8. For details of the profit distribution and cash dividend policies of the Company and their implementation for the past three years, please refer to “Section IV Profit Distribution Policy and Implementation of the Company” in this Proposal.
9. Upon completion of the Non-public Issuance, there will be short term risks of decline in earnings per share and other indicators of the Company, and there will also be risks of dilution in the current returns of the existing Shareholders. Investors are advised to pay attention to the risks that the Non-public Issuance may result in the dilution of current returns of shareholders. Although the Company has formulated remedial measures in response to the dilution risks on current returns, such measures shall not be deemed as a guarantee of the Company on its future profits. Investors shall not make investment decisions based on the abovementioned remedial measures. The Company shall not be liable for any losses suffered by investors due to their investment decisions made based on the above. Investors are advised to exercise caution.

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APPENDIX I THE PLAN FOR THE NON-PUBLIC ISSUANCE OF A SHARES

DEFINITIONS

In this Proposal, unless otherwise indicated in the context, the following terms and expressions shall have following meanings when used:

“Issuer” or “the Company”	Guolian Securities Co., Ltd. (國聯證券股份有限公司)
“A Share(s)”	the ordinary share(s) of the Company listed on the Shanghai Stock Exchange with a nominal value of RMB1.00 each, which are traded in RMB
“H Share(s)”	the foreign invested ordinary share(s) of the Company listed on the Hong Kong Stock Exchange with a nominal value of RMB1.00 each, which are traded in HK dollars
“Non-public Issuance” or “Issuance”	the proposed issuance of no more than 475,623,800 A Shares (inclusive) with the total proceeds of not exceeding RMB6.5 billion (inclusive) by way of non-public issuance by the Company
“Proposal”	the Proposal for Non-public Issuance of A Shares of Guolian Securities Co., Ltd.
“Price Determination Date”	the first day of the offer period of the Non-public Issuance
“Guolian Capital”	Guolian Capital Co., Ltd. (國聯通寶資本投資有限責任公司)
“Hua Ying Securities”	Hua Ying Securities Co., Ltd. (華英證券有限責任公司)
“Guolian Innovation”	Wuxi Guolian Innovation Investment Co., Ltd. (無錫國聯創新投資有限公司)
“Guolian Hong Kong”	Guolian Securities (H.K.) Co., Limited
“CSRC”	China Securities Regulatory Commission
“Shanghai Stock Exchange”	Shanghai Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Board”	the board of directors of Guolian Securities Co., Ltd.

APPENDIX I THE PLAN FOR THE NON-PUBLIC ISSUANCE OF A SHARES

“Listing Rules”	Shanghai Stock Exchange Listing Rules
“Articles of Association”	Articles of Association of Guolian Securities Co., Ltd.
“Administrative Measures for Issuance”	Administrative Measures for Issuance of Securities by Listed Companies (上市公司證券發行管理辦法)
“Implementation Rules”	Implementation Rules for Non-public Issuance of Stocks by Listed Companies (2020 Revision)
“RMB”	RMB, RMB ten thousand, RMB100 million

Note: In this Proposal, as figures have been rounded up to the nearest two decimal places, any total count contained herein may not match the respective sum of the listed values. Unless otherwise indicated, financial figures and indicators stated in this Proposal are presented on a consolidated basis.

APPENDIX I THE PLAN FOR THE NON-PUBLIC ISSUANCE OF A SHARES

Section I Summary of the Plan for Non-public Issuance of A Shares

I. BASIC INFORMATION OF THE ISSUER

Name in Chinese:	國聯證券股份有限公司	
Name in English:	Guolian Securities Co., Ltd.	
Date of establishment:	8 January 1999	
Listing venues:	Shanghai Stock Exchange and Hong Kong Stock Exchange	
Stock Short Name:	國聯證券 (A Share)	Guolian Sec (H Share)
Stock Code:	601456 (A Share)	01456 (H Share)
Legal representative:	Yao Zhiyong (姚志勇)	
Registered address:	No. 8 Jinrong One Street, Wuxi, Jiangsu Province	
Postcode:	214121	
Registered capital:	RMB2,378,119,000	
Telephone No.:	0510-82832912	
Fax No.:	0510-82833124	
Website:	www.glsc.com.cn	
Business Scope:	securities brokerage; securities investment consulting; financial advisory business relating to securities trading and securities investment activities; proprietary securities trading; securities asset management; agency sale of securities investment funds; margin financing and securities lending business; agency service for futures companies; agency sale of financial products. (Business activity subject to approval under the laws shall only commence after obtaining relevant approval)	

II. BACKGROUND AND PURPOSE OF THE NON-PUBLIC ISSUANCE

With the comprehensively deepening of reform of the capital market, the implementation of new securities law, the reform of ChiNext and the commencement of pilot registration-based IPO system, the smooth implementation of the in-depth reform of National Equities Exchange and Quotations, it is expected there will be a new round of development window for the capital market in China. Also, with the deepening of reform of the capital market, the Company will face fierce competition in the securities industry due to foreseeable industry integration, increasing concentration and competitions from foreign stockbroker.

It is expected that the development of securities industry will show the following trends: (i) differentiation and integration will be accelerated results in a much fierce competition which further increase the industry concentration; (ii) as securities industry becomes more and more internationalized and globalized with foreign stockbrokers entering the PRC market while domestic stockbrokers expanding into overseas, there coexist both opportunities and challenges in the securities industry; (iii) the development of securities industry transforms to capital reliance mode and the business of securities firms will shift from previous commission-based business to a business model combining fee-based intermediary business, capital-based intermediary business and self-funded investment business in equal weight which will become the new profit growth point of securities firms.

Meanwhile, as the opening up of the securities industry is advancing in an orderly manner, foreign capital is allowed to hold as to 51% equity interest in domestic securities companies, making it possible for foreign securities companies to control securities companies, which means domestic securities companies will encounter with more competition. At this stage, certain powerful securities companies have begun to expand their existing business scale or branch into new business domains through horizontal mergers and acquisitions, showing a sign of differentiation in the securities industry. Under the current regulatory framework featuring net capital and capital mobility, capital strength becomes one of the key elements for a securities firm to develop new business (such as capital-based intermediary business) and to strengthen its competitive advantage. Sufficient capital is the foundation and safeguards for securities companies to realize continuing healthy development and enhance competitive strength.

In response to the structural adjustment in the securities industry and to improve the Company's overall competitiveness, the Company intends to increase its capital investment and to replenish its capital reserve through the Non-public Issuance of A Shares, in order to further enhance its preponderant business and to improve its comprehensive service capabilities, as well as to strengthen the profitability and risk resistance capacity. With improved operation management level, the Company will be able to seize the golden opportunity window for securities industry and will also be able to build differentiated competitive advantages over competitors thereby creating larger returns to the Shareholders by seizing the strategic opportunities for the Company among the increasingly fierce competition in the industry.

III. TARGET SUBSCRIBERS AND THEIR RELATIONSHIPS WITH THE COMPANY

The target subscribers for the Non-public Issuance will be no more than 35 specific subscribers which satisfy the relevant requirements of the CSRC, including securities investment fund management companies, securities firms, trust investment companies, finance companies, insurance institutional investors, qualified foreign institutional investors (QFII), and other domestic institutional and individual investors, which satisfy the relevant requirements of the CSRC. A securities investment fund management company, a securities firm, a qualified foreign institutional investors (QFII) or a Renminbi qualified foreign institutional investors (QFII) subscribing for the Shares through two or more of the products under its management shall be deemed as one single target subscriber. Target subscribers which are Trust investment companies shall only subscribe for the Shares with their own capital.

The Company has not yet determined the specific target subscribers, and therefore it is impossible to determine the relationships between target subscribers and the Company.

Upon obtaining the written approval for the Non-public Issuance by the Company, the final target subscribers shall be determined by the Board (pursuant to the authorization granted at the general meeting) and the lead underwriter based on the prices offered by the target subscribers in accordance with the requirements of relevant laws, rules and regulations. In the event that there is new laws or rules governing the target subscribers, the Company will make necessary adjustments thereof.

All target subscribers shall subscribe the shares under the Non-public Issuance in cash.

Those target subscribers who are required by regulatory authorities to comply with other provisions in relation to their shareholder qualifications and respective approval procedures shall follow and comply with such provisions.

IV. SUMMARY OF THE ISSUANCE PLAN**(I) Class and nominal value of shares to be issued**

The class of shares under the Non-public Issuance is domestically listed RMB-denominated ordinary share (A Share) with a nominal value of RMB1.00 each.

(II) Method and time of Issuance

Issuance is conducted by way of non-public issuance of shares to specific subscribers. The Company will issue shares at an appropriate time within the validity period upon obtaining the approval documents of the CSRC.

(III) Target subscribers and subscription method

The target subscribers for the Non-public Issuance will be no more than 35 (inclusive) specific subscribers which satisfy the relevant requirements of the CSRC. The scope of the target subscribers includes securities investment fund management companies, securities firms, trust investment companies, finance companies, insurance institutional investors, qualified foreign institutional investors (QFII), and other domestic institutional and individual investors, which satisfy the relevant requirements of the CSRC. A securities investment fund management company, a securities firm, a qualified foreign institutional investors (QFII) or a Renminbi qualified foreign institutional investors (QFII) subscribing for the Shares through two or more of the products under its management shall be deemed as one single target subscriber. Target subscribers which are Trust investment companies shall only subscribe for the Shares with their own capital.

The final target subscribers shall be determined by the Company upon obtaining the written approval for the Non-public Issuance based on the prices offered by the target subscribers in accordance with the requirements of the Implementation Rules and the principle of price priority.

All target subscribers shall subscribe the shares under the Non-public Issuance in cash.

Those target subscribers who are required by regulatory authorities to comply with other provisions in relation to their shareholder qualifications and respective approval procedures shall follow and comply with such provisions.

(IV) Issue size

Subject to compliance with the regulatory requirements of the places where the Shares are listed, the number of A Shares to be issued under the Non-public Issuance shall be no more than 475,623,800 Shares (inclusive). In the event that the Company grants bonus shares, allots new shares, converts capital reserve into share capital or carries out any other ex-right activities during the period commencing from the date on which the Board approved the Issuance to the Date of Issuance, the issue size of the Issuance shall be adjusted accordingly.

The final issue size of the Non-public Issuance of A Shares shall be determined by the Board or its authorized person(s) (pursuant to the authorization granted at the general meeting) with the lead underwriter according to the cap and the issue price approved by the CSRC.

(V) Issue price and pricing principles

The Price Determination Date of the Non-public Issuance shall be the first day of the offer period of the Non-public Issuance. The issue price of the Non-public Issuance shall be no less than 80% of the average trading price of the A Shares for the 20 trading days preceding the Price Determination Date (excluding the Price Determination Date), or the last audited net asset value per Share attributable to the shareholders of the parent company of the Company, whichever is higher.

The average trading price of the A Shares of the Company for the 20 trading days preceding the Price Determination Date equals to total trading value of A Shares of the Company for the 20 trading days preceding the Price Determination Date divided by the total trading volume of A Shares of the Company for the 20 trading days preceding the Price Determination Date. In the event that there occurs any ex-right or ex-dividend activities causing adjustment to the share prices during the 20-trading-day period, the trading prices for those trading days prior to such adjustment shall be adjusted by the ex-right or ex-dividend activities accordingly.

In the event that the Company distributes dividends, grants bonus shares, allots new shares, converts capital reserve into share capital or carries out any other ex-right or ex-dividend activities during the period commencing from the balance sheet date of its latest audited financial reports to the Date of Issuance, adjustments shall be made to the abovementioned net assets per Share accordingly.

Upon obtaining the written approval of the CSRC, the final issue price under the Non-public Issuance shall be determined by the Board or its authorized person(s) (pursuant to the authorization granted by the Shareholders at the general meeting) with the lead underwriter based on the prices offered by the target subscribers and in accordance with the requirements of the CSRC and the principle of price priority.

APPENDIX I THE PLAN FOR THE NON-PUBLIC ISSUANCE OF A SHARES

(VI) Amount and the use of proceeds

The total proceeds from the Non-public Issuance will not exceed RMB6.5 billion (inclusive), all of which will, after deducting expenses, be used for further expanding credit trading business including margin financing and securities lending, expanding fixed income, equity, equity derivatives and other transaction business, increasing investment in the subsidiaries and replenishing other general working capital of the Company. Proceeds from the Non-public Issuance will be applied as follows:

No.	Investment projects for the proceeds	Proposed investment amount
1	Further expanding credit trading business including margin financing and securities lending	Not exceeding RMB2.5 billion
2	Expanding fixed income, equity, equity derivatives and other transaction business	Not exceeding RMB3 billion
3	Increase investment in the subsidiaries	Not exceeding RMB500 million
4	General working capital	<u>Not exceeding RMB500 million</u>
	Total	<u>Not exceeding RMB6.5 billion</u>

(VII) Lock-up period

According to the relevant requirements under the Administrative Measures for Issuance, the Implementation Rules and the Guidelines on Administrative Approval for Securities Companies No.10 – Increase and Change in Equity Interest of Securities Companies (《證券公司行政許可審核工作指引第10號－證券公司增資擴股和股權變更》), following the completion of the Issuance, the specific target subscribers holding 5% (inclusive) or more of the total issued Shares of the Company shall not transfer their Shares within 36 months from the date of completion of Issuance. Specific target subscribers holding less than 5% of the Shares of the Company shall not transfer their shares within six months from the date of completion of the Issuance.

Where there are provisions of other laws and regulations on the lock-up period, those provisions shall also be complied with.

APPENDIX I THE PLAN FOR THE NON-PUBLIC ISSUANCE OF A SHARES

(VIII) Listing venue

The Shares issued under the Non-public Issuance will be listed on the Shanghai Stock Exchange.

(IX) Arrangement of accumulated undistributed profits prior to completion of the Issuance

After the Issuance, both new Shareholders and existing Shareholders shall be entitled to the undistributed profits of the Company accumulated prior to the Issuance.

(X) Validity period of the resolutions

Validity period of the resolutions for the Non-public Issuance is 12 months from the date when the resolutions relating to the Issuance are considered and approved at the general meeting.

V. WHETHER THE ISSUANCE CONSTITUTES A RELATED PARTY TRANSACTION

The Non-public Issuance does not constitute a related party transaction.

VI. WHETHER THE ISSUANCE LEADS TO A CHANGE IN THE CONTROL OF THE COMPANY

As of 30 September 2020, Wuxi Guolian Development (Group) Co., Ltd. (無錫市國聯發展(集團)有限公司)(“Guolian Development”), the controlling shareholder of the Company, was interested as to 57.87% of the total Shares in issue of which 22.87% was directly held by it and 35.00% was indirectly held through controlled entities, namely, Guolian Trust Co., Ltd. (國聯信託股份有限公司), Wuxi Guolian Municipal Electric Power Co., Ltd.* (無錫市國聯地方電力有限公司), Wuxi Minsheng Investment Co., Ltd.* (無錫民生投資有限公司), Wuxi Cotton Textile Group Co., Ltd.* (無錫一棉紡織集團有限公司), Wuxi Huaguang Environmental Energy (Group) Co., Ltd.* (無錫華光環保能源集團股份有限公司). As Guolian Development is a subsidiary controlled by Wuxi State-owned Assets Supervision and Administration Commission (無錫國有資產監督管理委員會)(“Wuxi SASAC”), Wuxi SASAC is the ultimate controlling shareholder of the Company.

Given that the issue size of the Non-Public Issuance will be no more than 475,623,800 Shares (inclusive), upon completion, Guolian Development will remain as the controlling shareholder of the Company and hence Wuxi SASAC will also remain as the ultimate controlling shareholder of the Company. As such, the Non-public Issuance will not cause any change in control of the Company.

VII. APPROVALS OBTAINED FOR THE NON-PUBLIC ISSUANCE FROM RELEVANT COMPETENT AUTHORITIES AND PROCEDURES PENDING ON SUBMISSION AND APPROVAL

This Proposal for the Non-public Issuance has been considered and approved at the fifteenth meeting of the fourth session of the Board, and is also be subject to the consideration of the Shareholders at the general meeting, and the approval of the A Shareholders' class meeting and the H Shareholders' class meeting. Upon consideration and approval by the Shareholders at the general meeting, the A Shareholders' class meeting and the H Shareholders' class meeting in accordance with the provisions of the Company Law, the Securities Law, the Administrative Measures, the Implementation Rules and other relevant laws, regulations and regulatory document, the Company will submit the Proposal to the CSRC for approval. Upon obtaining approval from the CSRC, the Company will apply to the Shanghai Stock Exchange and the Shanghai Branch of China Securities Depository and Clearing Corporation Limited for the issuance and listing of shares to complete all approval procedures for the Non-public Issuance of Shares.

APPENDIX I THE PLAN FOR THE NON-PUBLIC ISSUANCE OF A SHARES

Section II Feasibility Analysis by the Board on the Use of Proceeds raised from the Non-public Issuance

I. PLANS FOR USE OF PROCEEDS FROM THE NON-PUBLIC ISSUANCE

Subject to compliance with the regulatory requirements of the places where the Shares are listed, the number of A shares to be issued under the Non-public Issuance shall not exceed 475,623,800 (inclusive), and the total proceeds from the Non-public Issuance will not exceed RMB6.5 billion (inclusive), all of which will, after deducting expenses, be used for further expanding credit trading business including margin financing and securities lending, expanding fixed income, equity, equity derivatives and other transaction business, increasing investment in the subsidiaries and replenishing other general working capital of the Company. Proceeds from the Non-public Issuance will be applied as follows:

No.	Investment projects for the proceeds	Proposed investment amount
1	Further expanding credit trading business including margin financing and securities lending	Not exceeding RMB2.5 billion
2	Expanding fixed income, equity, equity derivatives and other transaction business	Not exceeding RMB3 billion
3	Increase investment in the subsidiaries	Not exceeding RMB500 million
4	General working capital	<u>Not exceeding RMB500 million</u>
	Total	<u>Not exceeding RMB6.5 billion</u>

To ensure the investment projects are on track and to protect the interests of Shareholders as a whole, depending on the actual progress of the investment projects and other circumstances, the Company may make necessary capital injection out of funds otherwise raised by the Company before the proceeds from the Non-public Issuance is available and such part of funds utilized will be reimbursed from the proceeds once available. In the event that the proceeds from the Non-public Issuance (after deducting expenses) is less than the total funds required for the investment project, the Company intends to fund such fall short with its own resources.

(i) Expanding the scale of credit trading business including margin financing and securities lending and further enhancing ability to serve the real economy

The Company intends to apply no more than RMB2.5 billion from the proceeds from the Issuance on the expansion of credit trading business including margin financing and securities lending of the Company.

It will be the overall trend for the financial sector to serve the real economy. From the perspective of securities industry, funds raised through pledge of stock mainly flow to the real economy, which helps to ease the financing difficulties faced by certain entities. Funds or securities provided through margin trading and securities lending can better realize the value discovery function of capital market. Since 2012, the credit trading business that features margin trading and securities lending and stock pledged repo transactions has become an important part of assets and liabilities operations for securities firms. As of late December 2020, values of margin trading and securities lending on both the Shenzhen and Shanghai markets amounted to RMB1,619.008 billion.

