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



招商证券股份有限公司
China Merchants Securities Co., Ltd.

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

(Stock Code: 6099)

**(1) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO
RENEWAL OF THE SECURITIES AND FINANCIAL PRODUCTS,
TRANSACTIONS AND SERVICES FRAMEWORK AGREEMENTS
(2) PROPOSED APPOINTMENT OF DIRECTORS
(3) PROPOSED AMENDMENTS TO THE RULES FOR
INDEPENDENT DIRECTORS OF THE COMPANY
(4) PROPOSED AMENDMENTS TO THE ADMINISTRATIVE
MEASURES ON THE PROCEEDS RAISED BY THE COMPANY
(5) PROPOSED FORMULATION OF THE ADMINISTRATIVE
MEASURES ON THE EXTERNAL DONATIONS OF THE COMPANY
(6) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND
(7) NOTICE OF THE 2022 SECOND EXTRAORDINARY
GENERAL MEETING**

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



**Lego Corporate
Finance Limited**
力高企業融資有限公司

A letter from the Board is set out on pages 5 to 77 of this circular.

A notice convening the EGM of the Company to be held at China Merchants Securities Building, No. 111 Fuhua Yi Road, Futian Street, Futian District, Shenzhen, Guangdong Province, the PRC on Tuesday, November 29, 2022 at 10 a.m. is set out on pages N-1 to N-4 of this circular.

The proxy form for use at the EGM is enclosed with this circular for despatch to the Shareholders. Please complete and return the proxy form in accordance with the instructions printed thereon as soon as practicable and in any event not less than 24 hours before the time stipulated for the holding of the EGM and deposit it together with the notarised power of attorney or other document of authorization with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited (for holders of H Shares). Completion and return of the proxy form will not preclude you from attending and voting at the EGM in person.

November 9, 2022

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DEFINITIONS

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

“2016 CMG Framework Agreement”	the Securities and Financial Products, Transactions and Services Framework Agreement entered into between the Company and China Merchants Group on September 21, 2016
“2019 CMG Framework Agreement”	the Securities and Financial Products, Transactions and Services Framework Agreement entered into between the Company and China Merchants Group on May 21, 2019
“2019 Half Year Agreement”	the Securities and Financial Products, Transactions and Services Framework Agreement entered into between the Company and China Merchants Group on February 15, 2019
“2020 COSCO Framework Agreement”	the Securities and Financial Products, Transactions and Services Framework Agreement entered into between the Company and COSCO Shipping on December 30, 2020
“2022 CMG Framework Agreement”	the Securities and Financial Products, Transactions and Services Framework Agreement entered into between the Company and China Merchants Group on May 27, 2022
“2022 COSCO Framework Agreement”	the Securities and Financial Products, Transactions and Services Framework Agreement entered into between the Company and COSCO Shipping on May 27, 2022
“A Share(s)”	PRC domestic listed share(s) with a par value of RMB1.00 each in the share capital of the Company, listed on the Shanghai Stock Exchange and traded in RMB
“Articles of Association”	the articles of association of the Company, as amended from time to time
“associate(s)”	has the meaning ascribed to this term under the Listing Rules
“Board” or “Board of Directors”	the board of Directors of the Company

DEFINITIONS

“China Merchants Bank”	China Merchants Bank Co., Ltd. (招商銀行股份有限公司) (including its headquarters, branches and subsidiaries), a commercial bank established in the PRC in March 1987, and as at the Latest Practicable Date, China Merchants Group, being its shareholder, holds approximately 29.97% of its equity interest
“China Merchants Fund”	China Merchants Fund Management Co., Ltd. (招商基金管理有限公司), which is owned as to 45% by the Company and 55% by China Merchants Bank respectively
“China Merchants Group”	China Merchants Group Limited (招商局集團有限公司), a wholly state-owned enterprise established in the PRC in October 1986, and is a controlling shareholder of the Company
“CMS Asset Management”	China Merchants Securities Asset Management Co., Ltd. (招商證券資產管理有限公司), a wholly-owned subsidiary of the Company
“Company”	China Merchants Securities Co., Ltd., a joint stock company incorporated in the PRC in August 1993 with limited liability, the H Shares and A Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 6099) and on the Shanghai Stock Exchange (stock code: 600999), respectively
“connected person(s)”	has the meaning ascribed to this term under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to this term under the Listing Rules
“COSCO Shipping”	China COSCO Shipping Corporation Limited (中國遠洋海運集團有限公司), a wholly state-owned enterprise established in the PRC in February 2016, and is a substantial shareholder of the Company
“COSCO Shipping Leasing”	COSCO SHIPPING Leasing Co., Ltd. (中遠海運租賃有限公司), currently known as Haifa Baocheng Financial Leasing Co., Ltd. (海發寶誠融資租賃有限公司), a company established in the PRC with limited liability and a 30%-controlled company by COSCO Shipping

DEFINITIONS

“CSRC”	China Securities Regulatory Commission
“Director(s)”	director(s) of the Company
“EGM”	the 2022 second extraordinary general meeting to be held by the Company at China Merchants Securities Building, No. 111 Fuhua Yi Road, Futian Street, Futian District, Shenzhen, Guangdong Province, the PRC on Tuesday, November 29, 2022 at 10 a.m. or its any adjournment thereof (as the case may be)
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas-listed foreign shares in the share capital of the Company with nominal value of RMB1.00 each, listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors
“Independent Financial Adviser”	Lego Corporate Finance Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the 2022 CMG Framework Agreement and the 2022 COSCO Framework Agreement, and the transactions contemplated thereunder (including the Proposed Annual Caps)
“Independent Shareholders”	in respect of the resolution regarding entering into of the 2022 CMG Framework Agreement, means Shareholders other than China Merchants Group and its associates; in respect of the resolution regarding entering into of the 2022 COSCO Framework Agreement, means Shareholders other than COSCO Shipping and its associates

DEFINITIONS

“Latest Practicable Date”	November 4, 2022, being the latest practicable date for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“PRC”	the People’s Republic of China, and for the purposes of this circular only, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Proposed Annual Caps”	the Proposed CMG Annual Caps and the Proposed COSCO Annual Caps
“Proposed CMG Annual Caps”	the proposed annual caps for the transactions contemplated under the 2022 CMG Framework Agreement
“Proposed COSCO Annual Caps”	the proposed annual caps for the transactions contemplated under the 2022 COSCO Framework Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each comprising A Shares and H Shares
“Shareholder(s)”	holder(s) of the Share(s)
“Supervisor”	supervisors of the Company
“SSE”	Shanghai Stock Exchange
“SZSE”	Shenzhen Stock Exchange
“%”	per cent.

LETTER FROM THE BOARD



招商证券股份有限公司
China Merchants Securities Co., Ltd.

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

(Stock Code: 6099)

Executive Directors:

Mr. HUO Da (*Chairman of the Board*)

Mr. WU Zongmin (*President*)

Non-executive Directors:

Mr. LIU Weiwu

Mr. DENG Weidong

Ms. SU Min

Ms. PENG Lei

Mr. GAO Hong

Mr. HUANG Jian

Mr. WANG Wen

Independent Non-executive Directors:

Mr. XIANG Hua

Mr. XIAO Houfa

Mr. XIONG Wei

Mr. HU Honggao

Mr. WONG Ti

Registered Office:

No.111, Fuhua Yi Road

Futian Street

Futian District

Shenzhen Guangdong

the PRC

Principal Place of Business

in Hong Kong:

48/F, One Exchange Square

8 Connaught Place

Central

Hong Kong

November 9, 2022

To the Shareholders

Dear Sir or Madam,

- (1) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO
RENEWAL OF THE SECURITIES AND FINANCIAL PRODUCTS,
TRANSACTIONS AND SERVICES FRAMEWORK AGREEMENTS**
- (2) PROPOSED APPOINTMENT OF DIRECTORS**
- (3) PROPOSED AMENDMENTS TO THE RULES FOR INDEPENDENT
DIRECTORS OF THE COMPANY**
- (4) PROPOSED AMENDMENTS TO THE ADMINISTRATIVE
MEASURES ON THE PROCEEDS RAISED BY THE COMPANY**
- (5) PROPOSED FORMULATION OF THE ADMINISTRATIVE
MEASURES ON THE EXTERNAL DONATIONS OF THE COMPANY**
- (6) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND**
- (7) NOTICE OF THE 2022 SECOND EXTRAORDINARY
GENERAL MEETING**

I. INTRODUCTION

The purpose of this circular is to provide you, as holders of H Shares, with the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the proposed resolutions at the EGM.

LETTER FROM THE BOARD

At the EGM, ordinary resolutions will be proposed to consider and approve (i) the continuing connected transactions in relation to the renewal of the securities and financial products, transactions and service framework agreements; (ii) the proposed appointment of Directors; (iii) the proposed amendments to the Rules for Independent Directors of the Company; (iv) the proposed amendments to the Administrative Measures on the Proceeds Raised by the Company; (v) the proposed formulation of the Administrative Measures on the External Donations of the Company. Special resolution will be proposed to consider and approve (vi) the proposed amendments to the Articles of Association.

II. CONTINUING CONNECTED TRANSACTIONS IN RELATION TO RENEWAL OF THE SECURITIES AND FINANCIAL PRODUCTS, TRANSACTIONS AND SERVICES FRAMEWORK AGREEMENTS

Reference is made to the announcement of the Company dated May 27, 2022, in relation to, among others, the entering into of the 2022 CMG Framework Agreement and the 2022 COSCO Framework Agreement.

1. The 2022 CMG Framework Agreement

References are made to (i) the prospectus for the global offering of H Shares of the Company dated September 27, 2016, (ii) the announcement of the Company dated February 15, 2019, and (iii) the announcement of the Company dated May 21, 2019, respectively, in relation to, among others, the continuing connected transactions under the 2016 CMG Framework Agreement, the 2019 Half Year Agreement and the 2019 CMG Framework Agreement. Reference is also made to the announcement of the Company dated May 27, 2022 in relation to the 2022 CMG Framework Agreement entered into between the Company and the China Merchants Group.