The Company obtained from the CSRC the qualification for margin trading and securities lending in 2012, the qualification for capital refinancing business in January 2013 and the qualification for securities refinancing in June 2014. While ensuring that risks are measurable, controllable and tolerable, the Company promoted its credit trading business with both endeavor and prudence, offering a range of solutions to its clients. As of 31 December 2019, the balance of margin trading and securities lending amounted to RMB4.665 billion, recording a market share of 0.46%; the balance of stock pledged repo transactions reached RMB2.75 billion.

Under the backdrop of declining commission rate in the industry, the Company seeks to improve its profitability and market competitiveness by developing the margin trading business to satisfy client demands for comprehensive financial services. The Company aimed to enhance its commission-based business while developing loan service business such as margin trading as a boost to improve its profitability and further strengthen its ability to serve real economy. Therefore, the Company has further capital requirements for moderately expanding the scale of margin trading business. Meanwhile, by increasing investments into the margin trading and securities lending business with proceeds from the Issuance, the Company will do better in meeting requirements related to risk control indicators so as to secure a reasonable growth of margin trading business.

(ii) Expanding fixed income, equity, equity derivatives and other transaction business to enhance market competitiveness

The Company intends to apply no more than RMB3 billion from the proceeds from the Issuance on the expansion of fixed income, equity, equity derivatives and other transaction business of the Company.

The transaction businesses of securities firms have become a significant force in the market in recent years. Transaction business of securities firms are breaking away from directivity and shifting to diversification, and securities companies are having more mature strategies and stronger market competitiveness. According to operating data of securities companies for 2017 released by the Securities Association of China, revenue from proprietary businesses exceeded that generated from securities brokerage businesses for the first time, becoming the largest source of income.

The Company started its securities proprietary business in 2001, with the development of the capital market, the securities industry is shifting from traditional directional proprietary business to risk-neutral capital intermediary business. The Company's securities transaction business is operated under securities investment department, fixed income department and equity derivatives business department. Specialized teams are formed in accordance to transaction types in concern. Equity transaction mainly involve securities products (e.g. listed stocks and funds), composing in majority those blue chips of medium to long term growth potential. Fixed income business mainly covers bonds and strategy derivatives hedging trades between banks or on exchanges. Quantitative and derivatives transaction adhere to the investment concept of maintaining medium risks by mainly invest in stock price index, futures and options to hedge risks.

Assuming the Company will continue to be able to manage relevant risks in the future, the transaction business department of the Company will moderately expand its scale of transaction to compile an investment portfolio with manageable risks and stable income according to the trends of macro economy and the changes of market condition and the net asset level of the Company. At the meantime, the Company will actively cultivate and improve investment management skill aiming to achieve higher revenue. The Company are endeavoring to create unique image of its own through product design, intermediary trades and problem-solving plans in the fixed income business to provide distinctive service to the customers. The Company also strives to build a stock trading platform with first class trading, product innovation and problem-solving ability for its equity derivatives business to provide more value-added services to institutional sales, investment banks and wealth management businesses.

(iii) Accelerating the promotion of the group strategies and increase investment to subsidiaries to facilitate all-round development

The Company intends to apply no more than RMB500 million from the proceeds from the Issuance for accelerating the promotion of the group strategies and increase investment to subsidiaries to facilitate all-round development.

The Company is engaged in various businesses including wealth management, investment banking, asset management, research and institutional sales, fixed income, equity derivatives and private equity investment business.

The Company currently carries out private equity investment business, investment banking (including NEEQ) business and ChiNext co-investment business and offshore securities business through its wholly-owned subsidiaries, Guolian Capital, Hua Ying Securities and Guolian Innovation and Guolian Hong Kong, respectively.

To promptly response to regulatory requirements and to further promote standardization and grouped development of securities industry, the Company intends to apply part of the proceeds from the Issuance as additional capital contribution to subsidiaries so as to strengthen their capital reserve to further expand the scale of their investment business, improve the ability of professional management for investment business and increase revenue level. As a result, there will be a synergy effect among the Company and its subsidiaries which allows the Company to provide diversified, professional and integrated financial products and financial services to its customers and thus promote the overall development of the Company. Meanwhile, the additional capital contribution to subsidiaries will also benefit the Company's business plans relating to ChiNext by enhancing the co-investment ability in ChiNext listed companies and therefore improve the Company's ability to serve the real economy.

(iv) Other arrangements of general working capital

The Company intends to apply no more than RMB500 million from the proceeds from the Issuance as general working capital.

As the capital market continues to develop and the industry accelerates its pace of innovation, the securities industry will embrace a great development potential in the future. The Company will closely monitor regulatory policy changes and industry development opportunities; basing on its strategic development objective and actual operation, it will allocate proceeds from the Issuance reasonably and satisfy its reasonable requirements for working capital during business development in a timely manner to ensure that all businesses are in orderly progress.

Upon the proceeds from the Issuance becoming available, the Company will: strategically optimize and adjust its business structure to enable continuous and sustainable growth; timely participate in internet financial service to promote the shifting of off-line business on-line; integrate business resources to build chain services throughout all the businesses to provide one-stop integrated service including equity and bond financing, merger and restructuring, financial consultation, market making, share transfer and trustee service. The Company will at the same time, promote synergy among all departments by deepening the cooperation and connectivity system in-between departments and branches, simplify management procedures to improve efficiency in order to form synergy effect among all businesses development.

II. NECESSITY OF THE ISSUANCE

(i) The Issuance is a necessary measure for the realization of the Company's strategic development objective

Facing the market environment with both opportunities and challenges, the Company adheres to the business philosophy of “integrity, stability, openness and innovation”, relying on its regional advantages, continuously improves its ability to serve the investment and financing needs of the real economy and meet the wealth management demands of people, promotes the comprehensive and balanced development of the company's businesses, and realizes the transformation from a traditional channel brokerage to a comprehensive financial service provider.

To realize the Company's strategic objectives, the company has taken the following measures to accelerate the pace of development over the past few years: implementing the strategy of locational advantages, focusing on enhancing branch construction; increasing resource investment and steadily promoting transformation and development; actively improving production lines and focusing on building advantageous businesses; building an A+H dual financing platform and carrying out various types of capital operations; proactively exploring management mechanism innovation and enhancing comprehensive benefits; strengthening the cultivation of talent team and establishing a people-oriented corporate culture.

To realize its strategic development objective, the Company will continuously invest in credit intermediation, transaction business, and subsidiary development in the future. The Issuance will provide a strong financial support to the Company's future development strategy; therefore, it is a necessary measure for the realization of strategic development objective.

(ii) Reinforcing capital strength and consolidating industry position

As China deepens reform in the capital market, the securities industry is facing intensified competition. On the one hand, the securities industry has a low rate of market concentration and universally homogeneous competition. Some competitive securities companies had started expansion in business scale or get into new business fields via horizontal mergers and acquisitions with an aim to promote synergic business development and improve comprehensive competitiveness and risk resistance capacity, which results in a differentiation trend in the securities industry. On the other hand, the opening-up of securities industry is being promoted gradually, allowing foreign investors to have shareholding up to 51% in domestic securities companies. As the securities industry is further opened to the world, China's securities companies will face greater competition from foreign-funded financial institutions. Given the intensified competition, the Company is in need of reinforcing capital strength and comprehensively improving its competitiveness on basis of consolidating existing advantages.

As at September 30, 2020, total asset on consolidated basis reached RMB41.514 billion. The Company realized RMB1.365 billion of revenue and RMB459 million of net profit from January to September 2020; The Company still needs to reinforce its capital strength when compared with leading securities companies of larger scale. Some peers have recently realized net capital improvement via equity refinancing activities, and the Company is facing greater challenge in maintaining capital strength and industry position. Amid the fierce market competition, the Issuance will help the Company to consolidate its industry position and improve its comprehensive competitiveness, lay a solid foundation for business development, while using the leverage effect to further drive the expansion of debt financing and total asset size, and help the Company to gain an advantage in market competition.

(iii) Following the industry trend of transforming profit model and optimizing business portfolio

In the past few years, with the deepening of the capital market reform, the profit model of Chinese securities companies has transited from the traditional three major businesses, namely securities brokerage, securities proprietary trading and underwriting and sponsorship to a comprehensive business model with equal emphasis on commission business and securities transaction business. In the macro environment of prudent regulation, securities companies are actively exploring innovative businesses, which, in turn, sets a higher requirement on the capital strength of securities companies. At the same time, the launch of Science Technology Innovation Board also requires that the sponsor should participate in the strategic placement, which objectively puts forward new requirements on the capital strength of securities companies.

In such context, it is imperative for the Company to replenish its capital, enhance capital-driven businesses and promote development of innovative businesses while consolidating its current strengths, so as to optimize income structure, diversify risks, help the Company maintain and steadily improve its advantages in innovation capability and reduce the impact of market uncertainty risks. The use of the proceeds is adapted to the needs of the Company's various major businesses, which can promote the optimization of the Company's business structure and the improvement of its profitability model, and enhance the Company's profitability.

(iv) Reducing the liquidity risk and improving risk resistance capacity

Risk management is a prerequisite for securities companies to realize sustainable development, and the ability to maintain risks in a measurable, controllable and tolerable range and prevent risk event is related to the profitability of securities companies and even a key to the survival and development of securities companies. The Guidelines for the Management of Liquidity Risks of Securities Companies effective from March 1, 2014 and the amended Measures for the Administration of Risk Control Indicators of Securities Companies and its supporting rules effective from October 1, 2016 set higher standards on the capital strength and risk management of securities companies. Currently, regulators implement risk control index management for securities companies with net capital and liquidity as the core.

The securities industry is capital intensive, and the capital scale directly determines the business scale, and even directly relates to the risk resistance capacity. As the business scale of the Company continues to grow, it is possible that the liquidity risk would be led by unmatched assets and liabilities structures. To effectively prevent the liquidity risk, the Company optimizes its liquidity risk management policy, improves the liquidity risk stress test mechanism and the liquidity risk indicator forecast mechanism, and amends the liquidity risk contingency plan. Nevertheless, reasonable capital replenishment is still an important means to resist risks. Proceeds from the Issuance are conducive to capital structure optimization, liquidity risk reduction and risk resistance capacity improvement.

III. FEASIBILITY OF THE ISSUANCE

(i) The Non-public Issuance satisfies the conditions prescribed by relevant laws, regulations and regulatory documents

The Company has a sound corporate governance structure, has established a comprehensive risk management and internal control system, and possesses high-quality assets and sound financial position, and its profitability is strong and sustainable. The Company satisfies the conditions for non-public issuance of domestic RMB-denominated ordinary shares (A Shares) that are prescribed by the Administrative Measures for Issuance,

the Implementation Rules, Q&A on Issuance Supervision – Supervision Requirements on Directing and Regulating the Financing Acts of Listed Companies (Revision) and other relevant laws, regulations and regulatory documents.

(ii) The Non-public Issuance is in line with national industry policy orientations

In May 2014, the State Council issued the Several Opinions on Further Promoting the Sound Development of Capital Markets, which proposed to promote the differentiated, professional and characteristic development of securities institutions and to facilitate the establishment of several modern investment banks with international competitiveness and strong brand influence and of systemic importance.

In May 2014, CSRC issued the Opinions on Further Promoting the Innovative Development of Securities Institutions which clarified the main tasks and specific measures for promoting the innovative development of securities institutions from three aspects, constructing modern investment banks, supporting business and product innovation and promoting supervision transformation, and explicitly encouraged securities institutions to expand financing channels and conduct equity and debt financing activities.

In September 2014, CSRC and the Securities Industry Association issued the Notice on Encouraging Securities Firms to Further Replenish Capital and the Guidelines on Capital Replenishment for Securities Firms, respectively, requiring that securities companies should pay attention to capital replenishment and replenish capital through IPOs and capital increases to ensure that the scale of business is commensurate with capital strength and that the overall risk profile of the company matches its risk tolerance.

In June 2016, CSRC amended the Measures for the Administration of Risk Control Indicators of Securities Companies and the supporting rules. The document aims to improve the effectiveness of risk control indicators and promote the long-term, sound and steady development by referring to the latest industry development trend, improving the calculation basis for net capital and risk capital reserve, incorporating leverage ratio and liquidity supervision into the scope of indicators, and clarifying the counter-cyclical regulation mechanism.

As the business scale grows rapidly and industry regulatory policies are gradually adjusted, the current net capital cannot meet business development requirements of the Company. The Issuance is an act to respond to the proposal of CSRC to encourage securities companies to replenish their capital, and is in line with national industry policy orientations.

Section III Discussion and Analysis by the Board on Impact of the Issuance on the Company**I. CHANGES IN BUSINESSES, THE ARTICLES OF ASSOCIATION,
SHAREHOLDING STRUCTURE, SENIOR MANAGEMENT AND REVENUE
STRUCTURE AFTER THE ISSUANCE**

Current business scope of the Company is: securities brokerage; securities investment consultation; financial advisory business relating to securities trading and securities investment; securities proprietary trading; securities asset management; proxy sale of securities investment fund; margin financing and securities lending; provision of futures intermediary services for futures companies; proxy sale of financial products. (Business activities which are subject to relevant approval in accordance with applicable laws shall be carried out only after obtaining of such approvals granted by competent regulatory authorities.)

The impact of the Issuance on businesses, the Articles of Association, shareholding structure, senior management and revenue structure of the Company is the following:

- (i) Upon completion of the Non-public Issuance, businesses, senior management and revenue structure of the Company will not change significantly due to the Issuance.
- (ii) Upon completion of the Non-public Issuance, total share capital of the Company will be enlarged, and original shareholding will be diluted; but the shareholding structure of the Company will not change significantly. Total A share capital of the Company will be more than RMB400 million, and the public float will maintain at a level of above 10% of the total shares of the Company, which is in compliance with relevant regulations of the Listing Rules with respect to the conditions for issuance of A Shares.
- (iii) Upon completion of the Non-public Issuance, the registered capital and total A Shares of the Company will be changed, and the Company will amend relevant articles in the Articles of Association according to the results of the Non-public Issuance.

II. CHANGES IN THE FINANCIAL POSITION, PROFITABILITY AND CASH FLOWS AFTER THE ISSUANCE**(i) Impact on financial position**

Upon completion of the Non-public Issuance, the scale of total asset, net asset and net capital of the Company will be increased accordingly, and the gearing ratio will be lower, which will help optimize the Company's capital structure and effectively reduce financial risks. The Issuance will enable the Company to build a more sound financial structure, and provide the Company with greater business development potential while effectively improving the Company's risk resistance capacity. The Company will benefit from this and realize sustained and steady development.

(ii) Impact on profitability

Under the regulation system in which net capital is the core indicator, the business scale and risk resistance capacity of securities companies are closely related to their net capital. Through the Issuance, the Company will effectively increase its net capital, accelerate business development and improve its overall profitability and risk resistance capacity.

(iii) Impact on cash flows

Upon completion of the Non-public Issuance, the shares to be issued will be subscribed in cash; therefore, the Non-public Issuance will affect cash flows from financing activities for the period when proceeds are transferred to the Company. Such proceeds will support the Company's business expansion, and will have positive impact on future cash flows from operating activities.

III. CHANGES IN BUSINESS RELATIONSHIP, MANAGEMENT RELATIONSHIP, CONNECTED TRANSACTIONS AND HORIZONTAL COMPETITION BETWEEN THE COMPANY AND THE CONTROLLING SHAREHOLDER AND ITS RELATED PARTIES

Before the Non-public Issuance, the Company's controlling shareholder was Wuxi Guolian Development (Group) Co., Ltd., and the Company's actual controller was Wuxi State-owned Assets Supervision and Administration Commission. Upon completion of the Non-public Issuance, the Company's controlling shareholder and actual controller will not change due to the Issuance, and there will be not changes of business relationship, management relationship, connected transactions and horizontal competition between the Company and the controlling shareholder, the actual controller and its related parties.

IV. FUNDS AND ASSETS OCCUPIED BY THE CONTROLLING SHAREHOLDER AND ITS RELATED PARTIES, OR GUARANTEES OFFERED BY THE COMPANY FOR THE BENEFIT OF THE CONTROLLING SHAREHOLDER AND ITS RELATED PARTIES UPON COMPLETION OF THE ISSUANCE

Before and after the Non-public Issuance, the Company has no funds or assets occupied by the controlling shareholder, actual controller and its related parties, and no guarantees offered by the Company for the benefit of the controlling shareholder, actual controller and its related parties.

V. SIGNIFICANT INCREASE IN LIABILITIES (INCLUDING CONTINGENT LIABILITIES) RESULTED FROM THE ISSUANCE, AND WHETHER ANY UNREASONABLE FINANCE COST IS INCURRED

As at September 30, 2020, consolidated gearing ratio of the Company was 67.68% (accounts payable to brokerage clients have been excluded from assets and liabilities; the same below). Calculated by the upper limit of proceeds from the Issuance, being RMB6.5 billion, consolidated gearing ratio of the Company following the completion of the Issuance is estimated to be 56.37% (not taking account other changes in assets and liabilities). The Company has a more sound financial position and a more reasonable capital structure; there is no significant increase in liabilities (including contingent liabilities) resulted from the Issuance, and there is no ultra-low debt ratio or unreasonable finance cost incurred.

Section IV Profit Distribution Policy and Implementation of the Company**I. PROFIT DISTRIBUTION POLICY OF THE COMPANY**

The current Articles of Association of the company stipulates the policies of the profit distribution in compliance with the requirements under the Notice on Further Implementing Matters concerning Cash Dividends of Listed Companies, the Guideline No. 3 for the Supervision and Administration of Listed Companies – Cash Dividends of Listed Companies, and other regulations. with the main contents as follows:

Article 16.09 The basic principles of distributing profits by the Company are set out below:

- (1) the Company shall take fully into account the returns for its investors and distribute the dividends to its shareholders according to the stipulated proportion of the profits available for distribution achieved by the parent company during the year;
- (2) the Company shall keep an on-going and stable profit distribution policy and also consider the long-term interest of the Company, the overall interests of all shareholders and the sustained development of the Company.

Article 16.10 In distributing its after-tax profits, the Company shall allocate 10% of its net profit of the current year to the transaction risk reserve of the Company for covering losses incurred for securities transactions, but not for distributing dividends or increasing its capital, and then shall allocate 10% of its profits to the statutory surplus reserve of the Company. Allocation to the Company's statutory surplus reserve may be waived once the cumulative amount of funds therein exceeds 50% of the Company's registered capital. Where the statutory surplus reserve of the Company is not sufficient to cover the Company's loss from the previous year, the current year profits shall be used to cover such loss before allocation is made to the statutory surplus reserve pursuant to the previous paragraph. After allocation to the statutory surplus reserve has been made from the after-tax profits of the Company, the discretionary surplus reserve fund shall also be allocated from the after-tax profits upon passing a resolution at the shareholders' general meeting.