As (i) the validity of the 2019 CMG Framework Agreement expired on December 31, 2021; and (ii) the Group and China Merchants Group and/or its associates expect to continually conduct securities and financial transactions with each other and provide securities and financial products to each other, and the Group expects to continually provide financial services to China Merchants Group and/or its associates thereafter in the ordinary course of business based on normal commercial terms and market practices at prevailing market prices or rates, the Company entered into the 2022 CMG Framework Agreement with China Merchants Group on May 27, 2022 to renew the 2019 CMG Framework Agreement. The term of the 2022 CMG Framework Agreement shall take effect upon obtaining the approval from the Independent Shareholders, and shall expire on December 31, 2024.

LETTER FROM THE BOARD

The principal terms of the 2022 CMG Framework Agreement are set out as follows:

Date

May 27, 2022

Parties

1. The Company; and
2. China Merchants Group

Term

The term of the 2022 CMG Framework Agreement shall take effect upon obtaining the approval from the Independent Shareholders, and shall expire on December 31, 2024.

Scope of the Transactions and Services

1. Securities and financial products and transactions

All the securities and financial products and transactions between the Group and China Merchants Group and/or its associates have been provided to each other and conducted in the usual course of business pursuant to normal commercial terms. Such securities and financial products and transactions are related to securities and financial products and transactions conducted in the inter-bank bond markets, exchange bond markets, exchanges (including stock exchanges, futures exchanges, the Shanghai Gold Exchange and the China Foreign Exchange Trade System) and other over-the-counter (“OTC”) markets. The securities and financial transactions to be conducted between the Group and China Merchants Group and/or its associates and the securities and financial products to be provided to each other include (but are not limited to) (i) fixed-income products or transactions, (ii) equity products or transactions, (iii) financing transactions, and (iv) other securities and financial products and transactions as permitted by regulatory authorities.

LETTER FROM THE BOARD

Pursuant to the 2022 CMG Framework Agreement, the securities and financial transactions to be conducted between the Group and China Merchants Group and/or its associates and the securities and financial products to be provided to each other include (but are not limited to):

- (1) fixed-income products or transactions – including bonds, funds with fixed-income features, trust, wealth management products, asset management schemes, asset securitization products, convertible bonds, structured products, interest rates and credit risk derivative products and other fixed-income products or transactions;
- (2) equity products or transactions – including stocks, equity, funds with equity features, trust, wealth management products, asset management schemes and equity derivative products or transactions;
- (3) financing transactions – including interbank lendings, repurchase, transfer of income right, pledged loans, reciprocal holding of debt certificates including but not limited to short-term financing bills, beneficiary certificates, subordinated bonds, corporate bonds and asset-backed securities, etc.; and
- (4) other related securities and financial products and derivative products – including swaps, futures, forward contracts, commodities and foreign exchange.

2. Financial services

The Group provides various financial services to its clients, which include China Merchants Group and/or its associates, in its ordinary course of business. Due to the expertise and professional capabilities of the Group, the Group has been engaged by China Merchants Group and/or its associates to provide financial services including but not limited to (i) underwriting and sponsoring services, (ii) other investment banking services, and (iii) other financial services, from time to time.

LETTER FROM THE BOARD

Pursuant to the 2022 CMG Framework Agreement, the financial services to be provided by the Group to China Merchants Group and/or its associates include (but are not limited to):

- (1) underwriting and sponsoring services – including the underwriting and sponsoring of equity and bonds. The Group shall receive underwriting commissions and sponsoring fees for such services;
- (2) other investment banking services – including financial advisory services for, among others, mergers and acquisitions and restructuring. The Group shall receive financial advisory fees and/or other fees for such services; and
- (3) other financial services (excluding brokerage, agency sale of financial products and investment advisory services).

Pricing Basis

1. Securities and financial products and transactions

The securities and financial products and transactions are conducted through the PRC inter-bank bond market and the PRC exchange bond market, exchanges (including stock exchanges, futures exchanges, the Shanghai Gold Exchange and the China Foreign Exchange Trade System) and other OTC markets.

The transaction prices and related fees for each type of the securities and financial products and transactions shall be determined by the prevailing market price or the market price normally applicable to independent third parties for similar types of products and transactions as referred in the 2022 CMG Framework Agreement at the time of the transaction. The pricings of such transactions are also subject to strict PRC regulatory supervision and requirements of the applicable PRC laws and regulations.

The fixed-income products and transactions conducted in the PRC are mainly conducted through inter-bank bond markets and securities markets (through centralised bidding transaction mechanism, block trade platform and fixed-income platform). Except for centralised bidding transactions conducted at securities markets, pricing of transactions conducted at inter-bank bond markets, block trade platform and fixed-income platform of securities markets is determined mainly with reference to the bond valuation published by China Central Depository & Clearing Co., Ltd. (the “CCDC”) and China Securities Depository and Clearing Corporation Limited (the “CSDC”). The price quotations of the transactions conducted at inter-bank bond markets shall be within 2% of the valuation published by the CCDC. Otherwise, such transactions must be reported to the CCDC. Abnormal pricing, if without reasonable reason(s), may result in warning or penalty by the regulatory institution(s). For fixed-income products and transactions

LETTER FROM THE BOARD

conducted at securities markets, prices of centralised bidding transactions are prevailing market prices and non-centralised bidding transactions are determined mainly with reference to the bond valuation published by the CSDC. In terms of subscriptions by the Group of the fixed-income financial instruments issued by China Merchants Group and/or its associates, or subscription by China Merchants Group and/or its associates of such financial instruments issued by the Group, the subscription price is determined by the issuers of such financial instruments with reference to the valuation published by the CCDC of financial instruments of similar credit quality with a similar term, and is the same subscription price as the subscriptions by other investors. Both the Group and China Merchants Group and/or its associates are required to satisfy and comply with the relevant PRC administrative rules, regulations and measures regulating issuance, including pricing determination, of their financial instruments. In addition, fixed-income products conducted outside the PRC are mainly conducted through the OTC markets and pricing of the transactions is determined mainly with reference to the market price quotations obtained from market makers.

For equity products and transactions, certain of these products and transactions are conducted through securities markets (including stock exchanges) and majority of which are conducted through system(s), where the counterparties do not have knowledge of the identities with each other and the transaction prices are based on the quotes made by the counterparties in the market. The Company could access to the trading systems of the relevant exchanges to obtain the real-time quotations of the relevant securities and financial products. For equity products of which no reference market price can be obtained from the market, the Group will mainly make reference to the market-based valuation methods and the market price of products of similar nature to ascertain the price.

For financing transactions, (i) in terms of interbank lendings and interbank market repurchases, they are variably quoted based on SHIBOR of the National Interbank Funding Center and the time-weighted rate of repurchase at the front office along with certain factors, such as assessment of prevailing capital adequacy, the credit quality of counterparties and the quality of collaterals, such as pledged bonds. The pricings of such transactions are also subject to strict PRC regulatory supervision and requirements of the applicable PRC laws and regulations; and (ii) in terms of subscriptions by the Group of the financial instruments offered by China Merchants Group and/or its associates, or subscriptions by China Merchants Group and/or its associates of such financial instruments issued by the Group, the subscription price is determined by the issuers of such financial instruments with reference to the valuation published by the CCDC of financial instruments of similar credit quality with a similar term, and is the same subscription price as the subscriptions by other investors. The Group and China Merchants Group and/or its associates are required to satisfy and comply with the relevant PRC administrative rules, regulations and measures regulating issuance, including pricing determination, of their financial instruments.

LETTER FROM THE BOARD

The pricing in respect of transactions in OTC derivatives is determined mainly (i) based on the derivative pricing models, such as Monte Carlo simulation, B-S model; or (ii) with reference to the expected changes in the price of relevant subject.

For bullion products, futures and foreign exchange products tradings, such transactions are mainly conducted on the Shanghai Gold Exchange, the China Financial Futures Exchange and the China Foreign Exchange Trade System. Call auction mechanism or quote request mechanism is mainly adopted in these exchanges and the pricing is primarily determined with reference to the turnover of a particular securities and financial product. The Company has access to the trading systems of the relevant exchanges to obtain the real-time quotations of the relevant securities and financial products.

Securities and financial products and transactions also include subscriptions of funds, trust, wealth management products and asset management schemes (the “**Products**”). The pricing of such transactions is determined based on the unit net value of the relevant Products on the date of transaction. The unit net value of such Products is calculated by dividing the net asset value of the Products by the total number of the fund units. The net asset value of the Products is the sum of the values of various marketable securities and notes, principals and interests of bank deposits, fund subscription monies receivables and other assets invested by such Products, less the liabilities of such Products, the calculation of which shall be in compliance with the China Accounting Standards for Business Enterprises. The net value of such Products are audited by a manager, reviewed by a custodian and confirmed by an external audit firm on a regular basis. The calculation of the unit net value of the Products is set forth in the relevant fund contract and prospectus, and equally applies to all investors of the Products.

To ensure that the above transactions with China Merchants Group and/or its associates are on normal commercial terms and to safeguard the interests of the Shareholders as a whole, including the minority Shareholders, the Group has put in place internal approval and monitoring procedures relating to the connected transactions, the details of which are set out in the section headed “Internal Control Measures of Continuing Connected Transactions” below.

LETTER FROM THE BOARD

2. Financial services

The pricing basis for the financial services to be provided by the Group to China Merchants Group and/or its associates is as follows:

- (1) underwriting and sponsoring services – underwriting commissions and sponsoring fees shall be determined by arm's length negotiation after taking into account numerous factors including the prevailing market conditions, size of the proposed issue and commission rates of recent issues of similar nature and size in the market generally as well as the rates that the Group charges from independent third parties. With respect to the equity-related underwriting and sponsor services, the fees are determined with reference to the prevailing market rates for transactions of similar type and size and taking into account the nature of the particular offering, the size of the transaction, the complexity of the transaction, the frequency the relevant customer engaging in transactions with the Company and the prevailing market conditions. Based on the above-mentioned factors, the fees are determined through competitive bidding and business negotiation or with reference to the standard fee charged by independent third parties in other similar projects.

With respect to the underwriting fees for enterprise bonds, the Company refers mainly to the standard underwriting fee proposed under the Notice of National Development and Reform Commission regarding Certain Matters on Instructing the Issue Size and Issue Approval for the First Batch of Enterprise Bonds in 2007 (《國家發展改革委關於下達二零零七年第一批企業債券發行規模及發行核准有關問題的通知》) and makes corresponding adjustments after taking into account the enterprise bond issuer's qualifications and market conditions.

With respect to the underwriting fees for corporate bonds, asset securitization products and other interbank products, as there is no guidance formulated by the competent authorities on the underwriting fees of such products, the underwriting fees among the industry vary according to the issuer, type and term of the products. The rate charged by the Company generally ranges from 0.01% to 1.5%, which is mainly determined based on the above-mentioned factors and negotiations with issuer and competitive bidding;

LETTER FROM THE BOARD

- (2) other investment banking services – financial advisory fees and other service fees shall be determined after taking into account factors including the transaction nature and size, and the prevailing market conditions. As at the Latest Practicable Date, it was estimated that the range of financial advisory fees for each case is approximately from RMB one million to RMB several ten million. The range of financial advisory fees and other service fees shall be determined in accordance with the nature and complexity of such transactions and then prevailing market rates for financial advisory fees and the relevant service fees for similar transactions; and
- (3) other financial services – other financial service fees shall be determined after taking into account factors including market prices and industry practices, with reference to price level in respect of similar financial services provided by the Group to independent third parties.

The terms, including pricing terms, between China Merchants Group and/or its associates and the Group to be entered into in respect of the provision of financial services above to be provided by the Group shall be comparable to those offered to the Group's other institutional clients of a similar size and with similar transaction volume who are independent third parties, and shall be subject to the same internal approval and monitoring procedures and pricing policies applicable to independent third party clients. For more details, please refer to the section headed "Internal Control Measures of Continuing Connected Transactions" below.

Condition Precedent

The 2022 CMG Framework Agreement is conditional upon the obtaining of the approval from the Independent Shareholders.

As the 2019 CMG Framework Agreement expired on December 31, 2021 and the EGM will be convened on November 29, 2022, the Company will ensure to comply with the Listing Rules regarding the continuing connected transactions from January 1, 2022 to the date of convening the EGM.

LETTER FROM THE BOARD

Miscellaneous

The Company and China Merchants Group agreed that under Rule 14A.54 of the Listing Rules, if at any time during the term of the 2022 CMG Framework Agreement, the total transaction amount may or is expected to exceed the Proposed CMG Annual Caps and thus requires re-approval from the Independent Shareholders, the Group shall fulfil all applicable and necessary regulatory obligations under the Listing Rules as soon as practicable. Before the fulfilment of all relevant regulatory requirements, both parties agreed to use their best efforts to prevent the aggregated amount for the relevant transaction in such year from exceeding the relevant monetary cap. Otherwise, the execution of relevant transactions under the 2022 CMG Framework Agreement shall be suspended.

Historical Figures

1. Securities and financial products and transactions

The approximate historical figures of securities and financial products and transactions between the Group and China Merchants Group and/or its associates for the three years ended December 31, 2021 were as follows:

	Historical figures⁽³⁾ (RMB million)		
	For the year ended December 31, 2019	For the year ended December 31, 2020	For the year ended December 31, 2021
Securities and financial products and transactions			
Inflow ⁽¹⁾	1,753.52	6,752.11	1,793.08
Outflow ⁽²⁾	1,302.80	7,258.64	1,174.12

Notes:

- (1) "Inflow" refers to the Group's total cash inflow arising from the sale of fixed-income products, equity products and derivative products to, transactions with, and/or borrowing/repurchase from financing transactions with, China Merchants Group and/or its associates.
- (2) "Outflow" refers to the Group's total cash outflow arising from the purchase of fixed-income products, equity products and derivative products from, transactions with, and/or lending/resale from financing transactions with, China Merchants Group and/or its associates.
- (3) The approximate historical figures do not include the figures concerning the transactions between the Group, on the one hand, and China Merchants Bank or China Merchants Fund, on the other hand.

LETTER FROM THE BOARD

The Group, on the one hand, and China Merchants Group and/or its associates, on the other hand, have conducted the following securities and financial products transactions during the period from January 1, 2022 to the Latest Practicable Date:

Date	Parties	Transaction nature	Transaction amount (RMB million)
Cash inflow			
May 9, 2022 to May 10, 2022	(i) the Company; and (ii) China Merchants Group	Cash inflow from the payment of the principal and interest of bonds of China Merchants Group purchased by the Company	104.66
Cash outflow			
March 16, 2022	(i) the Company; and (ii) Yingkou Port Group Corporation Limited (營口港務集團有限公司), a subsidiary of China Merchants Group	Cash outflow from the purchase by the Company of bonds issued by Yingkou Port Group Corporation Limited (營口港務集團有限公司)	20
January 19, 2022	(i) CMS Asset Management; and (ii) Liaoning Port Group Co., Ltd. (遼寧港口集團有限公司), a subsidiary of China Merchants Group	Cash outflow from the purchase by CMS Asset Management of bonds issued by Liaoning Port Group Co., Ltd. (遼寧港口集團有限公司)	50
Total cash outflow			70

2. Financial services

The approximate historical figures of revenue generated by the Group from providing financial services to China Merchants Group and/or its associates for the three years ended December 31, 2021 were as follows:

	Historical figures⁽¹⁾ (RMB million)		
	For the year ended December 31, 2019	For the year ended December 31, 2020	For the year ended December 31, 2021
Financial services			
Revenue generated by the Group	136.94	31.85	36.06

Note:

- (1) The approximate historical figures do not include the figures concerning the transactions between the Group, on the one hand, and China Merchants Bank or China Merchants Fund, on the other hand.

LETTER FROM THE BOARD

The Group has provided the following financial services to China Merchants Group and/or its associates during the period from January 1, 2022 to the Latest Practicable Date:

Date	Parties	Transaction nature	Transaction amount (RMB million)
February 15, 2022	(i) the Company; and (ii) China Merchants Property Management Co., Ltd. (招商局物業管理有限公司), a subsidiary of China Merchants Group	Provision of financial advisory service	5.19
July 25, 2022	(i) the Company; and (ii) China Merchants Investment Development Company Limited (招商局投資發展有限公司), a subsidiary of China Merchants Group	Provision of financial advisory service	0.85
September 1, 2022	(i) the Company; and (ii) China Merchants Property Management Co., Ltd. (招商局物業管理有限公司), a subsidiary of China Merchants Group	Provision of financial advisory service	0.94
September 7, 2022	(i) the Company; and (ii) AVIC Property Management Co., Ltd. (中航物業管理有限公司), a subsidiary of China Merchants Group	Provision of financial advisory service	0.94
March 21, 2022	(i) the Company; and (ii) Liaoning Port Group Co., Ltd. (遼寧港口集團有限公司), a subsidiary of China Merchants Group	Provision of underwriting service	2.17

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Date	Parties	Transaction nature	Transaction amount (RMB million)
March 21, 2022	(i) the Company; and (ii) Yingkou Port Group Corporation Limited (營口港務集團有限公司), a subsidiary of China Merchants Group	Provision of underwriting service	1.47
March 21, 2022	(i) the Company; and (ii) Dalian Port Corporation Limited (大連港集團有限公司), a subsidiary of China Merchants Group	Provision of underwriting service	2.17
March 23, 2022	(i) the Company; and (ii) China Merchants Shekou Industrial Zone Holdings Co., Ltd. (招商局蛇口工業區控股股份有限公司), a subsidiary of China Merchants Group	Provision of underwriting service	1.93
April 29, 2022 and June 24, 2022	(i) the Company; and (ii) Liaoning Port Co., Ltd. (遼寧港口股份有限公司), a subsidiary of China Merchants Group	Provision of underwriting service	3.02
June 20, 2022	(i) the Company; and (ii) China Merchants Life Insurance Company Limited (招商局仁和人壽保險股份有限公司), a subsidiary of China Merchants Group	Provision of underwriting service	0.18

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Date	Parties	Transaction nature	Transaction amount (RMB million)
July 20, 2022	(i) the Company; and (ii) China Merchants Shekou Industrial Zone Holdings Co., Ltd. (招商局蛇口工業區控股股份有限公司), a subsidiary of China Merchants Group	Provision of underwriting service	0.68
July 15, 2022	(i) the Company; and (ii) China Merchants Shekou Industrial Zone Holdings Co., Ltd. (招商局蛇口工業區控股股份有限公司), a subsidiary of China Merchants Group	Provision of underwriting service	0.28
July 19, 2022	(i) the Company; and (ii) Dalian Port Corporation Limited (大連港集團有限公司), a subsidiary of China Merchants Group	Provision of underwriting service	0.94
September 9, 2022	(i) the Company; and (ii) China Merchants Port Group Co., Ltd. (招商局港口集團股份有限公司), a subsidiary of China Merchants Group	Provision of underwriting service	1.02
September 9, 2022	(i) the Company; and (ii) China Merchants Port Group Co., Ltd. (招商局港口集團股份有限公司), a subsidiary of China Merchants Group	Provision of underwriting service	1.02

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Date	Parties	Transaction nature	Transaction amount (RMB million)
September 14, 2022	(i) the Company; and (ii) China Merchants Port Group Co., Ltd. (招商局港口集團股份有限公司), a subsidiary of China Merchants Group	Provision of underwriting service	0.68
September 23, 2022	(i) the Company; and (ii) China Merchants Port Group Co., Ltd. (招商局港口集團股份有限公司), a subsidiary of China Merchants Group	Provision of underwriting service	12.74
September 30, 2022	(i) the Company; and (ii) Shenzhen Merchants Ping An Asset Management Co., Ltd. (深圳市招商平安資產管理有限責任公司), a subsidiary of China Merchants Group	Provision of underwriting service	0.47
Total			36.69

Note:

- The transaction amount is rounded to the nearest two decimal places and the aggregate transaction amount may not add up to the total transaction amount of RMB36.69 million due to rounding.