The Company shall not distribute profits to the shareholders before covering losses of the previous year and making allocation to the statutory surplus reserve.

After the Company has covered its loss and made allocation to the reserve funds, the remainder of the after-tax profits shall be distributed to the shareholders in proportion to their share holdings, unless otherwise stipulated in the Articles of Association of the Company.

Where the shareholders' general meeting distributes its profits before recovery of losses and appropriation of reserve funds to the shareholders in breach of the provisions of the preceding provision, the shareholders must refund to the Company the profits distributed in violation of the provisions.

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No profit shall be distributed in respect of the shares of the Company which are held by the Company.

Article 16.11 Dividends shall be distributed on the basis of the after-tax distributable profit, which shall be the smaller one of the following two figures:

- (1) the aggregate amount of after-tax distributable profit in the financial report audited by an accounting firm in accordance with the PRC accounting standards; or
- (2) the aggregate amount of after-tax distributable profit in the financial report based on the audited financial report prepared in accordance with the PRC accounting standards and adjusted in accordance with international accounting standards or accounting standards of the place where the main overseas public offering occurs.

Article 16.14 The Company may distribute dividends in the following manners:

- (1) cash;
- (2) shares;
- (3) a combination of cash and shares.

Where the Company satisfies the conditions of cash dividend distribution, it shall accord priority to profit distribution by way of cash dividends. Where the Company has a rapid growth in operating revenue, and the Board considers that the share price of the Company does not reflect the share capital size of the Company, the Company may, in addition to satisfying the above distribution of cash dividends, put forward and implement a plan for distribution of share dividends.

Article 16.15 In principle, the Company makes profit distribution annually, but where conditions permit, interim profit distribution can be made.

Article 16.16 Subject to ensuring that regulatory requirements and requirements for the normal operation and long-term development of the Company are met, where there are distributable profits from the profits achieved for the year after making allocation to the risk reserve, covering loss and making allocation to the statutory surplus reserve in accordance with the law, cash dividend distribution can be made. The profits distributed in cash by the Company annually shall not be less than 30% of the distributable profits achieved for the year.

Article 16.19 Procedures of reviewing the profit distribution plan:

When formulating the profit distribution plan, the Board shall diligently study and discuss on matters including the timing, conditions and minimum proportion, conditions for adjustments and the requirements of the decision making procedures of the cash dividends, and the independent directors shall express an unequivocal opinion. Independent directors may solicit the opinions of minority shareholders, put forward a dividend proposal, and directly submit it to the Board for consideration. Before the shareholders' general meeting considers the specific proposal for cash dividends, the Company shall take the initiative to communicate and exchange views with shareholders, especially minority shareholders, through various channels and fully listen to the views and aspirations of minority shareholders, and to make replies to questions of concern from minority shareholders in a timely manner. The Supervisory Committee of the Company shall supervise the circumstances and decision-making procedures regarding the formulation of the profit distribution proposal by the Board.

If the Company has distributable profits for the year but does not put forward any cash dividend proposals, the Board shall provide a special explanation for matters including the specific reasons for not making cash dividends, the exact use of the retained earnings of the Company and the expected return on investment, which, after the independent directors have expressed their opinions, shall be submitted to the shareholders' general meeting for consideration, the approval of which shall require no less than two-thirds of the voting rights held by the shareholders attending the shareholders' general meeting and shall be disclosed in the designated media of the Company, and the Company shall provide shareholders with the Internet voting platform for voting.

The Company shall disclose the profit distribution plan for the year in the annual report, where regulatory requirements and requirements for the normal operation and long-term development of the Company are met and there are distributable profits during the reporting period, but the Board of the Company does not put forward any plan for profit distribution in cash, the reasons shall be disclosed in the periodic report to provide a detailed explanation for not making profit distribution and the use of capital that may otherwise be used as dividends but has been retained by the Company.

Article 16.20 Implementation of the profit distribution plan:

After the shareholders' general meeting of the Company adopts a profit distribution plan by way of resolution, the Board of the Company shall promptly complete the distribution of dividends (or shares) within two months of the convening of shareholders' general meeting.

Article 16.21 Any change of the profit distribution policy of the Company:

In case of force majeure such as war or natural disasters, or any changes in the external operation environment of the Company which may have a material impact on the production and operation of the Company, or any changes in its own operating conditions of the Company, the Company may make adjustments to its profit distribution policy.

The Board shall make special discussion on adjusting the profit distribution policy of the Company, detail the reasons of such adjustments and form a written demonstration report, which shall be submitted to the shareholders' general meeting for approval by a special resolution after prior consideration of the independent directors. When considering the matters regarding any change in profit distribution policy, the Company may provide the Internet voting platform for the shareholders. When the shareholders' general meeting considers any change of the profit distribution policy, it shall fully consider the opinions of minority shareholders.

II. CASH DIVIDEND AND USE OF UNDISTRIBUTED PROFITS OF THE COMPANY IN RECENT THREE YEARS

(i) Profit distribution plan in recent three years

1. Profit distribution plan for the year 2017

On June 15, 2018, the Company's 2017 annual general meeting of Shareholders reviewed and approved of the "2017 Profit Distribution Plan of Guolian Securities Co., Ltd.". The Company did not implement profit distribution for the year 2017.

2. Profit distribution plan for the year 2018

On June 13, 2019, the Company's 2018 annual general meeting of Shareholders reviewed and approved of the "2018 Profit Distribution Plan of Guolian Securities Co., Ltd.". The total share capital of the Company amounting to 1,902,400,000 shares as the basic number. The Company distributed dividends of RMB0.5 (tax inclusive) per 10 shares, and cash dividend of RMB95,120,000 in total. As of August 12, 2019, the aforementioned dividends had been distributed.

3. Profit distribution plan for the year 2019

On June 10, 2020, the Company's 2019 annual general meeting of Shareholders reviewed and approved of the "2019 Profit Distribution Plan of Guolian Securities Co., Ltd.". The Company did not implement profit distribution for the year 2019.

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(ii) Cash dividend for recent three years

Cash dividend for the years 2017, 2018 and 2019 are as follows:

Year of distribution	Dividend payout for every 10 shares (RMB) (tax inclusive)	Amount of cash dividend (RMB) (tax inclusive)	Net profit attributable to ordinary shareholders of the parent company in the consolidated statements for the year of dividend distribution (RMB)	Percentage of net profit attributable to ordinary shareholders of the parent company in the consolidated statements
2019	–	–	521,343,000.00	–
2018	0.50	95,120,000.00	50,588,000.00	188.03%
2017	–	–	361,492,000.00	–
Accumulated amount of cash dividend in the recent three years (RMB)				95,120,000.00
Average net profit attributable to ordinary shareholders of the parent company in the recent three years (RMB)				311,141,000.00
Accumulated amount of cash dividend in the recent three years/Average net profit attributable to ordinary shareholders of the parent company in the recent three years				30.57%

(iii) Use of undistributed profit in the recent three years

In the recent three years, the Company utilized the undistributed profit in satisfying its net capital requirements, particularly in the normal business development for the principal businesses of the Company.

III. SHAREHOLDER’S RETURN PLAN OF THE COMPANY FOR THE NEXT THREE YEARS

The Company was listed on the Shanghai Stock Exchange on July 31, 2020. In order to further improve the level of shareholder’s returns, improve and implement the cash dividend distribution policy, clarify the Company’s reasonable investment return plan for shareholders, increase the transparency and operability of profit distribution decisions, and facilitate shareholders to supervise the Company’s operations and profit distribution, on July 29, 2016, the Company convened the 2016 second extraordinary general meeting, at which the “Guolian Securities Co., Ltd. Plan Regarding the Listing of A Shares and the Shareholders’ Dividend Return for the Three Years after the Initial Public Offering” was reviewed and approved, the specific contents are set out as follows:

(i) Principles of the Plan

According to the Companies Law and Articles of Association, the Company shall take fully into account the returns for its investors and distribute the dividends to its shareholders according to the stipulated proportion of the profits available for distribution achieved by the parent company during the year. Dividends shall be distributed on the basis of the after-tax distributable profit, which shall be the smaller one of the following two figures: (1) the aggregate amount of after-tax distributable profit in the financial report audited by an accounting firm in accordance with the PRC accounting standards; or (2) the aggregate amount of after-tax distributable profit in the financial report based on the audited financial report prepared in accordance with the PRC accounting standards and adjusted in accordance with international accounting standards or accounting standards of the place where the main overseas public offering occurs.

The Company shall implement a continuous and stable dividend distribution policy. The Company’s dividend distribution shall take into account the Company’s long-term interest, the overall interests of all shareholders and the Company’s sustainable development.

On the premise of taking into account continuous profitability, compliance with regulatory requirements, and the Company’s normal operation and long-term development, the Company will give priority to the distribution of dividends in cash.

(ii) Considerations in formulating the Profit Distribution Plan

The formulation of the Company’s dividend distribution policy focuses on the Company’s current operation and sustainable development, integrated analysis and fully consider the following important factors:

1. Effectively safeguard the legitimate rights and interests of shareholders and implement regulatory requirements

2. The actual situation of the Company's business development
3. The development stage of the Company
4. Shareholders' requirements and wishes
5. Social capital cost and external financing environment
6. Capital requirements

(iii) Specific Program for the Shareholders Return Plan

1. Order of Profit Distribution

In distributing its after-tax profits, the Company shall allocate 10% of its net profit of the current year to the transaction risk reserve of the Company for covering losses incurred for securities transactions, but not for distributing dividends or increasing its capital, and then shall allocate 10% of its profits to the statutory surplus reserve of the Company. Allocation to the Company's statutory surplus reserve may be waived once the cumulative amount of funds therein exceeds 50% of the Company's registered capital. Where the statutory surplus reserve of the Company is not sufficient to cover the Company's loss from the previous year, the current year profits shall be used to cover such loss before allocation is made to the statutory surplus reserve.

After allocation to the statutory surplus reserve has been made from the after-tax profits of the Company, the discretionary surplus reserve fund shall also be allocated from the after-tax profits upon passing a resolution at the shareholders' general meeting.

After the Company has covered its loss and made allocation to the reserve funds, the remainder of the after-tax profits shall be distributed to the shareholders in proportion to their share holdings, unless otherwise stipulated in the Articles of Association of the Company.

2. Form and Interval Period of Profit Distribution

The Company distributes profits according to the proportion of the shares held by shareholders, and may distribute dividends in the form of cash, stock or a combination of the two; if the conditions for cash dividends are met, cash dividends shall be preferred for profit distribution. In principle, the company carries out profit distribution once a year, and can carry out mid-term profit distribution if conditions permit.

3. *Conditions and Proportions of Cash Dividends*

If, for example, the Company's net gearing ratio does not meet the standards prescribed by relevant laws and administrative regulations, no profit shall be distributed to shareholders. Under the premise of ensuring compliance with regulatory requirements and the Company's normal operation and long-term development, the Company's annual profits can be distributed in cash after the Company has drawn risk reserves, made up for losses, and drawn statutory pension funds in accordance with the law. The profit distributed by the Company in the form of cash each year shall not be lower than 30% of the distributable profit realized in such year.

The Company may propose the implementation of the distribution plan on stocks and dividends, when the Company's operating income is growing rapidly and when the Board is of the view that the stock price of the Company does not match the scale of the share capital of the Company, while satisfying the above-mentioned cash dividend distribution.

The Board of the Company shall propose a differentiated cash dividend policy by taking into full consideration the characteristics of the industry where it operates, its own development stage, operation model and profitability level, and whether there is material arrangement on capital expenditure and other factors, in accordance to the requirements of the "No. 3 Guideline for the Supervision of Listed Companies – Cash Dividends of Listed Companies", and distinguishing the following circumstances, subject to the procedures as stipulated in the Articles of Association.

Section V Risk Alert in relation to the Dilution of Current Returns by the Non-public Issuance of A Shares

In order to protect the interests of medium and small investors, the Company analyzed the impact of the Issuance on the dilution of current returns and developed specific remedial measures to diluted current returns in accordance with the requirements of the Opinions of the General Office of the State Council on Further Enhancing the Protection of Legitimate Rights and Interests of Medium and Small Investors in Capital Markets (Guo Ban Fa [2013] No. 110), the Several Opinions of the State Council on Further Promoting the Sound Development of Capital Markets (Guo Fa [2014] No. 17) and the Guiding Opinions on the Dilution of Current Returns by Initial Offering, Refinancing and Material Asset Restructuring (CSRC Announcement [2015] No. 31) issued by CSRC and other provisions. Specific details are set out below:

I. CHANGES IN EARNINGS PER SHARE OF THE COMPANY UPON COMPLETION OF THE ISSUANCE

The total share capital of the Company prior to the Issuance was 2,378,119,000 Shares. Subject to compliance with the regulatory requirements of the places where the Shares of the Company are listed, the number of shares to be issued shall be no more than 475,623,800 Shares (inclusive). The total amount of proceeds from the Issuance, after deducting relevant issuance expenses, will be used for replenishment of capital and working capital of the Company in order to expand the Company's business scale and improve its market competitiveness and risk resistance capacity. When the proceeds from the Issuance are in place, the total share capital and net asset size of the Company will be significantly increased. Due to the time needed for the proceeds from the Issuance to generate benefits, the indicator of current returns of the Company may be exposed to the dilution risk upon completion of the Issuance if the Company fails to record a growth in its operating results at a corresponding rate.

(i) Main assumptions and premises

1. It is assumed that there will be no material adverse changes in the macroeconomic environment, the development trend of the industry and the operating conditions of the Company in 2021.
2. It is assumed that the Issuance will be completed prior to June 30, 2021. The completion time, which will be used only for the purpose of calculating the impact of the dilution of current returns under the Issuance on main financial indicators, shall be subject to the time when the Issuance is actually completed as approved by CSRC.

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3. It is assumed that 475,623,800 Shares are to be issued under the Issuance and the total amount of proceeds is RMB6.5 billion, without taking into consideration the impact of issuance expenses. In the event that the Company distributes dividends, grants bonus shares, allots shares, converts capital reserve into share capital or carries out any other ex-right or ex-dividend activities during the period commencing from the Price Determination Date to the date of Issuance of this Non-public Issuance, adjustments shall be made to the number of A Shares to be issued under Non-public Issuance accordingly. The actual amount of proceeds received from the Issuance shall be finalized subject to the approval of the regulatory authority, status of issuance and subscription, issuance expenses, etc.
4. No consideration is given to the impact on the production, operation, financial condition, etc. of the Company (such as operating revenue, financial expenses and investment income) upon receipt of the proceeds from the Issuance.
5. Estimate of the total share capital of the Company is based on the total share capital of 2,378,119,000 Shares of the Company as at the Proposal Announcement Date, not considering the changes in share capital caused by factors other than the impact of the Non-public Issuance of A Shares.
6. The net profit attributable to shareholders of the parent company before and after deducting the non- recurring profit and loss in the first three quarters in 2020 are RMB459,155,385.32 and RMB455,359,434.46 respectively. Assuming that the net profit attributable to shareholders of the parent company before and after deducting the non- recurring profit and loss in the whole 2020 are RMB612,207,180.43 (i.e., $\text{RMB}459,155,385.32/3 \times 4 = \text{RMB}612,207,180.43$) and RMB607,145,912.61 (i.e., $\text{RMB}455,359,434.46/3 \times 4 = \text{RMB}607,145,912.61$), the net profit attributable to shareholders of the parent company before and after deducting non-recurring profit and loss in 2021 shall be calculated on the basis of the performance of 2020 by the increase of 0%, -20% and 20% respectively, and the abovementioned assumptions shall not constitute a profit forecast.
7. The Company did not distribute any cash dividend in 2019. In addition to this, the impact of other possible dividends distribution after the Proposal Announcement Date was not taken into account.

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As of December 31, 2020, the shareholders' equity interest attributable to the parent company = to opening balance of the shareholders' equity interest attributable to the parent company in 2020 + the net profit attributable to shareholders of the parent company in 2020 + the changes in the equity during this current period – the cash dividend distributed during this current period (Assuming that the effect of other comprehensive income on Shareholder's equity is not taken into account).

(ii) Impact on main financial indicators of the Company upon the Issuance

Set out below are the analysis on earnings per share prior to and upon the completion of the Issuance based on above assumptions:

Item	2020/ December 31, 2020	Comparison between prior to the Issuance and upon the Issuance (2021/December 31, 2021)	
		Prior to the Issuance	Upon the Issuance
Closing balance of total share capital (shares)	2,378,119,000	2,378,119,000	2,853,742,800
Equity attributable to shareholders of the parent company at the end of 2019 (RMB)			8,067,325,962.92
Equity attributable to shareholders of the parent company at the end of 2020 (RMB)			10,617,617,683.35
The total amount of proceeds from the Issuance (RMB)			6,500,000,000.00
The size of the Issuance (shares)			475,623,800

Assumption I: The net profit attributable to shareholders of the parent company before and after deducting non-recurring profit and loss in 2021 remains stable as compared with previous year

The net profit attributable to shareholders of the parent company (RMB)	612,207,180.43	612,207,180.43	612,207,180.43
The net profit attributable to shareholders of the parent company after deducting non-recurring profit and loss (RMB)	607,145,912.61	607,145,912.61	607,145,912.61
Equity attributable to shareholders of the parent company at the end of the period (RMB)	10,617,617,683.35	11,229,824,863.77	17,729,824,863.77
Basic earnings per share (RMB/share)	0.26	0.26	0.21
Basic earnings per share after deducting non-recurring profit and loss (RMB/share)	0.26	0.26	0.21
Weighted average return on net assets (%)	6.67	5.60	4.32
Weighted average return on net assets after deducting non-recurring profit and loss (%)	6.61	5.56	4.28

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Item	2020/ December 31, 2020	Comparison between prior to the Issuance and upon the Issuance (2021/December 31, 2021)	
		Prior to the Issuance	Upon the Issuance
Assumption II: The net profit attributable to shareholders of the parent company before and after deducting non-recurring profit and loss in 2021 decreases by 20% as compared with the previous year.			
The net profit attributable to shareholders of the parent company (RMB)	612,207,180.43	489,765,744.34	489,765,744.34
The net profit attributable to shareholders of the parent company after deducting non-recurring profit and loss (RMB)	607,145,912.61	485,716,730.09	485,716,730.09
Equity attributable to shareholders of the parent company at the end of the period (RMB)	10,617,617,683.35	11,107,383,427.69	17,607,383,427.69
Basic earnings per share (RMB/share)	0.26	0.21	0.17
Basic earnings per share after deducting non-recurring profit and loss (RMB/share)	0.26	0.20	0.17
Weighted average return on net assets (%)	6.67	4.51	3.47
Weighted average return on net assets after deducting non-recurring profit and loss (%)	6.61	4.47	3.44

Assumption III: The net profit attributable to shareholders of the parent company before and after deducting non-recurring profit and loss in 2021 increases by 20% as compared with the previous year.