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As the highest of the applicable percentage ratios in respect of each of the following transactions: (i) the securities and financial products and transactions between the Group and China Merchants Group and/or its associates during the period from January 1, 2022 to the Latest Practicable Date, and (ii) the transactions regarding provision of financial services by the Group to China Merchants Group and/or its associates during the period from January 1, 2022 to the Latest Practicable Date is less than 0.1%, these transactions are fully exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. As such, the Board is of the view that in respect of the above-mentioned transactions, the Company has complied with the requirements under Chapter 14A of the Listing Rules.

Proposed CMG Annual Caps

In setting the Proposed CMG Annual Caps under the 2016 CMG Framework Agreement, it was assumed that China Merchants Bank would become a connected person of the Company. However, as at the Latest Practicable Date, China Merchants Group holds approximately 29.97% in aggregate of the equity interests in China Merchants Bank, thus China Merchants Bank is not a connected person of the Company. Accordingly, similar to the 2019 Half Year Agreement and the 2019 CMG Framework Agreement, the transactions that were or might be carried out between the Group and China Merchants Bank were not taken into consideration when determining the Proposed CMG Annual Caps under the 2022 CMG Framework Agreement. In addition, considering that (i) China Merchants Group holds 45% equity interest in China Merchants Fund through the Company; and (ii) neither China Merchants Group nor any of its associates (China Merchants Bank is not an associate of China Merchants Group) has a direct interest in China Merchants Fund, China Merchants Fund is not an associate of China Merchants Group and is therefore not a connected person of the Company. Accordingly, transactions that were or might be carried out between the Group and China Merchants Fund were not taken into consideration when determining the Proposed CMG Annual Caps under the 2022 CMG Framework Agreement. The Company will make further announcement(s) as and when appropriate to provide updates to the Shareholders about the relationship between China Merchants Bank and the Group.

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The Proposed CMG Annual Caps for the transaction amounts under the 2022 CMG Framework Agreement are as follows:

1. Securities and financial products and transactions

The Company considers that it is impracticable and extremely difficult to set a separate cap for each category of the securities and financial products and transactions for the following main reasons: (i) the securities and financial products and transactions are frequently conducted at the prevailing market prices in the ordinary and usual course of business of the Group. Such transactions are market-driven and are entered into depending on various factors including the bidding price and timing; (ii) most of these transactions are conducted within a very short timeframe and are very sensitive to market prices; (iii) as the variety and characteristics of products are experiencing rapid innovations in the ever-changing securities and financial market, it is difficult to precisely estimate when new products will be launched, however, once new securities and financial products and transactions are launched, it is expected that the total inflow and the total outflow of securities and financial products and transactions between China Merchants Group and/or its associates and the Group will increase; (iv) all such transactions will continue to be entered into at the prevailing market prices in the ordinary and usual course of business of the Group; and (v) if an annual cap is set for each category of these transactions, it would cause significant delay to such transactions and harm to the Group's existing operations and potential growth to the detriment of the Company and the Shareholders as a whole and restrict the Company's overall competitiveness in a highly competitive securities industry. In light of the above, the Company considers that it is more practicable to set a cap for the total inflow and the total outflow of all the securities and financial products and transactions under the 2022 CMG Framework Agreement, instead of a separate cap for each category of those products and transactions.

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The Proposed CMG Annual Caps of expected total inflow⁽¹⁾ amount and expected total outflow⁽²⁾ amount of the securities and financial products and transactions between the Group and China Merchants Group and/or its associates under the 2022 CMG Framework Agreement for each of the three years ending December 31, 2024 are as follows:

	The Proposed CMG Annual Caps (<i>RMB million</i>)		
	For the year ending December 31, 2022	For the year ending December 31, 2023	For the year ending December 31, 2024
Securities and financial products and transactions			
Inflow ⁽¹⁾	2,900	7,500	7,500
Outflow ⁽²⁾	2,500	11,660	11,670

Notes:

- (1) “Inflow” refers to the Group’s total cash inflow arising from the sale of fixed-income products, equity products and derivative products to, transactions with, and/or borrowing/repurchase from financing transactions with, China Merchants Group and/or its associates.
- (2) “Outflow” refers to the Group’s total cash outflow arising from the purchase of fixed-income products, equity products and derivative products from, transactions with, and/or lending/resale from financing transactions with, China Merchants Group and/or its associates.
- (3) At the meeting convened on May 27, 2022, the Board set (i) the proposed annual cap on total inflow to RMB7,000 million and (ii) the proposed annual cap on total outflow to RMB11,150 million for the year ending December 31, 2022 under the 2022 CMG Framework Agreement for securities and financial products and transactions conducted by the Group with China Merchants Group and/or its associates. Take into consideration that the 2022 CMG Framework Agreement is not yet effective up to the Latest Practicable Date, the Group has imposed limitations on the securities and financial products and transactions with China Merchants Group and/or its associates, as a result the transaction amount for the securities and financial products and transactions between the Group and China Merchants Group and/or its associates for the period from January 1, 2022 to the Latest Practicable Date was much lower than the normal historical figures, and at the meeting convened on October 28, 2022, the Board resolved to lower (i) the proposed annual cap on total inflow to RMB2,900 million and (ii) the proposed annual cap on total outflow to RMB2,500 million for the year ending December 31, 2022 under the 2022 CMG Framework Agreement for securities and financial products and transactions conducted by the Group with China Merchants Group and/or its associates.

In estimating the Proposed CMG Annual Caps of the total inflow amount and the total outflow amount of the securities and financial products and transactions between the Group and China Merchants Group and/or its associates for the three years ending December 31, 2024, the Group has considered, among other things, the following key factors:

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- approximate historical figures of the total inflow amount and the total outflow amount of those securities and financial products and transactions between the Group and China Merchants Group and/or its associates for the three years ended December 31, 2021;
- approximate historical figures of the total inflow amount and the total outflow amount of those securities and financial products and transactions between the Group and China Merchants Group and/or its associates during the period from January 1, 2022 to the Latest Practicable Date, and as 2022 CMG Framework Agreement is not yet effective up to the Latest Practicable Date, the Group has imposed limitations on the securities and financial products and transactions with China Merchants Group and/or its associates, resulting in a far lower respective historical figures than the normal historical figures;
- it is estimated that (i) for the year ending December 31, 2022, the total inflow and outflow amount from the purchase and redemption of the products (including monetary products, fixed-income products, equity products and customized products) managed by CMS Asset Management, a wholly-owned subsidiary of the Company, by China Merchants Group and/or its associates will be approximately RMB2.0 billion and RMB2.0 billion, respectively; and (ii) for each of the two years ending December 31, 2024, the total inflow and outflow amount from the purchase and redemption of the products (including monetary products, fixed-income products, equity products and customized products) managed by CMS Asset Management, a wholly-owned subsidiary of the Company, by China Merchants Group and/or its associates will be approximately RMB3 billion, respectively, which was estimated based on the following facts:
 - i. for each of 2019, 2020 and 2021, the inflow from the purchase of the products managed by CMS Asset Management, a wholly-owned subsidiary of the Company, by China Merchants Group and/or its associates was approximately RMB0.113 billion, RMB6.532 billion and RMB99 million, respectively, and the outflow from the redemption of such products was approximately RMB0.113 billion, RMB6.533 billion and RMB99 million, respectively, among which, relatively higher amounts of inflow and outflow recorded in 2020 were due to the purchase of the monetary products managed by CMS Asset Management by associates of China Merchants Group with the margin intended to be used for participation in the issue of rights shares of the Company;

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- ii. China Merchants Group and/or its associates have set up securities trading accounts at the Company, which could be used for the subscription of the shares issued by listed companies or potential listed companies. The amounts of such transactions are normally higher but the frequency would be lower. As the purchase and redemption of the monetary products managed by CMS Asset Management may be conducted in a shorter period before subscription, thus it is required to reserve a certain buffer amount;
- iii. it is estimated that the inflow from the purchase of asset management scheme products like monetary and fixed-income products managed by CMS Asset Management by China Merchants Group and/or its associates in 2022 will be no more than RMB2.0 billion. Meanwhile, as the redemption of the above-mentioned types of products has no limitations, China Merchants Group and/or its associates may redeem the asset management scheme products purchased at any time or within a shorter period of time, it is expected to incur an outflow of no more than RMB2.0 billion in 2022;
- iv. it is estimated that for each of 2023 and 2024, China Merchants Group and/or its associates may purchase monetary products managed by CMS Asset Management with the margin intended to be used for subscription of shares due to the engagement of the refinancing of listed companies or establishment of employee stock ownership plan, which will result in an annual inflow ranging from RMB2 billion to RMB2.5 billion. Meanwhile, based on the development strategic initiative of “Industry-finance Integration” (產融結合) jointly implemented by the Group and China Merchants Group, it is estimated that in 2023 and 2024, China Merchants Group and/or its associates may also purchase monetary products managed by CMS Asset Management due to investments in stocks or liquidity management subject to market conditions, which will result in an annual inflow of approximately RMB0.1-0.2 billion. Given that monetary products have no limitations on redemption, it is estimated that in 2023 and 2024, annual outflow from the short-term redemption of such monetary products by China Merchants Group and/or its associates will range from RMB2.1 billion to RMB2.7 billion in total;

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- v. as the transitional period for the implementation of the newly promulgated regulations on asset management (“The Guiding Opinions on Regulating the Asset Management Business of Financial Institutions”) (《關於規範金融機構資產管理業務的指導意見》) expired at the end of 2021, CMS Asset Management has completed the rectification of existing products in compliance with the regulatory requirements by the end of 2021, creating more favourable conditions for its business development. In addition, the Measures for the Supervision and Administration of Mutual Fund Managers (《公開募集證券投資基金管理人監督管理辦法》) implemented by the CSRC had relaxed restrictions on the qualification of mutual fund managers. CMS Asset Management will apply for the above-mentioned qualification to carry out asset management business in broader and more standard industries; and
- vi. CMS Asset Management has been vigorously developing active asset management business in recent years. With the impetus given by the implementation of cooperation strategy between the Group and China Merchants Group and/or its associates, China Merchants Group and/or its associates may subscribe for the single asset management schemes managed by CMS Asset Management in the future. Given that the Group did not conduct such transactions with China Merchants Group and/or its associates in the past years, the Company will estimate the inflow and outflow from such transactions based on (a) historical size of the actively-managed single asset management schemes managed by CMS Asset Management, i.e. approximately RMB150 billion in 2021; and (b) the prediction of the percentage of the single asset management schemes managed by CMS Asset Management purchased or redeemed by China Merchants Group and/or its associates for each of 2023 and 2024, i.e. approximately 0.3%-0.4%. As such, it is estimated that the annual inflow and outflow from the purchase and redemption of the single asset management schemes managed by CMS Asset Management by China Merchants Group and/or its associates in 2023 and 2024 will range from RMB0.45 billion to RMB0.6 billion.