The net profit attributable to shareholders of the parent company (RMB)	612,207,180.43	734,648,616.51	734,648,616.51
The net profit attributable to shareholders of the parent company after deducting non-recurring profit and loss (RMB)	607,145,912.61	728,575,095.14	728,575,095.14
Equity attributable to shareholders of the parent company at the end of the period (RMB)	10,617,617,683.35	11,352,266,299.86	17,852,266,299.86
Basic earnings per share (RMB/share)	0.26	0.31	0.26
Basic earnings per share after deducting non-recurring profit and loss (RMB/share)	0.26	0.31	0.26
Weighted average return on net assets (%)	6.67	6.69	5.16
Weighted average return on net assets after deducting non-recurring profit and loss (%)	6.61	6.63	5.12

Note: Basic earnings per share and diluted earnings per share are prepared pursuant to Calculation and Disclosure of Return on Net Assets and Earnings per Share, No. 9 of the Compilation Rules for Information Disclosure by Companies Offering Securities to the Public.

As estimated based on the above assumptions, there will be certain dilution effects on earnings per share of the Company in 2021 caused by the Issuance.

(iii) Description about the estimate

The above assumption analysis of the Company in relation to the estimate does not constitute the profit estimate of the Company. Investors should not rely on such analysis in making investment decisions and the Company shall not be liable to any losses caused thereon.

The number of shares, total amount of proceeds and the completion time of the Issuance in relation to the estimate are just estimated values, and shall be finalized subject to the approval of regulatory authority, status of issuance and subscription.

II. RELATIONSHIP BETWEEN INVESTMENT PROJECTS FOR THE PROCEEDS AND EXISTING BUSINESSES OF THE COMPANY

(i) Operation status and development trend of existing business segments of the Company

The business scope of the Company is “securities brokerage; securities investment consulting; financial advisory business related to securities trading and securities investment activities; proprietary securities trading; securities asset management; agency sale of securities investment funds; margin financing and securities lending business; provision of intermediary business to futures companies; agency sale of financial products (the business items subject to approval under the laws shall be carried out after the approval by relevant authorities)”.

For 2017, 2018, 2019 and for January to September in 2020, operating revenues of the Company were RMB1,263 million, RMB990 million, RMB1,619 million and RMB1,365 million, respectively, and net profits of the Company were RMB374 million, RMB51 million, RMB521 million and RMB459 million, respectively.

(ii) Risk exposure and improvement measures

Risks faced by the Company include political and legal risk, business and operational risk, financial risk and information technology risk. The Company always pays great attention to the development of risk management system, and has established an all-round risk management and internal control system. The Company ensured risks to be measurable and controllable, as well as a reasonable risk – return ratio, so as to guarantee that the Company operates on a going-concern basis in compliance with regulatory requirements. The Company continuously improves risk management system according to its business development needs, changes in market environment and regulatory requirements. The all-round risk management mechanism has been continuously improved and is operating in an effective manner.

(iii) Relationship between investment projects for the proceeds and existing businesses of the Company

The total amount of proceeds from the Issuance is no more than RMB6.5 billion (inclusive), all of which will be used for replenishment of capital and working capital of the Company after deducting the issuance expenses in order to expand the Company's business scale.

The total amount of proceeds from the Non-public Issuance will be used for replenishment of capital and working capital of the Company after deducting the issuance expenses in order to optimize the capital structure and enhance its market competitiveness and risk resistance capacity. The proceeds will be used mainly for the following aspects: expanding credit trading business including margin financing and securities lending, expanding fixed income, equity, equity derivatives and other transaction business, increasing investment in the subsidiaries and replenishing other general working capital of the Company.

The Non-public Issuance investment projects for the proceeds is compatible with the production and operation, technical level and management capacity of the Company. Upon the completion of the Non-public Issuance, the Company's existing main business will not be significantly changed and the Company's net capital scale will be effectively improved, the business related to the Company's main business will be driven to develop and the overall profitability level of the Company will be improved.

III. PERSONNEL, TECHNOLOGY, MARKET RESERVE AND OTHER RESERVES FOR INVESTMENT PROJECTS FOR THE PROCEEDS OF THE COMPANY

In terms of personnel reserve, the Company always attaches great importance to encouraging and cultivating the entrepreneurship of employees, and motivating employees to work diligently and faithfully. The Company has a high-quality and professional securities practice team covering all business lines.

According to the market-oriented principle, the Company has established a salary mechanism with market competitiveness. The Company attaches great importance to personnel training and is committed to building a high-quality talent team. In order to ensure the smooth implementation of the Non-public Issuance investment projects, the Company will continuously optimize the personnel structure and strengthen the talent strength focusing on the characteristics as well as the management and operation mode of the investment projects. Hence, the Company has sufficient, excellent and reasonable structured personnel reserve to ensure the effective implementation of the investment projects.

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In terms of technology, the Company attaches great importance to the leading role of information technology in supporting and leading its future business development, continues to increase the investment in information technology, improves the customer service platform and information technology operation and management system, establishes and improves its data center, introduces and trains excellent information technology talents. In the future, the Company will continuously deepen the reform of management mechanism, strengthen the leading role of financial technology, improve the forward-looking capacity and planning capacity by focusing on the needs of clients and business, effectively improve the level of IT investment, the scale of professionals and the strength of technological innovation capacity based on its financial capacity and live within its means, and promote the transformation of information technology from the technical support to the Company's driven business.

In terms of market, as a broker with comprehensive businesses, the Company has formed a relatively well-established business system including wealth management, investment banking, asset management, research and institutional sales, fixed income, equity derivatives and private equity investment business, etc., and has established several branches in the important areas in some cities and provinces including Jiangsu, Shanghai, Beijing, Zhejiang, An'hui, Guangdong, Guangxi, Chongqing, Shandong, Jiangxi, Sichuan, Hunan and Hubei provinces.

IV. RISK ALERT IN RELATION TO THE DILUTION OF CURRENT RETURNS BY THE NON-PUBLIC ISSUANCE

The total share capital and net asset size of the Company will be significantly increased upon completion of the Issuance. Due to the time needed for the proceeds from the Issuance to generate benefits, the realization of profits and shareholder's returns by the Company will still mainly rely on the existing businesses of the Company. On the premise of increase in the total share capital of the Company, the indicator of current returns of the Company may be exposed to the dilution risk upon completion of the Issuance if the Company fails to record a growth in its operating results at a corresponding rate.

V. MAIN MEASURES TO BE TAKEN BY THE COMPANY IN RESPONSE TO THE DILUTION OF CURRENT RETURNS BY THE NON-PUBLIC ISSUANCE

In response to the possible dilution of the current return from this offering, the Company will take the following measures to use the proceeds to further enhance the Company's operating efficiency, fully protect the interests of the Company's shareholders, especially the medium and small shareholders, and focus on medium and long-term shareholder value returns.

(i) Improving the efficiency of daily operations and rationalizing operation costs

The Company takes matrix management as the direction, aims to optimize the allocation of resources and improve the overall operational efficiency of the Company, continuously optimizes and improves the management process and enhances the management efficiency; the Company takes "Internalization of customers, Internalization of business and Internalization of management" as the goal and vigorously promotes the "Internet+" enterprise operation mode to improve the efficiency of business development and internal management. "The Company will continue to optimize the allocation of resources, strictly control expenses and reasonable control operating costs.

(ii) Optimizing revenue structure, expanding business scale and improving sustainable profitability

The use of proceeds is focused on the main business of the Company and is in line with the development strategy of the Company. The Company will seize the favorable opportunity of transformation and upgrading of the securities industry, further optimize its business structure, accelerate the development of credit trading business such as margin financing and securities lending, stock pledge repurchase, actively cultivate innovative business such as over-the-counter market business and financial derivatives business, accelerate the construction of modern securities holding group, promote the diversification and comprehensive development of the Company's revenue structure, reduce operation risks and effectively mitigate the volatility of the securities industry caused by its cyclical nature.

After collecting the proceeds from the Issuance, the Company will make reasonable use of the proceeds to further expand credit trading business including margin financing and securities lending and expand fixed income, equity, equity derivatives and other transaction business, and increase the investment to its subsidiaries to enhance the Company's comprehensive competitive ability and improve its sustainable profitability and sustainable development ability.

(iii) Strengthening risk management measures

The Company takes comprehensive risk management as an important means to achieve and secure business development, continuously strengthens the construction of comprehensive risk management system, continuously improves risk management capabilities in the areas of credit risk, concentration risk, market risk, liquidity risk, operation risk, compliance risk and reputation risk, strengthens risk prevention and control in key areas, continuously improves risk identification, measurement, monitoring, disposal and reporting in key areas, and comprehensively improves the Company's risk management capabilities.

(iv) Regulating the management and use of proceeds

In order to regulate the management and use of the proceeds and protect the interests of investors, the Company has formulated the "Management System of Funds Raised by Guolian Securities Co., Ltd." in accordance with the requirements of laws, regulations and other regulatory documents such as the Company Law, the Securities Law, the rules for the listing of shares on the relevant stock exchange and the Articles of Association of the Company, which provides detailed regulation on the deposit of proceeds, the use of proceeds, the change of the investment of proceeds and the supervision of the proceeds. The Company will strengthen the management of the proceeds, use the proceeds reasonably and effectively, and prevent the risk of using the proceeds.

(v) Maintaining stable policies on shareholder's returns

The provisions of the Articles of Association regarding the profit distribution policy, in particular the specific conditions, ratio, distribution form and conditions for distribution of cash dividends and stock dividends, are in compliance with the requirements of the Notice of the China Securities Regulatory Commission on Further Implementation of Matters Relating to Cash Dividends for Listed Companies and the Regulatory Guidelines for Listed Companies No. 3 – Cash Dividend of Listed Companies. The Company has formulated the "Shareholder Return Plan for the Next Three Years (2021-2023) of Guolian Securities Co., Ltd." to facilitate investors to form stable return expectations.

The Company highly emphasizes the protection of shareholders' rights and interests and will continue to maintain the continuity and stability of its profit distribution policy and insist on creating long-term value for shareholders.

The Company specifically reminds investors that the formulation of remedial returns measures is not equivalent to making guarantees for the future profits of the Company.

VI. UNDERTAKINGS MADE BY DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY ON REMEDIAL MEASURES TO THE DILUTION OF CURRENT RETURNS BY THE ISSUANCE OF SHARES

Directors and senior management of the Company have made the following undertakings on the proper implementation of the remedial measures to the dilution of current returns to be taken by the Company:

1. not to transfer benefits to other organizations or individuals at nil consideration or on unfair terms nor otherwise prejudice the interests of the Company.
2. to control duty-related expenses of Directors and senior management.
3. not to utilize the Company's assets for the purpose of investment and consumption activities that are irrelevant to their duties.
4. to associate the remuneration system formulated by the Board or the Remuneration and Nomination Committee with the execution of the remedial measures to current returns of the Company.
5. to associate the exercise conditions under the equity incentive plan with the execution of the remedial measures to current returns of the Company in case the Company implements an equity incentive plan in the future.

I undertake to make additional undertakings in accordance with relevant regulations in due course where the regulatory authority develops other detailed provisions on remedial measures and relevant undertakings and such undertakings fail to satisfy the detailed provisions of the regulatory authority subsequent to the date of the above undertakings.

Section VI Related Risks of the Non-public Issuance of A Shares

The investors shall consider each of the following risks prudently in assessing the Non-public Issuance by the Company, in addition to the information otherwise provided in the Proposal:

I. RISKS ON THE INSTABILITY OF OPERATING RESULTS CAUSED BY THE FLUCTUATION IN MACRO ECONOMY AND CAPITAL MARKETS

The capital markets in the PRC are operating under a particular cycle under various factors, such as the overall economic development, macro-economic policies, international economic environment, industrial regulatory policies and investment psychology. Recently, businesses of local securities companies mainly include securities brokerage business, investment banking business, proprietary business, margin financing and securities lending business and asset management business, etc., which shows a relatively significant dependence and relevance to the long-term development and the short-term trend in capital markets, thus resulting in a relatively substantial fluctuation in operating results.

The volatility of the securities market will have a direct impact on investors' willingness to participate, market trading volume, trading value, securities prices, corporate financing, etc. The performance and profitability of the Company may fluctuate greatly, if the PRC securities market is in a downturn cycle in the future or there is severe fluctuations in the short run.

II. RISKS ON INDUSTRIAL COMPETITION

Currently, local securities companies are in face of homogeneous operation, with profit mainly derived from traditional businesses, namely securities brokerage, investment banking, asset management and proprietary securities business, hence resulting in the increasingly fierce competition in the industry. In recent years, various securities companies expand their capital scales rapidly by way of capital increase, issuance and listing, non-public offering, etc., with increased securities branches and expansion of innovative businesses, thus leading to a more intensified competition. In addition, financial institutions engaging in banking, trust, insurance and relevant financial institutions are also tapping into various businesses in capital markets such as securities underwriting, financial consultation and asset management by capitalizing on its advantage in channels and customer resources, which has caused the partial diversification of the customers of securities companies. The gradual penetration of Internet finance has put an end to the regional and channel advantages of securities companies in the past, while driving cross-services and product integration across the brokerage business, asset management business, investment banking business, and research business. As such, securities companies are facing competition with non-conventional financial institutions such as internet providers in terms of business operation.

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Along with the further implementation of opening-up policies on local capital markets, China has opened the door of domestic securities market to foreign securities companies, which has attracted a number of renowned securities companies to join the market competition in the local securities industry through the establishment of joint ventures with local securities companies. Meanwhile, in April 2018, CSRC issued the “Administrative Measures for Foreign-invested Securities Companies”, which allows the controlling of securities joint ventures through foreign investments while the business scope of such securities joint ventures is broadened. The further accelerated progress on open up in the securities industry will bring about more intensified competitions in the industry in the future.

III. POLICY AND LEGAL RISKS

Recently, the local securities industry has adopted a management system that mainly relies on the centralized supervision and management on national securities markets by CSRC in accordance with laws, supported by a self-disciplined management mechanism executed by Securities Industry Association, stock exchanges and other self-disciplined organizations over their members. The securities industry has formed a regulatory mechanism with a set of laws and regulations, including the Securities Law, the Regulation on the Supervision and Administration of Securities Companies, and the Administrative Measures for the Risk Control Indicators for Securities Companies. Under such mechanism, the securities business of the Company is subject to the supervision by securities regulatory departments and the laws and regulations in terms of business license, risk control, network settings and daily management, etc. If, in the future, the Company violates the regulations in daily operation, and regulatory measures or punishments are imposed by the regulatory department, there will be adverse impacts on the Company’s reputation, in turn may affect the results and development of Company in the future.

In addition, where there is a change in laws, regulations and policies in relation to economic issues (such as financial and monetary policies, interest rate policies, business license policies and the standard for service charged), it may trigger a fluctuation in securities markets and a change in the development environment of the securities industry, hence imposing impacts on the commencement of each business of the Company.

IV. RISKS ON BUSINESS OPERATION**(i) Risks on investment banking business**

The investment banking business of the Company mainly includes equity financing business, debt financing business and financial consultation business and is primarily exposed to sponsorship risk and underwriting risk. Along with the transformation of regulatory policies, the risks and responsibilities to be assumed by the Company for its investment banking business will be more significant. On the one hand, if the PRC capital market declines or fluctuates significantly, the corporate investment banking business may face unfavorable situations such as a reduction in the volume of securities issuance and underwriting services, suspension or cancellation of securities issuance due to insufficient subscription, and a decline in the rates for underwriting of securities. On the other hand, with the transformation of regulatory policies, companies have increased their risks and responsibilities in investment banking. When the company conducts the underwriting business of stocks and bonds by way of standby underwriting, if there is a deviation in the judgment of the issuer's prospects and market systemic risks or the issuance plan itself is unreasonable, the issuance price of stocks or the bond interest rate and maturity design do not meet the needs of investors, or there is a misjudgment of market trends or improper timing of issuance, under such circumstances, the Company may bear the risk of financial loss due to failure of the issuance or large-scale underwriting.

(ii) Risks on securities brokerage business

The securities brokerage business is one of the main conventional businesses of the Company. In terms of securities brokerage business, the Company provides individual and corporate customers with stocks, bonds, funds, derivatives and other tradable securities brokerage services. The trading volume of the securities brokerage business is subject to the overall economic condition, macroeconomic and monetary policies, market condition, fluctuation in interest rate, investor's behavior, and other factors. Where there is any unfavorable change in the relevant factors, the trading volume in the market will be exposed to the risk on downward movement, which may cause a decline in commission generated from the brokerage business. In addition, the rapid development of Internet Finance, gradual promotion of off-site account opening business and the further marketization of commission rates have made the market competition of brokerage business intensified. If there is a significant decrease in the trading volume of stocks under market conditions, a decline in the commission rate for securities trading due to intensified competition and a narrow coverage of customers via its channels, the business volume of the brokerage and wealth management businesses of the Company would be decreased and there would be negative impact on the operating results of the Company.

(iii) Risks on transaction business

The Company's transaction business mainly includes fixed income, equity, equity derivatives, etc. In the event the securities market conditions weaken in the future, the performance of the Company's transaction business will be adversely affected and the Company's overall profitability will thus be affected.

At the same time, since the market in China is still in its growth period, the limitations in investment selection and hedging strategies may limit the Company's capacity to provide stable returns to clients and thus result in the loss of clients.

In addition, the Company's transaction business investment employees may adversely affect the Company's transaction business as well as the Company's overall operating performance and financial conditions due to factors such as inadequate research, incorrect decisions, inappropriate timing of making investments and improper operations when selecting investment types and specific investment objects.

(iv) Risks on asset management business

As the demands for asset management services in the PRC continue to increase, coupled with the Company's effort on business development, the asset management business of the Company is gradually expanding. The risks associated with the asset management business of the Company mainly includes product investment risks and competitive risks.

In terms of product investment risks, the return of asset management products will be affected by the conditions of securities market, built-in risks of securities invested and investment decisions, and may not achieve such level as the investors or product holders anticipated. Therefore, the Company is at the risks of suffering a decline in its operational results and a damage in its reputation.

In terms of competitive risks, in view that the asset management business is one of the most participated business among all financial institutions, if the Company fails to compete in product design, marketing and investment ability with its peers, there is risks on the sustainability of the asset management business of the Company.

(v) Risks on margin trading business

The margin trading business of the Company currently comprises margin financing and securities lending, refinancing and stock pledged repo transactions. Despite the Company's effort in constructing comprehensive margin trading risk management regime, it is almost unavoidable for the Company to face customer credit risks, interest risks and liquidity risks in its daily operations.

In the event that any margin trading customer failed to provide additional securities or adopt performance security measures when the maintenance ratio or performance ratio of guarantees is lower than the liquidation line, or any customer was unable to repay overdue debts, or there were extreme conditions in market trades which resulted in the non-performance of contract by the margin trading customers, the Company may suffer capital losses. Further, if the margin account of any customer is subject to judicial freezing, the Company is under the risks of inability to timely recover debts.

The Company provides financing to its customers at an interest rate determined based on the rate announced by The People's Bank of China, the Company's operational costs and prevailing market rates. With the growing competitive market conditions, the ever stronger bargaining power of the customer and the declination of based interest rate, the profit margin of the margin trading business of the Company may continue to decrease and thus there is a risk of decline in the profitability of the margin trading business. At the meantime, the expansion of the margin trading business of the Company increases the capital requirement of the Company and may lead to liquidity risks if the Company is unable to raise sufficient funds.