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- it is estimated that (i) the outflow from the purchase of the financial instruments to be issued by China Merchants Group and/or its associates by the Group and/or the asset management products managed by the Group will be approximately RMB0.45 billion for the year ending December 31, 2022, while the inflow from the payment of the principal and interest of such financial instruments will be RMB0.805 billion; and (ii) the outflow from the purchase of the financial instruments to be issued by China Merchants Group and/or its associates by the Group and/or the asset management products managed by the Group will be approximately RMB7.66 billion and RMB7.67 billion for each of the two years ending December 31, 2024, respectively, while the inflow from the payment of the principal and interest of the financial instruments purchased by the Group and/or the asset management products managed by the Group will be approximately RMB3.5 billion in 2023 and 2024, respectively, which was estimated based on the following facts:
 - i. the outflow from the purchase of the financial instruments issued by China Merchants Group and/or its associates by the Group and/or the asset management products managed by the Group was approximately RMB0.981 billion, RMB0.726 billion and RMB1.075 billion in each of 2019, 2020 and 2021, respectively, while the inflow from the payment of the principal and interest of such financial instruments was approximately RMB1.641 billion, RMB0.220 billion and RMB1.694 billion in 2019, 2020 and 2021, respectively;
 - ii. the financing demands of China Merchants Group and its associates will continue to increase in order to support their respective rapid business growth;
 - iii. in accordance with the development initiative of “Industry-finance Integration” (產融結合) of the Group, it is estimated that the amount of the equity products and the fixed-income financial instruments issued by China Merchants Group and/or its associates to be subscribed for by the Group as a result of underwriting by way of standby commitment will be no more than RMB1.6 billion for each of 2023 and 2024, resulting in an outflow of no more than RMB1.6 billion for each of 2023 and 2024. The above estimation is made after taking into consideration the following facts:
 - (a) upon an overall assessment on pilot program of the reform of state-owned capital investment enterprises by the State-owned Assets Supervision and

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Administration Commission of the State Council, China Merchants Group has been transformed into a state-owned capital investment enterprise owing to its accurate positioning of functions, its outstanding capability of capital operation and its effective structural adjustment. It is expected that China Merchants Group will vigorously develop investment and financing, industry nurturing and capital operation for the sake of optimizing distribution and structure of state-owned capital, thus result in a significant increase in the scale of the equity products and the fixed-income financial instruments to be issued by China Merchants Group and its associates in 2023 and 2024. Therefore, the Group, as a subsidiary of China Merchants Groups will be able to provide more underwriting services for equity products and fixed-income financial instruments issued by China Merchants Group and its associates;

- (b) as a result of the implementation of A share issuance registration system since 2019, the amount of equity products underwritten by the Group increased to approximately RMB50 billion in 2021 from approximately RMB25 billion in 2019, and the market share of the Group expanded from approximately 3% in 2019 to approximately 4% in 2021. In addition, the amount of fixed-income financial instruments underwritten by the Group increased to approximately RMB500 billion in 2021 from approximately RMB360 billion in 2019, and the market share of the Group maintained at approximately 4% to 6%. It is expected that the amount of the equity products and fixed-income financial instruments to be underwritten by the Group and the corresponding market share will grow further in 2023 and 2024; and

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- (c) for each of 2019, 2020 and 2021, the annual amount of equity and fixed-income financial instruments issued by China Merchants Group and/or its associates underwritten by the Group by way of standby commitment was approximately RMB10 billion to RMB12 billion. The Group did not subscribe for the equity and fixed-income financial instruments issued by China Merchants Group and/or its associates as a result of underwriting by way of standby commitment. After taking into consideration of the business development of the Group and potential business needs of China Merchants Group as mentioned above, it is estimated that the annual total amount of equity and fixed-income financial instruments issued by China Merchants Group and/or its associates to be underwritten by the Group by way of standby commitment will be approximately RMB16 billion for each of 2023 and 2024. According to the risk tolerance requirements of the Group and in order to strengthen the business co-operation between the Group and China Merchants Group and/or its associates, enhance the integrated contribution from customers, reduce finance costs of customers and increase market share of the Group, as well as taking into account the possibility of fully underwritten amid market fluctuation, the maximum percentage of equity and fixed-income financial instruments issued by China Merchants Group and/or its associates to be subscribed for by the Group as a result of underwriting by way of standby commitment shall not exceed 10% of the amount underwritten for by the Company in each of 2023 and 2024, thus, resulting in an annual outflow of no more than RMB1.6 billion.

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- iv. it is estimated that (i) for the year ending December 31, 2022, the expected outflow from the purchase of the fixed-income financial instruments issued by China Merchants Group and/or its associates by the asset management products managed by the Group will be approximately RMB0.25 billion, and the inflow from the payment of principal and interest of such financial instruments will be approximately RMB0.2 billion; (ii) for the two years ending December 31, 2024, the expected outflow from the purchase of the equity and fixed-income financial instruments issued by China Merchants Group and/or its associates by the asset management products managed by the Group will be approximately RMB2.0 billion, and the inflow from the payment of principal and interest of such financial instruments will be approximately RMB2.0 billion, which is estimated based on the following facts:
- (a) the outflow from the purchase of the equity and fixed-income financial instruments issued by China Merchants Group and/or its associates by the asset management products managed by the Group in 2019, 2020 and 2021 was RMB1 million, RMB4 million and RMB695 million, respectively, while the inflow from the payment of the principal and interest of such financial instruments purchased by the asset management products managed by the Group in 2019, 2020 and 2021 was RMB1.641 billion, Nil and RMB1.371 billion, respectively;
 - (b) for the period from January 1, 2022 to the Latest Practicable Date, the outflow from the purchase of the financial instruments issued by the associates of China Merchants Group by the asset management products managed by the Group was RMB0.05 billion. From September to December 2022, it is expected that the inflow from the purchase of the fixed-income financial instruments issued by China Merchants Group and/or its associates by the asset management products managed by the Group and the outflow from the payment of the principal and interest of such financial instruments will be no more than RMB0.2 billion, respectively;
 - (c) the expected annual inflow from the payment of the principal and interest of the fixed-income financial instruments issued by China Merchants Group and/or its associates, which have already been subscribed for by the asset management products managed by the Group will be approximately RMB0.5 billion for each of 2023 and 2024;

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- (d) the associates of China Merchants Group may establish employee stock ownership plans in the future under the state-owned enterprises reform, and the participants under aforesaid employee stock ownership plans may need financing, the asset management products managed by the Group could provide financing for the participants, thus resulting in an outflow of approximately RMB400 million to RMB500 million in 2023 and 2024; and
- (e) it is expected that in 2023 and 2024, with China Merchants Group and/or its associates expediting efforts in the development of emerging industries and unveiling new works on the innovation of the industry, the assets from emerging industries of the associates of China Merchants Group are playing an increasingly important role in the target asset pool of CMS Asset Management. In the future, the customized single asset management schemes of CMS Asset Management may purchase the equity and fixed-income financial instruments issued by the associates of China Merchants Group based on the expected asset allocation of third-party clients. Given that the scale of the customized single asset management schemes managed by the Group for non-financial corporate customers for the past three years normally amounted to RMB100 million to RMB500 million, while the scale of the customized single asset management schemes managed by the Group for financial corporate customers normally amounted to RMB4 billion to RMB5 billion, it is expected that the financial products issued by the associates of China Merchants Group to be subscribed for by the customized single asset management schemes managed by CMS Asset Management for non-financial corporate customers will be no more than RMB1.5 billion in 2023 and 2024, thus resulting in an annual outflow of no more than RMB1.5 billion. Meanwhile, as the redemption period of customized asset management schemes is normally short, it is also expected to incur an annual inflow of no more than RMB1.5 billion for each of the next two years.

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- v. it is estimated that (i) for the year ending December 31, 2022, the expected outflow from the purchase of the fixed-income financial instruments issued by China Merchants Group and/or its associates by the Group will be approximately RMB0.2 billion, and the inflow from the payment of the principal and interest of such financial instruments will be approximately RMB0.605 billion; (ii) for each of the two years ending December 31, 2024, the expected inflow and outflow from the purchase and payment of the principal and interest of the fixed-income financial instruments issued by China Merchants Group and/or its associates by the Group will be approximately RMB1.5 billion and RMB4.0 billion, respectively. The above estimation is made after taking into consideration the following facts:
- (a) According to the internal and external ratings and investment preference of the Group on the financial instruments issued by China Merchants Group and/or its associates, the outflow from the purchase of the fixed-income financial instruments issued by China Merchants Group and/or its associates by the Group on primary market in 2019, 2020 and 2021 was approximately RMB0.980 billion, RMB0.708 billion and RMB0.280 billion, respectively, the inflow from the payment of the principal and interest of such financial instruments was approximately Nil, RMB0.220 billion and RMB0.291 billion, respectively;
- (b) in accordance with the development initiative of “Industry-finance Integration” (產融結合) of the Group, the Group may participate in the subscription of the financial instruments issued by China Merchants Group and/or its associates. As a result of the purchase by the Group of the fixed-income financial instruments issued by the associates of China Merchants Group, an outflow of approximately RMB0.2 billion will be incurred in 2022. As a result of the payment of the principal and interest of the fixed-income financial instruments purchased by the Group and issued by China Merchants Group and/or its associates, an inflow of approximately RMB0.605 billion will be incurred in 2022.