(vi) Risks on private equity investment business

The Company carries out equity investment business through the equity investment fund established by its wholly-owned subsidiary, namely Guolian Capital. The risks associated with equity investment business mainly include investment failure and inability to exit.

Decisions on equity investments are made principally based on the technical level, operation capability, market potential and industry prospect of the target company. If there is any mistake in judgment or there occurs any operational risks on the investment target, the investment project may fail and the Company may suffer losses.

Equity investment business is usually subject to long investment term during which there will be difficulties for the Company to exit. Given that there are only limited ways to exit in the PRC capital market when compared to various exit ways in matured capital market, the Company is, in certain degree, facing higher operational risk.

V. FINANCIAL RISKS

Given to the capital-intensive nature of the securities industry, it is necessary for the Company to maintain sufficient liquidity and adopt diversified financing channels to prevent potential liquidity risks. In the course of operation, the Company is highly influenced by macroeconomic policies, market changes, operating conditions, customer credit and other factors. If the capital markets experience any significant change in the future, or the Company records a substantial amount of underwriting from the investment banking business or an excessive scale of investment in proprietary business, the Company will be exposed to liquidity risks to a certain extent, resulting in the difficulty in making a turnover in the capital of the Company while having an adverse impact on the financial condition and operation of the Company.

In addition, with the establishment of a follow-up investment mechanism for sponsors and subsidiaries on the Science and Technology Innovation Board, new requirements have been placed on the Company's net capital strength. When the Company's each business reaches a certain scale, if the securities market fluctuates, unexpected incidents may cause the Company's risk control indicators to fail to continuously meet regulatory standards, and the Company's normal business development may be restricted, thereby causing losses to the Company.

VI. RISK ON INFORMATION TECHNOLOGY

The operation and back-end management of each of the businesses of the Company highly rely on computer networks and information management systems. Information technology plays a key role in driving the businesses of the Company, however, at the same time, brings about certain risks. If there is any interruption of the information technology system of the Company as a result of, among others, poor quality of electronic equipment and system software, the level of operation and maintenance for the Company's systems, excessive business volume in application software, level of industry service providers; virus and hacker attacks, data loss and leakage, abnormal access to right of administration, power supply, communication supply and disasters, the reputation and service quality of the Company may be affected, in turn bringing along economic losses and legal disputes.

VII. RISK ON APPROVAL ON THE NON-PUBLIC ISSUANCE OF SHARES

The Non-public Issuance of Shares shall be subject to the consideration and approval at the general meeting of the Company and the review by CSRC. There is uncertainty as to whether the relevant approval or review will be obtained and, if so, the time for the final approval and review.

VIII. DILUTION RISK ON CURRENT RETURNS

The proceeds from the Non-public Issuance of Shares are utilized as capital replenishment, so as to improve the overall competitiveness of the Company. However, it takes a long process and period of time to put in place the investment projects for the proceeds in a moderate manner and generate benefits therefrom. Prior to generation of benefits from the investment projects for the proceeds, the realization of profit and shareholder's returns by the Company continues to mainly rely on the existing businesses. In the case that the Company records an increase in total share capital and net assets, the financial indicators for current returns such as earnings per share and weighted average return on net assets will be exposed to the dilution risk in the short run.

APPENDIX I THE PLAN FOR THE NON-PUBLIC ISSUANCE OF A SHARES

Section VII Other Issues Necessary to Disclose

As of the signing date of this proposal, there are no other matters in relation to the Non-public Issuance that need to be disclosed.

Guolian Securities CO., LTD.**FEASIBILITY REPORT FOR THE USE OF PROCEEDS FROM
THE NON- PUBLIC ISSUANCE OF THE A SHARES**

With the deepening of reform of the capital market, the implementation of new securities law, the reform of ChiNext and the commencement of pilot registration-based IPO system, the smooth implementation of the in-depth reform of National Equities Exchange and Quotations, it is expected there will be a new round of development window for the capital market in China. Also, with the deepening of reform of the capital market, the Company will face fierce competition in the securities industry due to foreseeable industry integration, increasing concentration and competitions from foreign stockbroker.

It is expected that the development of securities industry will show the following trends: (i) differentiation and integration will be accelerated results in a much fierce competition which further increase the industry concentration; (ii) as securities industry becomes more and more internationalized and globalized with foreign stockbrokers entering the PRC market while domestic stockbrokers expanding into overseas, there coexist both opportunities and challenges in the securities industry; (iii) the development of securities industry transforms to capital reliance mode and the business of securities firms will shift from previous commission-based business to a business model combining fee-based intermediary business, capital-based intermediary business and self-funded investment business in equal weight which will become the new profit growth point of securities firms.

Meanwhile, as the opening up of the securities industry is advancing in an orderly manner, foreign capital is allowed to hold as to 51% equity interest in domestic securities companies, making it possible for foreign capital to control securities companies, which means domestic securities companies will encounter with more competition from foreign-invested financial institutions. At this stage, certain powerful securities companies have begun to expand their existing business scale or branch into new business domains through horizontal mergers and acquisitions, showing a sign of differentiation in the securities industry. Under the current regulatory framework featuring net capital and capital mobility, capital strength becomes the key element for a securities firm to develop new business (such as capital-based intermediary business) and to strengthen its competitive advantage. Sufficient capital is the foundation and safeguards for securities companies to realize continuing healthy development and enhance competitive strength.

APPENDIX II FEASIBILITY REPORT FOR THE USE OF PROCEEDS FROM THE NON-PUBLIC ISSUANCE OF THE A SHARES

In response to the structural adjustment in the securities industry and to improve the Company's overall competitiveness, the Company intends to increase its capital investment and to replenish its capital reserve through the Non-public Issuance, in order to further enhance its preponderant business and to improve its comprehensive service capabilities, as well as to strengthen the profitability and risk resistance capacity. With improved operation management level, the Company will be able to seize the golden opportunity window for securities industry and will also be able to build differentiated competitive advantages over competitors thereby creating larger returns to the Shareholders by seizing the strategic opportunities for the Company among the increasingly fierce competition in the industry.

I. BASIC INFORMATION ON THE NON-PUBLIC ISSUANCE

Subject to compliance with the regulatory requirements of the places where the Shares are listed, the number of A shares to be issued under the Non-public Issuance shall not exceed 475,623,800 (inclusive), and the total proceeds from the Non-public Issuance will not exceed RMB6.5 billion (inclusive), all of which will, after deducting expenses, be used for further expanding credit trading business including margin financing and securities lending, expanding fixed income, equity, equity derivatives and other transaction business, increasing investment in the subsidiaries and replenishing other general working capital of the Company. Proceeds from the Non-public Issuance will be applied as follows:

No.	Investment projects for the proceeds	Proposed investment amount
1	Further expanding credit trading business including margin financing and securities lending	Not exceeding RMB2.5 billion
2	Expanding fixed income, equity, equity derivatives and other transaction business	Not exceeding RMB3 billion
3	Increase investment in the subsidiaries	Not exceeding RMB500 million
4	General working capital	<u>Not exceeding RMB500 million</u>
	Total	<u><u>Not exceeding RMB6.5 billion</u></u>

To ensure the investment projects are on track and to protect the interests of Shareholders as a whole, depending on the actual progress of the investment projects and other circumstances, the Company may make necessary capital injection out of funds otherwise raised by the Company before the proceeds from the Non-public Issuance is available and such part of funds utilized will be reimbursed from the proceeds once available. In the event that the proceeds from the Non-public Issuance (after deducting expenses) is less than the total funds required for the investment project, the Company intends to fund such fall short with its own resources.

II. NECESSITY OF THE NON-PUBLIC ISSUANCE

(i) The Issuance is a necessary measure for the realization of the Company's strategic development objective

Facing the market environment with both opportunities and challenges, the Company adheres to the business philosophy of “integrity, stability, openness and innovation”, relying on its regional advantages, continuously improves its ability to serve the investment and financing needs of the real economy and meet the wealth management demands of people, promotes the comprehensive and balanced development of the company's businesses, and realizes the transformation from a traditional channel brokerage to a comprehensive financial service provider.

To realize the Company's strategic objectives, the company has taken the following measures to accelerate the pace of development over the past few years: implementing the strategy of locational advantages, focusing on enhancing branch construction; increasing resource investment and steadily promoting transformation and development; actively improving production lines and focusing on building advantageous businesses; building an A+H dual financing platform and carrying out various types of capital operations; proactively exploring management mechanism innovation and enhancing comprehensive benefits; strengthening the cultivation of talent team and establishing a people-oriented corporate culture.

To realize its strategic development objective, the Company will continuously invest in credit intermediation, transaction business, and subsidiary development in the future. The Issuance will provide a strong financial support to the Company's future development strategy; therefore, it is a necessary measure for the realization of strategic development objective.

(ii) Reinforcing capital strength and consolidating industry position

As China deepens reform in the capital market, the securities industry is facing intensified competition. On the one hand, the securities industry has a low rate of market concentration and universally homogeneous competition. Some competitive securities companies had started expansion in business scale or get into new business fields via horizontal mergers and acquisitions with an aim to promote synergic business development and improve comprehensive competitiveness and risk resistance capacity, which results in a differentiation trend in the securities industry. On the other hand, the opening-up of securities industry is being promoted gradually, allowing foreign investors to have shareholding up to 51% in domestic securities companies. As the securities industry is further opened to the world, China's securities companies will face greater competition from foreign-funded financial institutions. Given the intensified competition, the Company is in need of reinforcing capital strength and comprehensively improving its competitiveness on basis of consolidating existing advantages.

As at September 30, 2020, total asset on consolidated basis reached RMB41.514 billion. The Company realized RMB1.365 billion of revenue and RMB459 million of net profit from January to September 2020; The Company still needs to reinforce its capital strength when compared with leading securities companies of larger scale. Some peers have recently realized net capital improvement via equity refinancing activities, and the Company is facing greater challenge in maintaining capital strength and industry position. Amid the fierce market competition, the Issuance will help the Company to consolidate its industry position and improve its comprehensive competitiveness, lay a solid foundation for business development, while using the leverage effect to further drive the expansion of debt financing and total asset size, and help the Company to gain an advantage in market competition.

(iii) Following the industry trend of transforming profit model and optimizing business portfolio

In the past few years, with the deepening of the capital market reform, the profit model of Chinese securities companies has transited from the traditional three major businesses, namely securities brokerage, securities proprietary trading and underwriting and sponsorship to a comprehensive business model with equal emphasis on commission business and securities transaction business. In the macro environment of prudent regulation, securities companies are actively exploring innovative businesses, which, in turn, sets a higher requirement on the capital strength of securities companies. At the same time, the launch of Science Technology Innovation Board also requires that the sponsor should participate in the strategic placement, which objectively puts forward new requirements on the capital strength of securities companies.

In such context, it is imperative for the Company to replenish its capital, enhance capital-driven businesses and promote development of innovative businesses while consolidating its current strengths, so as to optimize income structure, diversify risks, help the Company maintain and steadily improve its advantages in innovation capability and reduce the impact of market uncertainty risks. The use of the proceeds is adapted to the needs of the Company's various major businesses, which can promote the optimization of the Company's business structure and the improvement of its profitability model, and enhance the Company's profitability.

(iv) Reducing the liquidity risk and improving risk resistance capacity

Risk management is a prerequisite for securities companies to realize sustainable development, and the ability to maintain risks in a measurable, controllable and tolerable range and prevent risk event is related to the profitability of securities companies and even a key to the survival and development of securities companies. The Guidelines for the Management of Liquidity Risks of Securities Companies effective from March 1, 2014 and the amended Measures for the Administration of Risk Control Indicators of Securities Companies and its supporting rules effective from October 1, 2016 set higher standards on the capital strength and risk management of securities companies. Currently, regulators implement risk control index management for securities companies with net capital and liquidity as the core.

The securities industry is capital intensive, and the capital scale directly determines the business scale, and even directly relates to the risk resistance capacity. As the business scale of the Company continues to grow, it is possible that the liquidity risk would be led by unmatched assets and liabilities structures. To effectively prevent the liquidity risk, the Company optimizes its liquidity risk management policy, improves the liquidity risk stress test mechanism and the liquidity risk indicator forecast mechanism, and amends the liquidity risk contingency plan. Nevertheless, reasonable capital replenishment is still an important means to resist risks. Proceeds from the Issuance are conducive to capital structure optimization, liquidity risk reduction and risk resistance capacity improvement.

APPENDIX II FEASIBILITY REPORT FOR THE USE OF PROCEEDS FROM THE NON-PUBLIC ISSUANCE OF THE A SHARES

III. FEASIBILITY OF THE NON-PUBLIC ISSUANCE

(i) The Non-public Issuance satisfies the conditions prescribed by relevant laws, regulations and regulatory documents

The Company has a sound corporate governance structure, has established a comprehensive risk management and internal control system, and possesses high-quality assets and sound financial position, and its profitability is strong and sustainable. The Company satisfies the conditions for non-public issuance of domestic RMB-denominated ordinary shares (A Shares) that are prescribed by the Administrative Measures for Issuance, the Implementation Rules, Q&A on Issuance Supervision – Supervision Requirements on Directing and Regulating the Financing Acts of Listed Companies (Revision) and other relevant laws, regulations and regulatory documents.

(ii) The Non-public Issuance is in line with national industry policy orientations

In May 2014, the State Council issued the Several Opinions on Further Promoting the Sound Development of Capital Markets, which proposed to promote the differentiated, professional and characteristic development of securities institutions and to facilitate the establishment of several modern investment banks with international competitiveness and strong brand influence and of systemic importance.

In May 2014, CSRC issued the Opinions on Further Promoting the Innovative Development of Securities Institutions which clarified the main tasks and specific measures for promoting the innovative development of securities institutions from three aspects, constructing modern investment banks, supporting business and product innovation and promoting supervision transformation, and explicitly encouraged securities institutions to expand financing channels and conduct equity and debt financing activities.

In September 2014, CSRC and the Securities Industry Association issued the Notice on Encouraging Securities Firms to Further Replenish Capital and the Guidelines on Capital Replenishment for Securities Firms, respectively, requiring that securities companies should pay attention to capital replenishment and replenish capital through IPOs and capital increases to ensure that the scale of business is commensurate with capital strength and that the overall risk profile of the company matches its risk tolerance.

In June 2016, CSRC amended the Measures for the Administration of Risk Control Indicators of Securities Companies and the supporting rules. The document aims to improve the effectiveness of risk control indicators and promote the long-term, sound and steady development by referring to the latest industry development trend, improving the calculation basis for net capital and risk capital reserve, incorporating leverage ratio and liquidity supervision into the scope of indicators, and clarifying the counter-cyclical regulation mechanism.

As the business scale grows rapidly and industry regulatory policies are gradually adjusted, the current net capital cannot meet business development requirements of the Company. The Issuance is an act to respond to the proposal of CSRC to encourage securities companies to replenish their capital, and is in line with national industry policy orientations.

IV. THE INTENDED USE OF PROCEEDS FROM THE NON-PUBLIC ISSUANCE OF SHARES

(i) Expanding the scale of credit trading business including margin financing and securities lending and further enhancing ability to serve the real economy

The Company intends to apply no more than RMB2.5 billion from the proceeds from the Issuance on the expansion of credit trading business including margin financing and securities lending of the Company.

It will be the overall trend for the financial sector to serve the real economy. From the perspective of securities industry, funds raised through pledge of stock mainly flow to the real economy, which helps to ease the financing difficulties faced by certain entities. Funds or securities provided through margin trading and securities lending can better realize the value discovery function of capital market. Since 2012, the credit trading business that features margin trading and securities lending and stock pledged repo transactions has become an important part of assets and liabilities operations for securities firms. As of late December 2020, values of margin trading and securities lending on both the Shenzhen and Shanghai markets amounted to RMB1,619.008 billion.

The Company obtained from the CSRC the qualification for margin trading and securities lending in 2012, the qualification for capital refinancing business in January 2013 and the qualification for securities refinancing in June 2014. While ensuring that risks are measurable, controllable and tolerable, the Company promoted its credit trading business with both endeavor and prudence, offering a range of solutions to its clients. As of 31 December 2019, the balance of margin trading and securities lending amounted to RMB4.665 billion, recording a market share of 0.46%; the balance of stock pledged repo transactions reached RMB2.75 billion.

Under the backdrop of declining commission rate in the industry, the Company seeks to improve its profitability and market competitiveness by developing the margin trading business to satisfy client demands for comprehensive financial services. The Company aimed to enhance its commission-based business while developing loan service business such as margin trading as a boost to improve its profitability and further strengthen its ability to serve real economy. Therefore, the Company has further capital requirements for moderately expanding the scale of margin trading business. Meanwhile, by increasing investments into the margin trading and securities lending business with proceeds from the Issuance, the Company will do better in meeting requirements related to risk control indicators so as to secure a reasonable growth of margin trading business.

(ii) Expanding fixed income, equity, equity derivatives and other transaction business to enhance market competitiveness

The Company intends to apply no more than RMB3 billion from the proceeds from the Issuance on the expansion of fixed income, equity, equity derivatives and other transaction business of the Company.

The transaction businesses of securities firms have become a significant force in the market in recent years. Transaction business of securities firms are breaking away from directivity and shifting to diversification, and securities companies are having more mature strategies and stronger market competitiveness. According to operating data of securities companies for 2017 released by the Securities Association of China, revenue from proprietary businesses exceeded that generated from securities brokerage businesses for the first time, becoming the largest source of income.

The Company started its securities proprietary business in 2001, with the development of the capital market, the securities industry is shifting from traditional directional proprietary business to risk-neutral capital intermediary business. The Company's securities transaction business is operated under securities investment department, fixed income department and equity derivatives business department. Specialized teams are formed in accordance to transaction types in concern. Equity transaction mainly involve securities products (e.g. listed stocks and funds), composing in majority those blue chips of medium to long term growth potential. Fixed income business mainly covers bonds and strategy derivatives hedging trades between banks or on exchanges. Quantitative and derivatives transaction adhere to the investment concept of maintaining medium risks by mainly invest in stock price index, futures and options to hedge risks.

Assuming the Company will continue to be able to manage relevant risks in the future, the transaction business department of the Company will moderately expand its scale of transaction to compile an investment portfolio with manageable risks and stable income according to the trends of macro economy and the changes of market condition and the net asset level of the Company. At the meantime, the Company will actively cultivate and improve investment management skill aiming to achieve higher revenue. The Company are endeavoring to create unique image of its own through product design, intermediary trades and problem-solving plans in the fixed income business to provide distinctive service to the customers. The Company also strives to build a stock trading platform with first class trading, product innovation and problem-solving ability for its equity derivatives business to provide more value-added services to institutional sales, investment banks and wealth management businesses.

(iii) Accelerating the promotion of the group strategies and increase investment to subsidiaries to facilitate all-round development

The Company intends to apply no more than RMB500 million from the proceeds from the Issuance for accelerating the promotion of the group strategies and increase investment to subsidiaries to facilitate all-round development.

The Company is engaged in various businesses including wealth management, investment banking, asset management, research and institutional sales, fixed income, equity derivatives and private equity investment business.

The Company currently carries out private equity investment business, investment banking (including NEEQ) business and ChiNext co-investment business and offshore securities business through its wholly-owned subsidiaries, Guolian Capital, Hua Ying Securities and Guolian Innovation and Guolian Hong Kong, respectively.

To promptly response to regulatory requirements and to further promote standardization and grouped development of securities industry, the Company intends to apply part of the proceeds from the Issuance as additional capital contribution to subsidiaries so as to strengthen their capital reserve to further expand the scale of their investment business, improve the ability of professional management for investment business and increase revenue level. As a result, there will be a synergy effect among the Company and its subsidiaries which allows the Company to provide diversified, professional and integrated financial products and financial services to its customers and thus promote the overall development of the Company. Meanwhile, the additional capital contribution to subsidiaries will also benefit the Company's business plans relating to ChiNext by enhancing the co-investment ability in ChiNext listed companies and therefore improve the Company's ability to serve the real economy.

(iv) Other arrangements of general working capital

The Company intends to apply no more than RMB500 million from the proceeds from the Issuance as general working capital.

As the capital market continues to develop and the industry accelerates its pace of innovation, the securities industry will embrace a great development potential in the future. The Company will closely monitor regulatory policy changes and industry development opportunities; basing on its strategic development objective and actual operation, it will allocate proceeds from the Issuance reasonably and satisfy its reasonable requirements for working capital during business development in a timely manner to ensure that all businesses are in orderly progress.

Upon the proceeds from the Issuance becoming available, the Company will: strategically optimize and adjust its business structure to enable continuous and sustainable growth; timely participate in internet financial service to promote the shifting of off-line business on-line; integrate business resources to build chain services throughout all the businesses to provide one-stop integrated service including equity and bond financing, merger and restructuring, financial consultation, market making, share transfer and trustee service. The Company will at the same time, promote synergy among all departments by deepening the cooperation and connectivity system in-between departments and branches, simplify management procedures to improve efficiency in order to form synergy effect among all businesses development.

Guolian Securities CO., LTD.

Special Report on the Use of
Proceeds Previously Raised

I. FORMULATION BASIS

The Board of Directors of Guolian Securities Co., Ltd. (the “Company”) has formulated the special report on the use of proceeds previously raised as of 31 December, 2020 in accordance with Regulations on the Report on the Use of Proceeds Previously Raised (Zheng Jian Fa Xing No. [2007] 500). The Company and all members of the Board of Directors guarantee that there are no false records, misleading statements or material omissions in the report and assume joint and several responsibility for the authenticity, accuracy and completeness of content in the report.

II. AMOUNT, RECEIPT TIME AND DEPOSIT OF THE PROCEEDS PREVIOUSLY
RAISED

As approved by the CSRC under Zheng Jian Xu Ke No. [2020] 1305, the Company issued 475,719,000 RMB ordinary shares (A Shares) at an issue price of RMB4.25 per share on the Shanghai Stock Exchange on July 27, 2020 for a total amount of RMB2,021,805,750.00, after deducting the remaining underwriting sponsorship fee of the co-lead underwriter Nanjing Securities Co. Ltd., which was RMB55,000,000.00, the Company actually received RMB1,966,805,750.00 for the above A shares. And the actual net proceeds raised by the Company were RMB1,938,084,540.00 after deducting other issuance fees paid by the Company prior to the Issuance.

The proceeds above were fully received on July 27, 2020 and were verified by Deloitte Touche Tohmatsu LLP, which issued the capital verification report numbered Deloitte Touche Tohmatsu Yan Zi (20) No. 00324.

As of December 31, 2020, the Company’s cumulative use of proceeds amounted to RMB1,938,084,540.00. The bank accounts of the proceeds have no balance and have all been cancelled as follows:

Bank	Bank Account Number	Currency	Balance	Bank Account Status
Wuxi Taihu New City Sub-branch of China Construction Bank	32050161410100000845	RMB	–	Cancelled
Wuxi Branch of China Merchants Bank	510902020510559	RMB	–	Cancelled
Wuxi Branch of China CITIC Bank	8110501014001564567	RMB	–	Cancelled
Wuxi Branch of Bank of Jiangsu	29010188000252301	RMB	–	Cancelled
Wuxi Branch of Bank of Nanjing	0401090000000098	RMB	–	Cancelled

III. ACTUAL USE OF THE PROCEEDS PREVIOUSLY RAISED

1. The use of the previous raised proceeds committed in the Company's prospectus is as follows:

The proceeds of Issuance, after deducting the issuance fees, will be used to replenish capital, increase operation capital and develop the main business. According to the Company's development objectives, combining with the development of existing business, the focus of the planned use of proceeds is as follows, while the direction of use has been adjusted according to market changes:

- (1) Optimizing the layout of business outlets to achieve full coverage of major central cities across the country, while further increasing business outlets in key expansion areas to improve the level of market share in the brokerage business, with RMB0.00 of funds used.
- (2) By replenishing capital, accelerating the development of capital intermediary businesses such as margin financing and securities lending business and stock pledge repurchase, with RMB1,055,084,540.00 of funds used.
- (3) Within the risk-controlled range, appropriately increasing the investment scale of proprietary business according to the market situation, and improving the investment returns, with RMB615,971,382.77 of funds used.
- (4) Increasing investment in asset management business, enhancing the ability of product creation and investment management and expanding the scale of asset management, with RMB0.00 of funds used.
- (5) Actively cultivating innovative businesses such as over-the-counter market business and financial derivatives business, expanding revenue sources and optimizing revenue structure, with RMB267,028,617.23 of funds used.
- (6) Increasing capital investment in subsidiaries, expanding business scale, and promoting the rapid development of subsidiaries. At the same time, speeding up the construction of modern securities holding group and taking the opportunity to establish or acquire securities-related institutions and assets, with RMB0.00 of funds used.
- (7) Strengthening the construction of the risk control system and IT system to give full play to its role in supporting the development of various businesses, with RMB0.00 of funds used.

As of 31 December 2020, the proceeds have been fully used up in accordance with the promised purposes, except for the retention of interest during the deposit period. For details, please refer to the “Comparative Table of the Use of Previous Raised Proceeds” in Schedule I of this report.

2. Changes in the use of proceeds in the investment project of the proceeds previously raised

As of 31 December 2020, the Company does not change the use of proceeds for investment projects with raised proceeds.

3. External transfer or replacement of investment projects with proceeds previously raised

As of 31 December 2020, the Company has no external transfer or replacement of investment projects with raised proceeds.

4. Use of the temporarily idle raised proceeds

As of December 31, 2020, all the raised proceeds have been used up, and there is no temporarily idle raised proceeds.

IV. THE ECONOMIC BENEFITS GENERATED BY THE INVESTMENT PROJECT OF PROCEEDS PREVIOUSLY RAISED

After the Company’s raised proceeds are in place, they have all been used for capital-based intermediary business such as margin financing and securities lending business and stock pledged repurchase, proprietary securities investment business, over-the-counter market business and financial derivatives business and other innovative businesses. Since proceeds used in all of the investment projects of proceeds previously raised include original self-owned proceeds and proceeds previously raised, it is not possible to separately calculate the actual benefits realized with the investment project of proceeds raised as of December 31, 2020.

**V. COMPARISON BETWEEN THE USE OF PROCEEDS PREVIOUSLY RAISED AND
THE DISCLOSED INFORMATION (AS OF DECEMBER 31, 2020)**

The use of proceeds previously raised is consistent with the relevant contents disclosed in the Company's information disclosure documents.

VI. UNUSED PROCEEDS PREVIOUSLY RAISED

As of December 31, 2020, except for the interest retained during the deposit period, the raised proceeds have been used for the promised purpose, and the Company has no unused proceeds previously raised.

Schedule I

Comparative Table of the Use of Previous Raised Proceeds

The Closing Date: December 31, 2020
Unit: RMB (yuan)

Total proceeds raised 2,021,805,750.00 Accumulated total amount of raised proceeds invested 1,938,084,540.00
 Net amount of proceeds raised 1,938,084,540.00 Total amount of raised proceeds used in 2020 1,938,084,540.00
 Proportion of total amount of accumulated proceeds raised with use purpose changed 0.00%

Investment project	Total investment of raised proceeds			Accumulated investment amount of proceeds raised on the closing date		Difference between actual investment and committed investment after raising proceeds	The date on which the project is ready for use	Cumulative benefits realized (Note2)
	Committed investment before raising proceeds (Note 1)	Committed investment after raising proceeds (Note 1)	Actual investment amount	Committed investment before raising proceeds (Note 1)	Committed investment after raising proceeds (Note 1)			
No.	Committed investment project	Actual investment project						
1	Optimize the layout of business branches	Optimize the layout of business branches	N/A	N/A	-	-	N/A	N/A
2	capital-based intermediary service	capital-based intermediary service	N/A	N/A	1,055,084,540.00	-	N/A	N/A
3	Securities investment business	Securities investment business	N/A	N/A	615,971,382.77	-	N/A	N/A
4	Asset management business	Asset management business	N/A	N/A	-	-	N/A	N/A
5	Innovative businesses such as OTC market business and financial derivatives business	Innovative businesses such as OTC market business and financial derivatives business	N/A	N/A	267,028,617.23	-	N/A	N/A
6	Funding subsidiaries	Funding subsidiaries	N/A	N/A	-	-	N/A	N/A
7	Strengthening the construction of risk control system and IT system	Strengthening the construction of risk control system and IT system	N/A	N/A	-	-	N/A	N/A
Total			N/A	N/A	1,938,084,540.00	-	N/A	N/A

Note 1: According to the Company's prospectus, the proceeds raised from the Issuance, after deducting issuance expenses, will be used to supplement the capital, increase the working capital and develop the main business. According to the Company's development goals, the proceeds will be used for seven focuses of the planned use of proceeds, while the direction of use may be adjusted according to market changes. There is no commitment on the specific amount of the above use directions

Note 2: After the Company's raised proceeds are in place, they have all been used for capital-based intermediary business such as margin financing and securities lending business and stock pledged repurchases, proprietary securities investment business, over-the-counter market business and financial derivatives business and other innovative businesses. Since proceeds used in all of the investment projects of proceeds previously raised include original self-owned proceeds and proceeds previously raised, it is not possible to separately calculate the actual benefits realized with the investment project of proceeds raised as of December 31, 2020

Guolian Securities Co., Ltd.**Dilution of Current Returns by the Non-public Issuance of
A Shares and Remedial Measures**

Guolian Securities Co., Ltd. (hereinafter referred to as “Company” or “the Company”) proposes the non-public issuance of A Shares to raise funds (hereinafter referred to as “the Issuance”). In order to protect the interests of medium and small investors, the Company analyzed the impact of the Issuance on the dilution of current returns and developed specific remedial measures to diluted current returns in accordance with the requirements of the Opinions of the General Office of the State Council on Further Enhancing the Protection of Legitimate Rights and Interests of Medium and Small Investors in Capital Markets (Guo Ban Fa [2013] No. 110), the Several Opinions of the State Council on Further Promoting the Sound Development of Capital Markets (Guo Fa [2014] No. 17) and the Guiding Opinions on the Dilution of Current Returns by Initial Offering, Refinancing and Material Asset Restructuring (CSRC Announcement [2015] No. 31) issued by CSRC and other provisions. Specific details are set out below:

**I. CHANGES IN EARNINGS PER SHARE OF THE COMPANY UPON COMPLETION
OF THE ISSUANCE**

The total share capital of the Company prior to the Issuance was 2,378,119,000 shares. Subject to compliance with the regulatory requirements of the places where the Shares of the Company are listed, the number of shares to be issued shall be no more than 475,623,800 Shares (inclusive). The total amount of proceeds from the Issuance, after deducting relevant issuance expenses, will be used for replenishment of capital and working capital of the Company in order to expand the Company’s business scale and improve its market competitiveness and risk resistance capacity. When the proceeds from the Issuance are in place, the total share capital and net asset size of the Company will be significantly increased. Due to the time needed for the proceeds from the Issuance to generate benefits, the indicator of current returns of the Company may be exposed to the dilution risk upon completion of the Issuance if the Company fails to record a growth in its operating results at a corresponding rate.

(i) Main assumptions and premises

1. It is assumed that there will be no material adverse changes in the macroeconomic environment, the development trend of the industry and the operating conditions of the Company in 2021.

2. It is assumed that the Issuance will be completed prior to June 30, 2021. The completion time, which will be used only for the purpose of calculating the impact of the dilution of current returns under the Issuance on main financial indicators, shall be subject to the time when the Issuance is actually completed as approved by CSRC.
3. It is assumed that 475,623,800 Shares are to be issued under the Issuance and the total amount of proceeds is RMB6.5 billion, without taking into consideration the impact of issuance expenses. In the event that the Company distributes dividends, grants bonus shares, allots shares, converts capital reserve into share capital or carries out any other ex-right or ex-dividend activities during the period commencing from the Price Determination Date to the date of Issuance of this Non-public Issuance, adjustments shall be made to the number of A Shares to be issued under Non-public Issuance accordingly. The actual amount of proceeds received from the Issuance shall be finalized subject to the approval of the regulatory authority, status of issuance and subscription, issuance expenses, etc.
4. No consideration is given to the impact on the production, operation, financial condition, etc. of the Company (such as operating revenue, financial expenses and investment income) upon receipt of the proceeds from the Issuance.
5. Estimate of the total share capital of the Company is based on the total share capital of 2,378,119,000 Shares of the Company as at the Proposal announcement date, not considering the changes in share capital caused by factors other than the impact of the Non-public Issuance of A Shares.
6. The net profit attributable to shareholders of the parent company before and after deducting the non-recurring profit and loss in the first three quarters in 2020 are RMB459,155,385.32 and RMB455,359,434.46 respectively. Assuming that the net profit attributable to shareholders of the parent company before and after deducting the non-recurring profit and loss in the whole 2020 are RMB612,207,180.43 (i.e., $\text{RMB}459,155,385.32/3 \times 4 = \text{RMB}612,207,180.43$) and RMB607,145,912.61 (i.e., $\text{RMB}455,359,434.46/3 \times 4 = \text{RMB}607,145,912.61$). The net profit attributable to shareholders of the parent company before and after deducting non-recurring profit and loss in 2021 shall be calculated on the basis of the performance of 2020 by the increase of 0%, -20% and 20% respectively, and the abovementioned assumptions shall not constitute a profit forecast.
7. The Company did not distribute any cash dividend in 2019. In addition to this, the impact of other possible dividends distribution from the Proposal announcement date to the end of 2020 was not taken into account. It is assumed that the impact of Company's profit distribution plan is not taken into account.

As of 31 December, 2020, the shareholders' equity interest attributable to the parent company = to opening balance of the shareholders' equity interest attributable to the parent company in 2020 + the net profit attributable to shareholders of the parent company in 2020 + the changes in the equity during this current period – the cash dividend distributed during this current period (Assuming that the effect of other comprehensive income on Shareholder's equity is not taken into account).

(ii) Impact on main financial indicators of the Company upon the Issuance

Set out below are the analysis on earnings per share prior to and upon the completion of the Issuance based on above assumptions:

Item	2020/ December 31, 2020	Comparison between prior to the Issuance and upon the Issuance (2021/December 31, 2021)	
		Prior to the Issuance	Upon the Issuance
Closing balance of total share capital (shares)	2,378,119,000	2,378,119,000	2,853,742,800
Equity attributable to shareholders of the parent company at the end of 2019 (RMB)			8,067,325,926.92
Equity attributable to shareholders of the parent company at the end of 2020 (RMB)			10,617,617,683.35
The total amount of proceeds from the Issuance (RMB)			6,500,000,000.00
The size of the Issuance (shares)			475,623,800

Assumption I: The net profit attributable to shareholders of the parent company before and after deducting non-recurring profit and loss in 2021 remains stable as compared with previous year

The net profit attributable to shareholders of the parent company (RMB)	612,207,180.43	612,207,180.43	612,207,180.43
The net profit attributable to shareholders of the parent company after deducting non-recurring profit and loss (RMB)	607,145,912.61	607,145,912.61	607,145,912.61
Equity attributable to shareholders of the parent company at the end of the period (RMB)	10,617,617,683.35	11,229,824,863.77	17,729,824,863.77
Basic earnings per share (RMB/share)	0.26	0.26	0.21

APPENDIX IV

DILUTION OF CURRENT RETURNS BY THE NON-PUBLIC ISSUANCE OF A SHARES AND REMEDIAL MEASURES

Item	2020/ December 31, 2020	Comparison between prior to the Issuance and upon the Issuance (2021/December 31, 2021)	
		Prior to the Issuance	Upon the Issuance
Basic earnings per share after deducting non-recurring profit and loss (RMB/share)	0.26	0.26	0.21
Weighted average return on net assets (%)	6.67	5.60	4.32
Weighted average return on net assets after deducting non-recurring profit and loss (%)	6.61	5.56	4.28

Assumption II: The net profit attributable to shareholders of the parent company before and after deducting non-recurring profit and loss in 2021 decreases by 20% as compared with the previous year.

The net profit attributable to shareholders of the parent company (RMB)	612,207,180.43	489,765,744.34	489,765,744.34
The net profit attributable to shareholders of the parent company after deducting non-recurring profit and loss (RMB)	607,145,912.61	485,716,730.09	485,716,730.09
Equity attributable to shareholders of the parent company at the end of the period (RMB)	10,617,617,683.35	11,107,383,427.69	17,607,383,427.69
Basic earnings per share (RMB/share)	0.26	0.21	0.17
Basic earnings per share after deducting non-recurring profit and loss (RMB/share)	0.26	0.20	0.17
Weighted average return on net assets (%)	6.67	4.51	3.47
Weighted average return on net assets after deducting non-recurring profit and loss (%)	6.61	4.47	3.44

Assumption III: The net profit attributable to shareholders of the parent company before and after deducting non-recurring profit and loss in 2021 increases by 20% as compared with the previous year.

The net profit attributable to shareholders of the parent company (RMB)	612,207,180.43	734,648,616.51	734,648,616.51
The net profit attributable to shareholders of the parent company after deducting non-recurring profit and loss (RMB)	607,145,912.61	728,575,095.14	728,575,095.14
Equity attributable to shareholders of the parent company at the end of the period (RMB)	10,617,617,683.35	11,352,266,299.86	17,852,266,299.86
Basic earnings per share (RMB/share)	0.26	0.31	0.26
Basic earnings per share after deducting non-recurring profit and loss (RMB/share)	0.26	0.31	0.26
Weighted average return on net assets (%)	6.67	6.69	5.16
Weighted average return on net assets after deducting non-recurring profit and loss (%)	6.61	6.63	5.12

Note: Basic earnings per share and diluted earnings per share are prepared pursuant to Calculation and Disclosure of Return on Net Assets and Earnings per Share, No. 9 of the Compilation Rules for Information Disclosure by Companies Offering Securities to the Public.