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- (c) taking into consideration the maximum annual subscription amount in the past three years (2019-2021), it is estimated that the annual outflow from the purchase of the fixed-income financial instruments issued by China Merchants Group and/or its associates by the Group will be no more than RMB1 billion in 2023 and 2024; and
- (d) According to the amount of fixed-income financial instruments issued by China Merchants Group and/or its associates that had been purchased or proposed to be purchased by the Group, it is estimated that the inflow for the payment of the principal and interest of such financial instruments in 2023 and 2024 will be no more than RMB1 billion.
- (e) it is estimated that the outflow from agency primary bond auction business, forward contracts/forward trading business and other fixed-income intermediary business to be conducted between the Group and China Merchants Group and/or its associates will be approximately RMB3 billion for each of the two years ending December 31, 2024, of which the outflow from agency primary bond auction business will be approximately RMB2.5 billion, and the total outflow from forward contracts/forward trading business and other fixed-income intermediary business will be approximately RMB500 million, while the estimated total inflow from the relevant transactions will be approximately RMB500 million. The above estimation is made based on the following facts:
 - (1) the Group would further expand its fixed-income intermediary business, including agency primary bond auction business, forward contracts/forward trading business and other fixed-income intermediary business since 2023. In respect of the agency primary bond auction business, the Group may subscribe for the financial instruments issued by China Merchants Group and/or its associates at primary markets as commissioned by the clients and then sell back to the clients, thus resulting in an outflow; in respect of forward contracts/forward trading business, the Group may conduct forward bond transaction at secondary markets with China Merchants

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Group and/or its associates, which may be the purchaser or vendor of the bonds, thus resulting in an inflow or outflow; in respect of other fixed-income intermediary business, the Group may conduct spot bond transaction at secondary markets with China Merchants Group and/or its associates, which may be the purchaser or vendor of the bonds, thus resulting in an inflow or outflow;

- (2) the fixed-income intermediary business of the Group experienced rapid growth in the past two years, and is expected to continue to grow steadily in 2023 and 2024. Among which, the agency primary bond auction business grew from approximately RMB94.2 billion in 2020 to approximately RMB170 billion in 2021, the forward contracts/forward trading business grew from approximately RMB2.5 billion in 2020 to approximately RMB5 billion in 2021 and the other fixed-income intermediary business grew from approximately RMB125 billion in 2020 to approximately RMB182.1 billion in 2021. Therefore, it is expected that the Group's agency primary bond auction business, forward contracts/forward trading business and other fixed-income intermediary business will maintain an annual growth rate of 50% to 100% in 2023 and 2024; and

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- (3) the Group has not conducted any transactions in relation to agency primary bond auction business, forward contracts/forward trading business and other fixed-income intermediary business with China Merchants Group and/or its associates in the past three years. It is expected that the annual amount of fixed-income products issued by China Merchants Group and/or its associates in 2023 and 2024 will be tens of billions of RMB. Based upon the issuance plans of China Merchants Group and/or its associates and integrated needs of customers, the Group estimates that the annual amount of fixed-income products issued by China Merchants Group and/or its associates to be applied and paid by the Group at primary markets as commissioned by the clients will be no more than RMB2.5 billion, thus resulting in an outflow of RMB2.5 billion. Meanwhile, the Group will expand its efforts in conducting forward contracts/forward trading business and other fixed-income intermediary business with financial enterprises controlled by China Merchants Group, such as China Merchants Life Insurance Company Limited, in 2023 and 2024. The size of each forward contracts/forward trading business and other fixed-income intermediary business normally ranges from approximately tens of millions of RMB to RMB100 million. It is expected that the total number of forward contracts/forward trading business and other fixed-income intermediary business to be conducted between the Group and China Merchants Group and/or its associates will not exceed 50 each year, thus resulting in an inflow and outflow of RMB500 million in 2023 and 2024.

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- the Group provides integrated financial products and services to its customers. The Company has now obtained qualifications in more than 100 business activities and is licensed to engage in the above-mentioned business activities, and such qualifications of the Company had played an active role in the past three years. In recent years, the Group promoted the transformation of investment banking, established a modern investment bank, underwent transformation in relation to wealth management, strategically developed institutional business, while kept on enriching the financial services provided by the Company, as well as the types and amounts of the Company's financial products. For instance, the Company launched the "Gazelle Incubator Project" (羚躍計劃) in 2019 and the Company implemented the fund investment and consultation business, and launched the "Zhiyuan Private Bank (智遠私行)" exclusive service for high net worth customers in 2021, which further enhanced the wealth management product structure. The Group may launch new kinds of financial services and securities and new financial products such as new wealth management products and market-making services on STAR Market in 2023 and 2024. In addition, China Merchants Group and/or its associates principally engaged in three sectors, namely transportation and logistics, finance, as well as holistic development and operation of residential communities and industrial parks, while recently it had actively tapped into the development of new industries such as cruise, health and testing. The business growth and diversification of China Merchants Group and/or its associates will create more opportunities for the Group to conduct securities and financial transactions with China Merchants Group and/or its associates and to provide securities and financial products to each other. Therefore, it is expected that there will be an increase in the total inflow amount and the total outflow amount in 2023 and 2024; and
- given that (i) the inherent nature of the securities and financial products and transactions described above, including their market-sensitivity and timeliness, (ii) the Group's limited control over the counterparties in those transactions, and (iii) the volatility and unpredictability of the financial market in general, an adequate buffer should be provided to prevent undue restriction on the future business operations of the Group.

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2. Financial services

The Proposed CMG Annual Caps of the revenue to be generated by the Group from providing financial services to China Merchants Group and/or its associates under the 2022 CMG Framework Agreement for each of the three years ending December 31, 2024 are as follows:

	The Proposed CMG Annual Caps (<i>RMB million</i>)		
	For the year ending December 31, 2022	For the year ending December 31, 2023	For the year ending December 31, 2024
Financial services			
Revenue to be generated by the Group	70.00	92.00	95.00

Note:

- (1) At the meeting convened on May 27, 2022, the Board set the proposed annual cap on the revenue from the provision of financial services to China Merchants Group and/or its associates by the Group to RMB 90.00 million for the year ending December 31, 2022 under the 2022 CMG Framework Agreement. Take into consideration that the 2022 CMG Framework Agreement is not yet effective up to the Latest Practicable Date, the Group has imposed limitations on the financial services provided to China Merchants Group and/or its associates, as a result the revenue from the provision of financial services to China Merchants Group and/or its associates by the Group for the period from January 1, 2022 to the Latest Practicable Date was much lower than the normal historical figures, and at the meeting convened on October 28, 2022, the Board resolved to lower proposed annual cap on the revenue from the provision of financial services to China Merchants Group and/or its associates by the Group for the year ending December 31, 2022 under the 2022 CMG Framework Agreement to RMB70.00 million.

In estimating the Proposed CMG Annual Caps of the revenue to be generated by the Group from the provision of financial services to China Merchants Group and/or its associates for the three years ending December 31, 2024, the Group has considered, among other things, the following key factors:

- historical amounts of the revenue generated by the Group from providing financial services to China Merchants Group and/or its associates for the three years ended December 31, 2021, including the different service rates and fees the Group charged for the provision of different types of financial services, and considering, in particular, that the Group's provision of financial services to China Merchants Group and/or its associates is mainly market-driven. Therefore, the Proposed CMG Annual Caps shall

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include an adequate buffer to cover any market volatility and changes. Otherwise, an annual cap that is too restrictive might cause undue disruption to the operations of the Group and hamper its ability to respond quickly to changes in the highly volatile financial market;

- as part of its normal course of business, the Group will continue to provide underwriting and sponsoring services for the equity and debt financial instruments to be issued by China Merchants Group and/or its associates, which is expected to generate a revenue of approximately RMB39.21 million, RMB82 million and RMB85 million in 2022, 2023 and 2024, respectively. The above estimation is made with reference to the following facts:
 - i. the revenue from the provision of underwriting and sponsoring services by the Group for the equity and debt financial instruments issued by China Merchants Group and/or its associates amounted to approximately RMB35.16 million, RMB12.47 million and RMB20.38 million in 2019, 2020 and 2021, respectively;
 - ii. the revenue from the provision of underwriting and sponsoring services by the Group to China Merchants Group and/or its associates amounted to RMB28.77 million during the period from January 1, 2022 to the Latest Practicable Date. Based on the expected progress of the ongoing projects between the Group and China Merchants Group and/or its associates, the potential transactions for which the Group may provide such services and the charges on large-scale projects in the market, it is expected that the revenue from the provision of underwriting and sponsoring services by the Group to China Merchants Group and its associates will amount to approximately RMB39.21 million in 2022;

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- iii. as a large corporate group, China Merchants Group controls and holds shares of various listed companies in Hong Kong and Mainland China. Meanwhile, it has cultivated and is cultivating various enterprises with influence in new energy, semiconductor, bio-pharmaceutical, technology and other industries, which are expected to enter the domestic capital market in the future. Under the general background of encouraging direct financing by the central government and the reform of the registration-based system in the domestic securities market, the IPOs, re-financing and other financing demands of China Merchants Group and the relevant listed companies and industrial enterprises controlled by the China Merchants Group will increase significantly. As a comprehensive securities company controlled by the China Merchants Group, the Group enjoys strong competitiveness in the above business sectors. Therefore, it is expected that the revenue from the provision of underwriting and sponsoring services to China Merchants Group and/or its associates will record significant growth. Due to the difficulty in estimating the progress of the projects and the subsequent market regulatory environment, it would be impracticable to predict the actual years for the realization of such revenue. Based on the expected demand of China Merchants Group and its associates for capital operation services, the expected progress of the ongoing projects, the potential transactions for which the Group may provide such services and the charges on large-scale projects in the market, it is expected that the revenue from the provision of underwriting and sponsoring services (including but not limited to IPOs, re-financing, mergers and acquisitions and restructuring) by the Group to China Merchants Group and/or its associates will amount to approximately RMB82 million and RMB85 million in 2023 and 2024, respectively;

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- it is estimated that the service fees to be received by the Group for the provision of other investment banking services (mainly financial advisory services) to China Merchants Group and/or its associates for the year ending December 31, 2022 will be approximately RMB21.34 million. Meanwhile, it is estimated that the service fees to be received by the Group for the provision of other investment banking services (mainly financial advisory services) to China Merchants Group and/or its associates for each of the two years ending December 31, 2024 will be approximately RMB10 million, respectively. The above estimation is made based on the following facts:
 - i. the service fees received by the Group for the provision of other investment banking services (mainly financial advisory services) to China Merchants Group and/or its associates in 2019, 2020 and 2021 amounted to approximately RMB101.79 million, RMB15.87 million and RMB15.68 million, respectively. The service fees received by the Group for the provision of other investment banking services to China Merchants Group and/or its associates during the period from January 1, 2022 to the Latest Practicable Date was approximately RMB7.92 million.
 - ii. based on the expected demand of China Merchants Group and its associates for capital operation services, the expected progress of the ongoing projects and the potential transactions for which the Group may provide financial advisory or other investment banking services with/to China Merchants Group, it is expected that the revenue from the provision of financial advisory and other investment banking services by the Group to China Merchants Group and/or its associates will be approximately RMB21.34 million in 2022, and the revenue will be approximately RMB10 million in 2023 and 2024, respectively.

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Reasons for and Benefits of Entering into the 2022 CMG Framework Agreement

The securities and financial products and transactions and financial services under the 2022 CMG Framework Agreement will be conducted in the ordinary course of business of the Group. Such transactions will continue to be entered into on arm's length basis and based on terms which are fair and reasonable so far as the Group is concerned. In light of the past and current cooperation relationships between the Group and China Merchants Group and its associates in relation to "Industry-finance Integration" (產融結合) and "Financial Sector Integration" (融融結合), and that such transactions have contributed and will continue to contribute to the overall business operation and growth of the Group, the Board (including the Independent Board Committee having taken into account of the advice of the Independent Financial Adviser) considers that entering into the 2022 CMG Framework Agreement with China Merchants Group is beneficial to the Group.

Such transactions will create cost synergy by integrating the strengths of the Group and China Merchants Group and/or its associates, which will in turn improve the profitability of the Group and enhance the Group's leading position in the securities industry. The Board (including the Independent Board Committee having taken into account the advice of the Independent Financial Adviser) is of the view that the 2022 CMG Framework Agreement was: (i) entered into in the ordinary and usual course of business of the Group; (ii) on normal commercial terms (in accordance with the terms determined after arm's length negotiation or those no less favorable than the terms offered by the Group to independent third parties); and (iii) its terms and the Proposed CMG Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

2. The 2022 COSCO Framework Agreement

References are made to (i) the announcement of the Company dated December 30, 2020 in relation to the continuing connected transactions under the 2020 COSCO Framework Agreement, and (ii) the announcement of the Company dated May 27, 2022 in relation to the 2022 COSCO Framework Agreement entered into between the Company and the COSCO Shipping.

As (i) the validity of the 2020 COSCO Framework Agreement expired on December 31, 2021; and (ii) the Group and COSCO Shipping and/or its associates expect to continually conduct securities and financial transactions with each other and provide securities and financial products to each other, and the Group expects to continually provide financial services to COSCO Shipping and/or its associates thereafter in the ordinary course of business based on normal commercial terms and market practices at prevailing market prices or rates, the Company entered into the 2022 COSCO Framework Agreement with COSCO Shipping on May 27, 2022 to renew the 2020 COSCO Framework Agreement. The term of the 2022 COSCO Framework Agreement shall take effect upon obtaining the approval from the Independent Shareholders, and shall expire on December 31, 2024.

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The principal terms of the 2022 COSCO Framework Agreement are set out as follows:

Date

May 27, 2022

Parties

1. The Company; and
2. COSCO Shipping

Term

The term of the 2022 COSCO Framework Agreement shall take effect upon obtaining the approval from the Independent Shareholders, and shall expire on December 31, 2024.

Scope of the Transactions and Services

1. Securities and financial products and transactions

All the securities and financial products and transactions between the Group and COSCO Shipping and/or its associates have been provided to each other and conducted in the usual course of business pursuant to normal commercial terms. Such securities and financial products and transactions are related to securities and financial products and transactions conducted in the inter-bank bond markets, exchange bond markets, exchanges (including stock exchanges, futures exchanges, the Shanghai Gold Exchange and the China Foreign Exchange Trade System) and other OTC markets. The securities and financial transactions to be conducted between the Group and COSCO Shipping and/or its associates and the securities and financial products to be provided to each other include (but are not limited to) (i) fixed-income products or transactions, (ii) equity products or transactions, (iii) financing transactions, and (iv) other securities and financial products and transactions as permitted by regulatory authorities.

Pursuant to the 2022 COSCO Framework Agreement, the securities and financial transactions to be conducted between the Group and COSCO Shipping and/or its associates and the securities and financial products to be provided to each other include (but are not limited to):

- (1) fixed-income products or transactions – including bonds, funds with fixed-income features, trust, wealth management products, asset management schemes, asset securitization products, convertible bonds, structured products, interest rates and credit risk derivative products and other fixed-income products or transactions;

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- (2) equity products or transactions – including stocks, equity, funds with equity features, trust, wealth management products, asset management schemes and equity derivative products or transactions;
- (3) financing transactions – including interbank lendings, repurchase, transfer of income right, pledged loans, reciprocal holding of debt certificates including but not limited to short-term financing bills, beneficiary certificates, subordinated bonds, corporate bonds, asset-backed securities, etc.; and
- (4) other related securities and financial products and derivative products – including swaps, futures, forward contracts, commodities and foreign exchange.

2. Financial services

The Group provides various financial services to its clients, which include COSCO Shipping and/or its associates, in its ordinary course of business. Due to the expertise and professional capabilities of the Group, the Group has been engaged by COSCO Shipping and/or its associates to provide financial services including but not limited to (i) underwriting and sponsoring services, (ii) other investment banking services, and (iii) other financial services from time to time.

Pursuant to the 2022 COSCO Framework Agreement, the financial services to be provided by the Group to COSCO Shipping and/or its associates include (but are not limited to):

- (1) underwriting and sponsoring services – including the underwriting and sponsoring of equity and bonds. The Group shall receive underwriting commissions and sponsoring fees for such services;
- (2) other investment banking services – including financial advisory services for, among others, mergers and acquisitions and restructuring. The Group shall receive financial advisory fees and/or other fees for such services; and
- (3) other financial services (excluding brokerage, agency sale of financial products and investment advisory services).

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Pricing Basis

1. Securities and financial products and transactions

The securities and financial products and transactions are conducted through the PRC inter-bank bond market and the PRC exchange bond market, exchanges (including stock exchanges, futures exchanges, the Shanghai Gold Exchange and the China Foreign Exchange Trade System) and other OTC markets.

The transaction prices and related fees for each type of the securities and financial products and transactions shall be determined by the prevailing market price or the market price normally applicable to independent third parties for similar types of products and transactions as referred in the 2022 COSCO Framework Agreement at the time of the transaction. The pricings of such transactions are also subject to strict PRC regulatory supervision and requirements of the applicable PRC laws and regulations.

The fixed-income products and transactions conducted in the PRC are mainly conducted through inter-bank bond markets and securities markets (through centralised bidding transaction mechanism, block trade platform and fixed-income platform). Except for centralised bidding transactions conducted at securities markets, pricing of transactions conducted at inter-bank bond markets, block trade platform and fixed-income platform of securities markets is determined mainly with reference to the bond valuation published by China Central Depository & Clearing Co., Ltd. (the “CCDC”) and China Securities Depository and Clearing Corporation Limited (the “CSDC”). The price quotations of the transactions conducted at inter-bank bond markets shall be within 2% of the valuation published by the CCDC. Otherwise, such transactions must be reported to the CCDC. Abnormal pricing, if without reasonable reason(s), may result in warning or penalty by the regulatory institution(s). For fixed-income products and transactions conducted at securities markets, prices of centralised bidding transactions are prevailing market prices and non-centralised bidding transactions are determined mainly with reference to the bond valuation published by the CSDC. In terms of subscriptions by the Group of the fixed-income financial instruments issued by COSCO Shipping and/or its associates, or subscription by COSCO Shipping and/or its associates of such financial instruments issued by the Group, the subscription price is determined by the issuers of such financial instruments with reference to the valuation published by the CCDC of financial instruments of similar credit quality with a similar term, and is the same subscription price as the subscriptions by other investors. Both the Group and COSCO Shipping and/or its associates are required to satisfy and comply with the relevant PRC administrative rules, regulations and measures regulating issuance, including pricing determination, of their financial instruments. In addition, fixed-income products conducted outside the PRC are mainly conducted through the OTC markets and pricing of the transactions is determined mainly with reference to the market price quotations obtained from market makers.

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For equity products and transactions, certain of these products and transactions are conducted through securities markets (including stock exchanges) and majority of which are conducted through system(s), where the counterparties do not have knowledge of the identities with each other and the transaction prices are based on the quotes made by the counterparties in the market. The Company could access to the trading systems of the relevant exchanges to obtain the real-time quotations of the relevant securities and financial products. For equity products of which no reference market price can be obtained from the market, the Group will mainly make reference to the market-based valuation methods and the market price of products of similar nature to ascertain the price.