As estimated based on the above assumptions, there will be certain dilution effects on earnings per share of the Company in 2021 caused by the Issuance.

(iii) Description about the estimate

The above assumption analysis of the Company in relation to the estimate does not constitute the profit estimate of the Company. Investors should not rely on such analysis in making investment decisions and the Company shall not be liable to any losses caused thereon.

The number of shares, total amount of proceeds and the completion time of the Issuance in relation to the estimate are just estimated values, and shall be finalized subject to the approval of regulatory authority, status of issuance and subscription.

**II. RISK ALERT IN RELATION TO THE DILUTION OF CURRENT RETURNS BY
THE NON-PUBLIC ISSUANCE**

The total share capital and net asset size of the Company will be significantly increased upon completion of the Issuance. Due to the time needed for the proceeds from the Issuance to generate benefits, the realization of profits and shareholder's returns by the Company will still mainly rely on the existing businesses of the Company. On the premise of increase in the total share capital of the Company, the indicator of current returns of the Company may be exposed to the dilution risk upon completion of the Issuance if the Company fails to record a growth in its operating results at a corresponding rate.

III. NECESSITY AND RATIONALITY OF THE ISSUANCE

(I) Necessity of the Issuance

**1. *The Issuance is a necessary measure for the realization of the Company's
strategic development objective***

Facing the market environment with both opportunities and challenges, the Company adheres to the business philosophy of "integrity, stability, openness and innovation", relying on its regional advantages, continuously improves its ability to serve the investment and financing needs of the real economy and meet the wealth management demands of people, promotes the comprehensive and balanced development of the company's businesses, and realizes the transformation from a traditional channel brokerage to a modern comprehensive financial service provider.

To realize the Company's strategic objectives, the company has taken the following measures to accelerate the pace of development over the past few years: implementing the strategy of locational advantages, focusing on enhancing branch construction; increasing resource investment and steadily promoting transformation and development; actively improving production lines and focusing on building advantageous businesses; building an A+H dual financing platform and carrying out various types of capital operations; proactively exploring management mechanism innovation and enhancing comprehensive benefits; strengthening the cultivation of talent team and establishing a people-oriented corporate culture.

To realize its strategic development objective, the Company will continuously invest in credit intermediation, transaction business and the development of its subsidiaries. The Issuance will provide a strong financial support to the Company's future development strategy; therefore, it is a necessary measure for the realization of strategic development objective.

2. Reinforcing capital strength and consolidating industry position

As China deepens reform in the capital market, the securities industry is facing intensified competition. On the one hand, the securities industry has a low rate of market concentration and universally homogeneous competition. Some competitive securities companies had started expansion in business scale or get into new business fields via horizontal mergers and acquisitions with an aim to promote synergic business development and improve comprehensive competitiveness and risk resistance capacity, which results in a differentiation trend in the securities industry. On the other hand, the opening-up of securities industry is being promoted gradually, allowing foreign investors to have shareholding up to 51% in domestic securities companies. As the securities industry is further opened to the world, China's securities companies will face greater competition from foreign-funded financial institutions. Given the intensified competition, the Company is in need of reinforcing capital strength and comprehensively improving its competitiveness on basis of consolidating existing advantages.

As at September 30, 2020, total asset on consolidated basis reached RMB41.514 billion. The Company realized RMB1.365 billion of revenue and RMB459 million of net profit from January to September 2020; The Company still needs to reinforce its capital strength when compared with leading securities companies of larger scale. Some peers have recently realized net capital improvement via equity refinancing activities, and the Company is facing greater challenge in maintaining capital strength and industry position. Amid the fierce market competition, the Issuance will help the Company to consolidate its industry position and improve its comprehensive competitiveness, lay a solid foundation for business development, while using the leverage effect to further drive the expansion of debt financing and total asset size, and help the Company to gain an advantage in market competition.

3. *Following the industry trend of transforming profit model and optimizing business portfolio*

In the past few years, with the deepening of the capital market reform, the profit model of Chinese securities companies has transited from the traditional three major businesses, namely securities brokerage, securities proprietary trading and underwriting and sponsorship to a comprehensive business model with equal emphasis on commission business and securities transaction business. In the macro environment of prudent regulation, securities companies are actively exploring innovative businesses, which, in turn, sets a higher requirement on the capital strength of securities companies. At the same time, the launch of Science Technology Innovation Board also requires that the sponsor should participate in the strategic placement, which objectively puts forward new requirements on the capital strength of securities companies.

In such context, it is imperative for the Company to replenish its capital, enhance capital-driven businesses and promote development of innovative businesses while consolidating its current strengths, so as to optimize income structure, diversify risks, help the Company maintain and steadily improve its advantages in innovation capability and reduce the impact of market uncertainty risks. The use of the proceeds is adapted to the needs of the Company's various major businesses, which can promote the optimization of the Company's business structure and the improvement of its profitability model, and enhance the Company's profitability.

4. *Reducing the liquidity risk and improving risk resistance capacity*

Risk management is a prerequisite for securities companies to realize sustainable development, and the ability to maintain risks in a measurable, controllable and tolerable range and prevent risk event is related to the profitability of securities companies and even a key to the survival and development of securities companies. The Guidelines for the Management of Liquidity Risks of Securities Companies effective from March 1, 2014 and the amended Measures for the Administration of Risk Control Indicators of Securities Companies and its supporting rules effective from October 1, 2016 set higher standards on the capital strength and risk management of securities companies. Currently, regulators implement risk control index management for securities companies with net capital and liquidity as the core.

The securities industry is capital intensive, and the capital scale directly determines the business scale, and even directly relates to the risk resistance capacity. As the business scale of the Company continues to grow, it is possible that the liquidity risk would be led by unmatched assets and liabilities structures. To effectively prevent the liquidity risk, the Company optimizes its liquidity risk management policy, improves the liquidity risk stress test mechanism and the liquidity risk indicator forecast mechanism, and amends the liquidity risk contingency plan. Nevertheless, reasonable capital replenishment is still an important means to resist risks. Proceeds from the Issuance are conducive to capital structure optimization, liquidity risk reduction and risk resistance capacity improvement.

(II) Feasibility of the Non-public Issuance**1. *The Non-public Issuance satisfies the conditions prescribed by relevant laws, regulations and regulatory documents***

The Company has a sound corporate governance structure, has established a comprehensive risk management and internal control system, and possesses high-quality assets and sound financial position, and its profitability is strong and sustainable. The Company satisfies the conditions for non-public issuance of domestic RMB-denominated ordinary shares (A Shares) that are prescribed by the Administrative Measures for Issuance, the Implementation Rules, Q&A on Issuance Supervision – Supervision Requirements on Directing and Regulating the Financing Acts of Listed Companies (Revision) and other relevant laws, regulations and regulatory documents.

2. *The Non-public Issuance is in line with national industry policy orientations*

In May 2014, the State Council issued the Several Opinions on Further Promoting the Sound Development of Capital Markets, which proposed to promote the differentiated, professional and characteristic development of securities institutions and to facilitate the establishment of several modern investment banks with international competitiveness and strong brand influence and of systemic importance.

In May 2014, CSRC issued the Opinions on Further Promoting the Innovative Development of Securities Institutions which clarified the main tasks and specific measures for promoting the innovative development of securities institutions from three aspects, constructing modern investment banks, supporting business and product innovation and promoting supervision transformation, and explicitly encouraged securities institutions to expand financing channels and conduct equity and debt financing activities.

In September 2014, CSRC and the Securities Industry Association issued the Notice on Encouraging Securities Firms to Further Replenish Capital and the Guidelines on Capital Replenishment for Securities Firms, respectively, requiring that securities companies should pay attention to capital replenishment and replenish capital through IPOs and capital increases to ensure that the scale of business is commensurate with capital strength and that the overall risk profile of the company matches its risk tolerance.

In June 2016, CSRC amended the Measures for the Administration of Risk Control Indicators of Securities Companies and the supporting rules. The document aims to improve the effectiveness of risk control indicators and promote the long-term, sound and steady development by referring to the latest industry development trend, improving the calculation basis for net capital and risk capital reserve, incorporating leverage ratio and liquidity supervision into the scope of indicators, and clarifying the counter-cyclical regulation mechanism.

As the business scale grows rapidly and industry regulatory policies are gradually adjusted, the current net capital cannot meet business development requirements of the Company. The Issuance is an act to respond to the proposal of CSRC to encourage securities companies to replenish their capital, and is in line with national industry policy orientations.

**IV. RELATIONSHIP BETWEEN INVESTMENT PROJECTS FOR THE PROCEEDS
AND EXISTING BUSINESSES OF THE COMPANY****(i) Operation status and development trend of existing business segments of the
Company**

The business scope of the Company is “securities brokerage; securities investment consulting; financial advisory business related to securities trading and securities investment activities; proprietary securities trading; securities asset management; agency sale of securities investment funds; margin financing and securities lending business; provision of intermediary business to futures companies; agency sale of financial products (the business items subject to approval under the laws shall be carried out after the approval by relevant authorities)”.

For 2017, 2018, 2019 and January to September in 2020, operating revenues of the Company were RMB1,263 million, RMB990 million, RMB1,619 million and RMB1,365 million, respectively, and net profits of the Company were RMB374 million, RMB51 million, RMB521 million and RMB459 million, respectively.

(ii) Risk exposure and improvement measures

Risks faced by the Company include political and legal risk, business and operational risk, financial risk and information technology risk. The Company always pays great attention to the development of risk management system, and has established an all-round risk management and internal control system. The Company ensured risks to be measurable and controllable, as well as a reasonable risk – return ratio, so as to guarantee that the Company operates on a going-concern basis in compliance with regulatory requirements. The Company continuously improves risk management system according to its business development needs, changes in market environment and regulatory requirements. The all-round risk management mechanism has been continuously improved and is operating in an effective manner.

**(iii) Relationship between investment projects for the proceeds and existing businesses
of the Company**

The total amount of proceeds from the Issuance is no more than RMB6.5 billion (inclusive), all of which will be used for replenishment of capital and working capital of the Company after deducting the issuance expenses in order to expand the Company’s business scale.

The total amount of proceeds from the Non-public Issuance will be used for replenishment of capital and working capital of the Company after deducting the issuance expenses in order to optimize the capital structure and enhance its market competitiveness and risk resistance capacity. The proceeds will be used mainly for the following aspects: further expanding credit trading business including margin financing and securities lending, expanding fixed income, equity, equity derivatives and other transaction business, increasing investment in the subsidiaries and replenishing other general working capital of the Company.

The Non-public Issuance investment projects for the proceeds is compatible with the production and operation, technical level and management capacity of the Company. Upon the completion of the Non-public Issuance, the Company's existing main business will not be significantly changed and the Company's net capital scale will be effectively improved, the business related to the Company's main business will be driven to develop and the overall profitability level of the Company will be improved.

V. PERSONNEL, TECHNOLOGY, MARKET RESERVE AND OTHER RESERVES FOR INVESTMENT PROJECTS FOR THE PROCEEDS OF THE COMPANY

In terms of personnel reserve, the Company always attaches great importance to encouraging and cultivating the entrepreneurship of employees, and motivating employees to work diligently and faithfully. The Company has a high-quality and professional securities practice team covering all business lines.

According to the market-oriented principle, the Company has established a salary mechanism with market competitiveness. The Company attaches great importance to personnel training and is committed to building a high-quality talent team. In order to ensure the smooth implementation of the Non-public Issuance investment projects, the Company will continuously optimize the personnel structure and strengthen the talent strength focusing on the characteristics as well as the management and operation mode of the investment projects. Hence, the Company has sufficient, excellent and reasonable structured personnel reserve to ensure the effective implementation of the investment projects.

In terms of technology, the Company attaches great importance to the leading role of information technology in supporting and leading its future business development, continues to increase the investment in information technology, improves the customer service platform and information technology operation and management system, establishes and improves its data center, introduces and trains excellent information technology talents. In the future, the Company will continuously deepen the reform of management mechanism, strengthen the leading role of financial technology, improve the forward-looking capacity and planning capacity by focusing on the needs of clients and business, effectively improve the level of IT investment, the scale of professionals and the strength of technological innovation capacity based on its financial capacity and live within its means, and promote the transformation of information technology from the technical support to the Company's driven business.

In terms of market, as a broker with comprehensive businesses, the Company has formed a relatively well-established business system including wealth management, investment banking, asset management, research and institutional sales, fixed income, equity derivatives and private equity investment business, etc., and has established several branches in the important areas in some cities and provinces including Jiangsu, Shanghai, Beijing, Zhejiang, An'hui, Guangdong, Guangxi, Chongqing, Shandong, Jiangxi, Sichuan, Hunan and Hubei provinces.

VI. MAIN MEASURES TO BE TAKEN BY THE COMPANY IN RESPONSE TO THE DILUTION OF CURRENT RETURNS BY THE NON-PUBLIC ISSUANCE

In response to the possible dilution of the current return from this offering, the Company will take the following measures to use the proceeds to further enhance the Company's operating efficiency, fully protect the interests of the Company's shareholders, especially the medium and small shareholders, and focus on medium and long-term shareholder value returns.

(i) Improving the efficiency of daily operations and rationalizing operation costs

The Company takes matrix management as the direction, aims to optimize the allocation of resources and improve the overall operational efficiency of the Company, continuously optimizes and improves the management process and enhances the management efficiency; the Company takes "Internalization of customers, Internalization of business and Internalization of management" as the goal and vigorously promotes the "Internet+" enterprise operation mode to improve the efficiency of business development and internal management. "The Company will continue to optimize the allocation of resources, strictly control expenses and reasonable control operating costs.

(ii) Optimizing revenue structure, expanding business scale and improving sustainable profitability

The use of proceeds is focused on the main business of the Company and is in line with the development strategy of the Company. The Company will seize the favorable opportunity of transformation and upgrading of the securities industry, further optimize its business structure, accelerate the development of credit trading business such as margin financing and securities lending, stock pledge repurchase, actively cultivate innovative business such as over-the-counter market business and financial derivatives business, accelerate the construction of modern securities holding group, promote the diversification and comprehensive development of the Company's revenue structure, reduce operation risks and effectively mitigate the volatility of the securities industry caused by its cyclical nature.

After collecting the proceeds from the Issuance, the Company will make reasonable use of the proceeds to further expand credit trading business including margin financing and securities lending and expand fixed income, equity, equity derivatives and other transaction business, and increase the investment to its subsidiaries to enhance the Company's comprehensive competitive ability and improve its sustainable profitability and sustainable development ability.

(iii) Strengthening risk management measures

The Company takes comprehensive risk management as an important means to achieve and secure business development, continuously strengthens the construction of comprehensive risk management system, continuously improves risk management capabilities in the areas of credit risk, concentration risk, market risk, liquidity risk, operation risk, compliance risk and reputation risk, strengthens risk prevention and control in key areas, continuously improves risk identification, measurement, monitoring, disposal and reporting in key areas, and comprehensively improves the Company's risk management capabilities.

(iv) Regulating the management and use of proceeds

In order to regulate the management and use of the proceeds and protect the interests of investors, the Company has formulated the "Management System of Funds Raised by Guolian Securities Co., Ltd." in accordance with the requirements of laws, regulations and other regulatory documents such as the Company Law, the Securities Law, the rules for the listing of shares on the relevant stock exchange and the Articles of Association of the Company, which provides detailed regulation on the deposit of proceeds, the use of proceeds, the change of the investment of proceeds and the supervision of the proceeds. The Company will strengthen the management of the proceeds, use the proceeds reasonably and effectively, and prevent the risk of using the proceeds.

(v) Maintaining stable policies on shareholder's returns

The provisions of the Articles of Association regarding the profit distribution policy, in particular the specific conditions, ratio, distribution form and conditions for distribution of cash dividends and stock dividends, are in compliance with the requirements of the Notice of the China Securities Regulatory Commission on Further Implementation of Matters Relating to Cash Dividends for Listed Companies and the Regulatory Guidelines for Listed Companies No. 3 – Cash Dividend of Listed Companies. The Company has formulated the “Shareholder Return Plan for the Next Three Years (2021-2023) of Guolian Securities Co., Ltd.” to facilitate investors to form stable return expectations.

The Company highly emphasizes the protection of shareholders' rights and interests and will continue to maintain the continuity and stability of its profit distribution policy and insist on creating long-term value for shareholders.

The Company specifically reminds investors that the formulation of remedial returns measures is not equivalent to making guarantees for the future profits of the Company.

**VII. UNDERTAKINGS MADE BY DIRECTORS AND SENIOR MANAGEMENT OF THE
COMPANY ON REMEDIAL MEASURES TO THE DILUTION OF CURRENT
RETURNS BY THE ISSUANCE OF SHARES**

Directors and senior management of the Company have made the following undertakings on the proper implementation of the remedial measures to the dilution of current returns to be taken by the Company:

1. not to transfer benefits to other organizations or individuals at nil consideration or on unfair terms nor otherwise prejudice the interests of the Company.
2. to control duty-related expenses of Directors and senior management.
3. not to utilize the Company's assets for the purpose of investment and consumption activities that are irrelevant to their duties.
4. to associate the remuneration system formulated by the Board or the Remuneration and Nomination Committee with the execution of the remedial measures to current returns of the Company.
5. to associate the exercise conditions under the equity incentive plan with the execution of the remedial measures to current returns of the Company in case the Company implements an equity incentive plan in the future.

I undertake to make additional undertakings in accordance with relevant regulations in due course where the regulatory authority develops other detailed provisions on remedial measures and relevant undertakings and such undertakings fail to satisfy the detailed provisions of the regulatory authority subsequent to the date of the above undertakings.

Guolian Securities Co., Ltd.**Plans of the Shareholders' Return
In the Next Three Years (2021-2023)**

According to the Notice on Matters in relation to Further Implementing Cash Dividend of Listed Companies, the Regulatory Guidelines for Listed Companies No. 3 Cash Dividend of Listed Companies issued by CSRC and other relevant requirements in the guideline on cash dividend issued by the stock exchange, in order to further improve the shareholders' returns level, perfect and perform the cash dividend policy, clarify the Company's returns plan of the shareholders' reasonable investment, increase the transparency and operability of profit distribution decisions, and facilitate shareholders' supervision on the Company's operation and profit distribution, the Board of the Company has formulated the Plans of the Shareholders' Return In the Next Three Years (2021-2023) of Guolian Securities Co., Ltd., Its specific contents are as follows.

I. BASIC PRINCIPLES OF THE PLAN

According to provisions of the Company Law and the Articles of Association, the Company will fully consider the return to the investors and distribute dividends annually based on the distributable profit¹ achieved by the parent company during the year to shareholders in accordance with stipulated proportion. The Company will implement a continuous and stable dividend distribution policy and will take into account the Company's long-term interests, the overall interests of shareholders and the Company's sustainable development.

On the premise of taking into account continuous profitability, compliance with regulatory requirements, and the Company's normal operation and long-term development, the Company will give priority to the distribution of dividends in cash.

¹ Dividends shall be distributed on the basis of the after-tax distributable profit, which shall be the smaller one of the following two figures: (1) the aggregate amount of after-tax distributable profit in the financial report audited by an accounting firm in accordance with the PRC accounting standards; or (2) the aggregate amount of after-tax distributable profit in the financial report based on the audited financial report prepared in accordance with the PRC accounting standards and adjusted in accordance with international accounting standards or accounting standards of the place where the main overseas public offering occurs.

II. CONSIDERATIONS IN FORMULATING THE PLAN

The formulation of the Company's dividend distribution policy focuses on the Company's current operation and sustainable development. The following important factors shall be integrated analyzed and fully considered:

1. Effectively safeguard the legitimate rights and interests of shareholders and implement regulatory requirements

Fulfilling the Company's social and legal responsibilities, effectively safeguarding the legitimate rights and interests of shareholders and providing the investors with reasonable investment return.

Implementing the regulatory requirements of CSRC on profit distribution and cash dividend policy of listed companies, the Regulatory Guidelines for Listed Companies No. 3 Cash Dividend of Listed Companies issued by CSRC has set out clear requirements for listed companies to further improve the profit distribution decision-making procedures, perfect the cash dividend system, enhance the transparency of cash dividend and maintain the consistency, reasonableness and stability of cash dividend policy.

2. The actual situation of the development of Company

The Company has good operation results and strong profitability. The Company will establish a sustainable and stable dividend distribution policy based on the actual operation situation of the year.

3. The stage of development of the Company

The Company is currently in a stage of rapid development, and all businesses are showing the good trend of development and have great growth potential, requiring sufficient capital as a guarantee for future development. The Company will fully consider the impact of various factors in determining the dividend distribution policy so that it can meet the normal operation and sustainable development of the Company.

4. Shareholders' requirements and wishes

The dividend distribution policy of the Company will take into full consideration of the requirements and wishes of each shareholder, paying attention to both reasonable investment return to investors and investors' expectations for the Company's continuous and rapid development. The specific dividend distribution plan (including the ratio of cash dividends and whether to adopt the stock dividend distribution method) will be determined and approved by the shareholders' meeting in accordance with the specific situations of the Company's operation in the current year and the needs of normal operation and development in the future.

5. Social capital costs and external financing environment

Currently, the Company can expand its capital scale through issuing common shares, debt instruments and profit retention, among which profit retention is one of the important ways for the Company to expand its capital at present. In determining the dividend policy, the Company will take into account factors such as the Company's reasonable capital structure, capital costs and external financing environment comprehensively.

6. Capital demands

The Company is required to comply with the regulatory requirements of the CSRC on the net gearing ratio of securities companies. The Company's profit distribution policy is required to give full consideration to the level of the Company's gearing ratio and implement a positive profit distribution plan on the premise that the gearing ratio meets the regulatory requirements and long-term development. The Company's profit distribution policy shall fully consider factors such as meeting the regulatory requirements for securities companies, maintaining shareholders' demand for dividends and protecting the Company against operational and financial uncertainties.

III. PLANS OF THE SHAREHOLDERS' RETURN IN THE NEXT THREE YEARS (2021-2023)**1. Order of profit distribution**

When the Company distributes the after-tax profit of the year, it shall withdraw a trading risk reserve at 10% of the net profit achieved in that year to make up for losses in securities trading, it shall not be used for dividends or capitalization, and 10% of the profits shall be withdrawn into the statutory fund. If the accumulated amount of the Company's statutory fund is more than 50% of the Company's registered capital, it can no longer be withdrawn. If the Company's statutory fund is not sufficient to make up for the losses of the previous year, the present year's profit shall be used to make up the losses before withdrawal from the statutory fund in accordance with the previous provisions.

After the Company has withdrawn the statutory fund from the after-tax profit, following the resolution of the shareholders meeting, the Company can also withdraw optional accumulation fund from the after-tax profits.

After the Company makes up for losses and withdraws pension funds, the remaining after-tax profits can be distributed in proportion to the shares held by the shareholders.

2. Form and Interval Period of Profit Distribution

The Company distributes profits according to the proportion of the shares held by shareholders, and may distribute dividends in the form of cash, stock or a combination of the two; if the conditions for cash dividends are met, cash dividends shall be preferred for profit distribution. In principle, the company carries out profit distribution once a year, and can carry out mid-term profit distribution if conditions permit.

3. Conditions and Proportions of Cash Dividends

If, for example, the Company's net gearing ratio does not meet the standards prescribed by relevant laws and administrative regulations, no profit shall be distributed to shareholders. Under the premise of ensuring compliance with regulatory requirements and the Company's normal operation and long-term development, the Company's annual profits can be distributed in cash after the Company has drawn risk reserves, made up for losses, and drawn statutory pension funds in accordance with the law. The profit distributed by the Company in the form of cash each year shall not be lower than 30% of the distributable profit realized in such year.

The Company may propose the implementation of the distribution plan on stocks and dividends, when the Company's operating income is growing rapidly and when the Board is of the view that the stock price of the Company does not match the scale of the share capital of the Company, while satisfying the above-mentioned cash dividend distribution.

The Board of the Company shall propose a differentiated cash dividend policy by taking into full consideration the characteristics of the industry where it operates, its own development stage, operation model and profitability level, and whether there is material arrangement on capital expenditure and other factors, in accordance to the requirements of the "No. 3 Guideline for the Supervision of Listed Companies – Cash Dividends of Listed Companies", and distinguishing the following circumstances, subject to the procedures as stipulated in the Articles of Association:

- (i) Where the Company is at a mature stage of development with no material arrangement on capital expenditure, and when the profit distribution is made, the cash dividend shall account for at least 80% to the profit distribution.
- (ii) Where the Company is at a mature stage of development with material arrangement on capital expenditure, and when the profit distribution is made, the cash dividend shall account for at least 40% to the profit distribution.

- (iii) Where the Company is at a growing stage of development with material arrangement on capital expenditure, and when the profit distribution is made, the cash dividend shall account for at least 20% to the profit distribution.

In case of difficulty in distinguishing the development stage of the Company and there is material arrangement on capital expenditure, profit distribution shall be made in accordance with the provisions of the preceding paragraph.

IV. DECISION MAKING AND SUPERVISION MECHANISM OF RETURN PLAN

When formulating the profit distribution plan, the Board shall diligently study and discuss on matters including the timing, conditions and minimum proportion, conditions for adjustments and the requirements of the decision making procedures of the cash dividends, and the independent directors shall express an unequivocal opinion. Independent directors may solicit the opinions of minority shareholders, put forward a dividend proposal, and directly submit it to the Board for consideration. Before the shareholders' general meeting considers the specific proposal for cash dividends, the Company shall take the initiative to communicate and exchange views with shareholders, especially minority shareholders, through various channels and fully listen to the views and aspirations of minority shareholders, and to make replies to questions of concern from minority shareholders in a timely manner. The Supervisory Committee of the Company shall supervise the circumstances and decision-making procedures regarding the formulation of the profit distribution proposal by the Board.

If the Company has distributable profits for the year² but does not put forward any cash dividend proposals, the Board shall provide a special explanation for matters including the specific reasons for not making cash dividends, the exact use of the retained earnings of the Company and the expected return on investment, which, after the independent directors have expressed their opinions, shall be submitted to the shareholders' general meeting for consideration, the approval of which shall require no less than two-thirds of the voting rights held by the shareholders attending the shareholders' general meeting and shall be disclosed in the designated media of the Company, and the Company shall provide shareholders with the Internet voting platform for voting.

The Company shall disclose the profit distribution plan for the year in the annual report, where regulatory requirements and requirements for the normal operation and long-term development of the Company are met and there are distributable profits during the reporting period, but the Board of the Company does not put forward any plan for profit distribution in cash, the reasons shall be disclosed in the periodic report to provide a detailed explanation for not making profit distribution and the use of capital that may otherwise be used as dividends but has been retained by the Company.

² The distributable profits for the current year are the remaining part of the company's profits realized in each year after the risk reserve has been drawn, the loss is made up, and the statutory reserve fund has been drawn.

V. IMPLEMENTATION OF PROFIT DISTRIBUTION PLAN

After the shareholders' meeting of the Company makes a resolution on the profit distribution plan, the Board of Directors of the Company shall complete the distribution of dividends (or shares) within two months after the shareholders' meeting.

VI. THE FORMULATION CYCLE AND ADJUSTMENT MECHANISM OF RETURN PLAN

1. The Company formulates shareholder return plan in accordance with the profit distribution policy set out in the Articles of Association and ensures that a shareholder return plan should be formulated every three years to plan the dividend policy in the next three years. In formulating the shareholder return plan, the Board of Directors of the Company shall fully listen to and incorporate the views and suggestions of shareholders (especially minority shareholders), independent directors and external supervisors through various ways. The dividend policy formulated by the Board of Directors and the three-year plan for shareholders' return shall be implemented after being approved by the shareholders meeting.
2. In case of force majeure such as war or natural disasters, or any changes in the external operation environment of the Company which may have a material impact on the production and operation of the Company, or any changes in its own operating conditions of the Company, the Company may make adjustments to its profit distribution policy. The Board shall make special discussion on adjusting the profit distribution policy of the Company, detail the reasons of such adjustments and form a written demonstration report, which shall be submitted to the shareholders' general meeting for approval by a special resolution after prior consideration of the independent directors. When considering the matters regarding any change in profit distribution policy, the Company may provide the Internet voting platform for the shareholders. When the shareholders' general meeting considers any change of the profit distribution policy, it shall fully consider the opinions of minority shareholders.

VII. Matters not covered in this plan shall be implemented in accordance with relevant laws and regulations, regulatory documents and the Articles of Association of the Company. This Plan shall be interpreted by the Board of Directors of the Company and shall take effect and be implemented from the date of consideration and approval by the shareholders meeting of the Company.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING



国联证券股份有限公司
GUOLIAN SECURITIES CO., LTD.

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

(Stock Code: 01456)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING TO BE HELD ON MONDAY, 1 MARCH 2021

NOTICE IS HEREBY GIVEN that the Second Extraordinary General Meeting for the Year 2021 of Guolian Securities Co., Ltd. (the “**Company**”) will be held at conference room at 4th Floor, No. 8 Jinrong One Street, Wuxi, Jiangsu Province, the PRC at 1 p.m. on Monday, 1 March 2021 for the purpose of considering and, if thought fit, passing the following resolutions of the Company. Unless the context otherwise requires, capitalized terms used herein shall have the same meanings as those defined in the circular of the Company dated 10 February 2021:

SPECIAL RESOLUTIONS

1. The Resolution on the Fulfilment of Conditions for the Non-public Issuance of A Shares by the Company
2. The Resolution on the Proposed Non-public Issuance of A Shares of the Company
 - 2.1 Class and nominal value of shares to be issued
 - 2.2 Method and time of Issuance
 - 2.3 Target subscribers and subscription method
 - 2.4 Issue size
 - 2.5 Issue price and pricing principles
 - 2.6 Amount and the use of proceeds
 - 2.7 Lock-up period
 - 2.8 Listing venue
 - 2.9 Arrangement of accumulated undistributed profits prior to completion of the Issuance
 - 2.10 Validity period of the resolutions

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

3. The Resolution on the Plan for the Non-public Issuance of A Shares of the Company
4. The Resolution on the Feasibility Report for the Use of Proceeds from the Non-public Issuance of the A Shares of the Company
5. The Resolution on the Report on the Use of Proceeds Previously Raised by the Company
6. The Resolution to Ask the Shareholders' Meeting to Authorize the Board and to Authorize the Board for the Board to in turn Authorize the Management of the Company to Deal with Specific Matters in relation to the Non-public Issuance of A Shares of the Company
7. The Resolution on the Plans of the Shareholders' Return in the Next Three Years

ORDINARY RESOLUTION

8. The Resolution on the Dilution of Current Returns by the Non-public Issuance of A Shares and Remedial measures of the Company

By Order of the Board
Guolian Securities Co., Ltd.
Yao Zhiyong
Chairman

Wuxi, Jiangsu Province, the PRC
10 February 2021

Notes:

1. In order to determine the entitlement to attend and vote at the Second Extraordinary General Meeting for the Year 2021 of the Company to be held on Monday, 1 March 2021, the register of Shareholders of the Company will be closed from Tuesday, 23 February 2021 to Monday, 1 March 2021 (both days inclusive) during which period no transfer of shares will be effected.

Holders of H shares whose name appear on our register of members on Tuesday, 23 February 2021 shall be entitled to attend the Second Extraordinary General Meeting for the Year 2021. For shareholders who wish to attend and vote at the Second Extraordinary General Meeting for the Year 2021, the relevant share certificates accompanied by all transfer documents must be lodged with the Company's H Shares registrar ("**H Shares registrar**"), Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Monday, 22 February 2021 for registration.

2. Shareholders who are entitled to attend and vote at the Second Extraordinary General Meeting for the Year 2021 may appoint one or more proxies to attend and, in the event of a poll, vote on their behalves. A proxy need not be a Shareholder.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

3. The instrument appointing a proxy must be in writing under the hand of a shareholder or his attorney duly authorised in writing. If the shareholder is a corporation, that instrument must be executed either under its seal or under the hand of its director or other attorney duly authorised to sign the same.
4. In order to be valid, the proxy form must be deposited, for the H Shareholders, to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, by 1 p.m. on Friday, 26 February 2021 (Hong Kong time). Completion and return of the proxy form will not preclude shareholders from attending and voting in person at the Second Extraordinary General Meeting for the Year 2021 should you so wish.
5. Shareholders or their proxies shall produce their identity documents and supporting documents in respect of shares held or proxy form signed by the shareholder (or shareholder's authorized person) when attending the Second Extraordinary General Meeting for the Year 2021.
6. The Second Extraordinary General Meeting for the Year 2021 is expected to be held for less than half a day. Shareholders who intend to attend the Second Extraordinary General Meeting for the Year 2021 shall arrange and bear their own transportation and accommodation expenses.
7. The name and address of the Company's H shares registrar in Hong Kong are as follows:

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor,
Hopewell Centre, 183 Queen's Road East,
Wanchai,
Hong Kong

8. Where there are joint registered holders of any Share(s), any one of such joint holders may attend and vote at the Second Extraordinary General Meeting for the Year 2021, either in person or by proxy, in respect of such Share(s) as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the Second Extraordinary General Meeting for the Year 2021, the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

As at the date of this notice, the executive Director of the Company is Mr. Ge Xiaobo; the non-executive Directors of the Company are Mr. Yao Zhiyong, Mr. Hua Weirong, Mr. Zhou Weiping, Mr. Liu Hailin and Mr. Zhang Weigang; and the independent non-executive Directors of the Company are Mr. Lu Yuanzhu, Mr. Wu Xingyu and Mr. Chu, Howard Ho Hwa.

NOTICE OF THE H SHAREHOLDERS' CLASS MEETING



国联证券股份有限公司
GUOLIAN SECURITIES CO., LTD.

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

(Stock Code: 01456)

NOTICE OF THE H SHAREHOLDERS' CLASS MEETING TO BE HELD ON MONDAY, 1 MARCH 2021

NOTICE IS HEREBY GIVEN that the H Shareholders' Class Meeting for the Year 2021 of Guolian Securities Co., Ltd. (the "**Company**") will be held on Monday, 1 March 2021 at conference room at 4th Floor, No. 8 Jinrong One Street, Wuxi, Jiangsu Province, the PRC immediately after the A Shareholders' Class Meeting for the purpose of considering and, if thought fit, passing the following resolutions of the Company. Unless the context otherwise requires, capitalized terms used herein shall have the same meanings as those defined in the circular of the Company dated 10 February 2021:

SPECIAL RESOLUTIONS

1. The Resolution on the Proposed Non-public Issuance of A Shares of the Company
 - 1.1 Class and nominal value of shares to be issued
 - 1.2 Method and time of Issuance
 - 1.3 Target subscribers and subscription method
 - 1.4 Issue size
 - 1.5 Issue price and pricing principles
 - 1.6 Amount and the use of proceeds
 - 1.7 Lock-up period
 - 1.8 Listing venue
 - 1.9 Arrangement of accumulated undistributed profits prior to completion of the Issuance
 - 1.10 Validity period of the resolutions
2. The Resolution on the Plan for the Non-public Issuance of A Shares of the Company

NOTICE OF THE H SHAREHOLDERS' CLASS MEETING

3. The Resolution on the Feasibility Report for the Use of Proceeds from the Non-public Issuance of the A Shares of the Company
4. The Resolution on the Dilution of Current Returns by the Non-public Issuance of A Shares and Remedial measures of the Company
5. The Resolution to Ask the Shareholders' Meeting to Authorize the Board and to Authorize the Board for the Board to in turn Authorize the Management of the Company to Deal with Specific Matters in relation to the Non-public Issuance of A Shares of the Company

By Order of the Board
Guolian Securities Co., Ltd.
Yao Zhiyong
Chairman

Wuxi, Jiangsu Province, the PRC
10 February 2021

Notes:

1. In order to determine the entitlement to attend and vote at the H Shareholders' Class Meeting of the Company to be held on Monday, 1 March 2021, the register of Shareholders of the Company will be closed from Tuesday, 23 February 2021 to Monday, 1 March 2021 (both days inclusive) during which period no transfer of shares will be effected.

Holders of H shares whose name appear on our register of members on Tuesday, 23 February 2021 shall be entitled to attend the H Shareholders' Class Meeting. For shareholders who wish to attend and vote at H Shareholders' Class Meeting, the relevant share certificates accompanied by all transfer documents must be lodged with the Company's H Shares registrar ("**H Shares registrar**"), Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Monday, 22 February 2021 for registration.

2. Shareholders who are entitled to attend and vote at the H Shareholders' Class Meeting may appoint one or more proxies to attend and, in the event of a poll, vote on their behalves. A proxy need not be a Shareholder.
3. The instrument appointing a proxy must be in writing under the hand of a shareholder or his attorney duly authorised in writing. If the shareholder is a corporation, that instrument must be executed either under its seal or under the hand of its director or other attorney duly authorised to sign the same.
4. In order to be valid, the proxy form must be deposited, for the H Shareholders, to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, by 1 p.m. on Friday, 26 February 2021 (Hong Kong time). Completion and return of the proxy form will not preclude shareholders from attending and voting in person at the H Shareholders' Class Meeting should you so wish.

NOTICE OF THE H SHAREHOLDERS' CLASS MEETING

5. Shareholders or their proxies shall produce their identity documents and supporting documents in respect of shares held or proxy form signed by the shareholder (or shareholder's authorized person) when attending the H Shareholders' Class Meeting.
6. The H Shareholders' Class Meeting is expected to be held for less than half a day. Shareholders who intend to attend the H Shareholders' Class Meeting shall arrange and bear their own transportation and accommodation expenses.
7. The name and address of the Company's H shares registrar in Hong Kong are as follows:

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Hong Kong

8. Where there are joint registered holders of any Share(s), any one of such joint holders may attend and vote at the H Shareholders' Class Meeting, either in person or by proxy, in respect of such Share(s) as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the H Shareholders' Class Meeting, the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

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