For financing transactions, (i) in terms of interbank lendings and interbank market repurchases, they are variably quoted based on SHIBOR of the National Interbank Funding Center and the time-weighted rate of repurchase at the front office along with certain factors, such as assessment of prevailing capital adequacy, the credit quality of counterparties and the quality of collaterals, such as pledged bonds. The pricings of such transactions are also subject to strict PRC regulatory supervision and requirements of the applicable PRC laws and regulations; and (ii) in terms of subscriptions by the Group of the financial instruments offered by COSCO Shipping and/or its associates, or subscriptions by COSCO Shipping and/or its associates of such financial instruments issued by the Group, the subscription price is determined by the issuers of such financial instruments with reference to the valuation published by the CCDC of financial instruments of similar credit quality with a similar term, and is the same subscription price as the subscriptions by other investors. The Group and COSCO Shipping and/or its associates are required to satisfy and comply with the relevant PRC administrative rules, regulations and measures regulating issuance, including pricing determination, of their financial instruments.

The pricing in respect of transactions in OTC derivatives is determined mainly (i) based on the derivative pricing models, such as Monte Carlo simulation, B-S model; or (ii) with reference to the expected changes in the price of relevant subject.

For bullion products, futures and foreign exchange products tradings, such transactions are mainly conducted on the Shanghai Gold Exchange, the China Financial Futures Exchange and the China Foreign Exchange Trade System. Call auction mechanism is mainly adopted in these exchanges and the pricing is primarily determined with reference to the turnover of a particular securities and financial product. The Company has access to the trading systems of the relevant exchanges to obtain the real-time quotations of the relevant securities and financial products.

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Securities and financial products and transactions also include subscriptions of funds, trust, wealth management products and asset management schemes (the “**Products**”). The pricing of such transactions is determined based on the unit net value of the relevant Products on the date of transaction. The unit net value of such Products is calculated by dividing the net asset value of the Products by the total number of the fund units. The net asset value of the Products is the sum of the values of various marketable securities and notes, principals and interests of bank deposits, fund subscription monies receivables and other assets invested by such Products, less the liabilities of such Products, the calculation of which shall be in compliance with the China Accounting Standards for Business Enterprises. The net value of such Products are audited by a manager, reviewed by a custodian and confirmed by an external audit firm on a regular basis. The calculation of the unit net value of the Products is set forth in the relevant fund contract and prospectus, and equally applies to all investors of the Products.

To ensure that the above transactions with COSCO Shipping and/or its associates are on normal commercial terms and to safeguard the interests of the Shareholders as a whole, including the minority Shareholders, the Group has put in place internal approval and monitoring procedures relating to the connected transactions, the details of which are set out in the section headed “Internal Control Measures of Continuing Connected Transactions” below.

2. Financial services

The pricing basis for the financial services to be provided by the Group to COSCO Shipping and/or its associates is as follows:

- (1) underwriting and sponsoring services – underwriting commissions and sponsoring fees shall be determined by arm’s length negotiation after taking into account numerous factors including the prevailing market conditions, size of the proposed issue and commission rates of recent issues of similar nature and size in the market generally as well as the rates that the Group charges from independent third parties. With respect to the equity-related underwriting and sponsor services, the fees are determined with reference to the prevailing market rates for transactions of similar type and size and taking into account the nature of the particular offering, the size of the transaction, the complexity of the transaction, the frequency the relevant customer engaging in transactions with the Company and the prevailing market conditions. Based on the above-mentioned factors, the fees are determined through competitive bidding and business negotiation or with reference to the standard fee charged by independent third parties in other similar projects.

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With respect to the underwriting fees for enterprise bonds, the Company refers mainly to the standard underwriting fee proposed under the Notice of National Development and Reform Commission regarding Certain Matters on Instructing the Issue Size and Issue Approval for the First Batch of Enterprise Bonds in 2007 (《國家發展改革委關於下達二零零七年第一批企業債券發行規模及發行核准有關問題的通知》) and makes corresponding adjustments after taking into account the enterprise bond issuer's qualifications and market conditions.

With respect to the underwriting fees for corporate bonds, asset securitization products and other interbank products, as there is no guidance formulated by the competent authorities on the underwriting fees of such products, the underwriting fees among the industry vary according to the issuer, type and term of the products. The rate charged by the Company generally ranges from 0.01% to 1.5%, which is mainly determined based on the above-mentioned factors and negotiations with issuer and competitive bidding;

- (2) other investment banking services – financial advisory fees and other service fees shall be determined after taking into account factors including the transaction nature and size, and the prevailing market conditions. As at the Latest Practicable Date, it was estimated that the range of financial advisory fees for each case is approximately from RMB one million to RMB several ten million. The range of financial advisory fees and other service fees shall be determined in accordance with the nature and complexity of such transactions and then prevailing market rates for financial advisory fees and the relevant service fees for similar transactions; and
- (3) other financial services – other financial service fees shall be determined after taking into account factors including market prices and industry practices, with reference to price level in respect of similar financial services provided by the Group to independent third parties.

The terms, including pricing terms, between COSCO Shipping and/or its associates and the Group to be entered into in respect of the provision of financial services above to be provided by the Group shall be comparable to those offered to the Group's other institutional clients of a similar size and with similar transaction volume who are independent third parties, and shall be subject to the same internal approval and monitoring procedures and pricing policies applicable to independent third party clients. For more details, please refer to the section headed "Internal Control Measures of Continuing Connected Transactions" below.

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Condition Precedent

The 2022 COSCO Framework Agreement is conditional upon the obtaining of the approval from the Independent Shareholders.

As the 2020 COSCO Framework Agreement expired on December 31, 2021 and the EGM will be convened on November 29, 2022, the Company will ensure to comply with the Listing Rules regarding the continuing connected transactions from January 1, 2022 to the date of convening the EGM.

Miscellaneous

The Company and COSCO Shipping agreed that under Rule 14A.54 of the Listing Rules, if at any time during the term of the 2022 COSCO Framework Agreement, the total transaction amount may or is expected to exceed the Proposed COSCO Annual Caps and thus requires re-approval from the Independent Shareholders, the Group shall fulfil all applicable and necessary regulatory obligations under the Listing Rules as soon as practicable. Before the fulfilment of all relevant regulatory requirements, both parties agreed to use their best efforts to prevent the aggregated amount for the relevant transaction in such year from exceeding the relevant monetary cap. Otherwise, the execution of relevant transactions under the 2022 COSCO Framework Agreement shall be suspended.

Historical Figures

1. Securities and financial products and transactions

The approximate historical figures of securities and financial products and transactions between the Group and COSCO Shipping and/or its associates for the three years ended December 31, 2021 were as follows:

	Historical figures (RMB million)		
	For the year ended December 31, 2019	For the year ended December 31, 2020	For the year ended December 31, 2021
Securities and financial products and transactions			
Inflow ⁽¹⁾	0.00	0.00	156.80
Outflow ⁽²⁾	650.00	241.00	319.75

Notes:

- (1) "Inflow" refers to the Group's total cash inflow arising from the sale of fixed-income products, equity products and derivative products to, transactions with, and/or borrowing/repurchase from financing transactions with, COSCO Shipping and/or its associates.

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- (2) “Outflow” refers to the Group’s total cash outflow arising from the purchase of fixed-income products, equity products and derivative products from, transactions with, and/or lending/resale from financing transactions with, COSCO Shipping and/or its associates.

The Group, on the one hand, and COSCO Shipping and/or its associates, on the other hand, have conducted the following securities and financial products transactions during the period from January 1, 2022 to the Latest Practicable Date:

Date	Parties	Transaction nature	Transaction amount (RMB million)
Cash outflow			
January 13, 2022	(i) the Company; and (ii) COSCO Shipping Leasing	Cash outflow from the subscription by the Company of bonds issued by COSCO Shipping Leasing	14.00
June 27, 2022	(i) the Company; and (ii) COSCO Shipping Leasing	Cash outflow from the agency primary bond auction transaction conducted between the Company and COSCO Shipping Leasing	80.00
Total cash outflow			94.00
Cash inflow			
February 28, 2022	(i) the Company; and (ii) COSCO Shipping Leasing	Cash inflow from the payment of the principal and interest of bonds of COSCO Shipping Leasing purchased by the Company	14.91
March 28, 2022	(i) the Company; and (ii) COSCO Shipping Leasing	Cash inflow from the interest rate swap transactions conducted between the Company and COSCO Shipping Leasing	12.97
May 26, 2022	(i) the Company; and (ii) COSCO Shipping Leasing	Cash inflow from the payment of the principal and interest of bonds of COSCO Shipping Leasing purchased by the Company	12.80
June 28, 2022	(i) CMS Asset Management; and (ii) COSCO Shipping Leasing	Cash inflow from the payment of the principal and interest of bonds of COSCO Shipping Leasing purchased by CMS Asset Management	44.78
Total cash inflow			85.46

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2. Financial services

The approximate historical figures of revenue generated by the Group from providing financial services to COSCO Shipping and/or its associates for the three years ended December 31, 2021 were as follows:

	Historical figures (RMB million)		
	For the year ended December 31, 2019	For the year ended December 31, 2020	For the year ended December 31, 2021
Financial services			
Revenue generated by the Group	<u>1.51</u>	<u>0.21</u>	<u>2.90</u>

The Group has provided the following financial services to COSCO Shipping and/or its associates during the period from January 1, 2022 to the Latest Practicable Date:

Date	Parties	Transaction nature	Transaction amount (RMB million)
February 8, 2022	(i) the Company; and (ii) COSCO Shipping Leasing	Provision of underwriting service	0.47
March 4, 2022	(i) the Company; and (ii) COSCO Shipping Leasing	Provision of underwriting service	0.48
May 24, 2022	(i) the Company; and (ii) COSCO Shipping Leasing	Provision of underwriting service	0.39
June 22, 2022	(i) the Company; and (ii) COSCO Shipping Leasing	Provision of underwriting service	0.51

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Date	Parties	Transaction nature	Transaction amount (RMB million)
July 1, 2022	(i) the Company; and (ii) COSCO Shipping Development Co., Ltd. (中遠海運發展股份有限公司), a subsidiary of COSCO Shipping	Provision of underwriting service	0.28
July 26, 2022	(i) the Company; and (ii) COSCO Shipping Development Co., Ltd. (中遠海運發展股份有限公司), a subsidiary of COSCO Shipping	Provision of underwriting service	0.28
July 22, 2022	(i) the Company; and (ii) China Standard Inspection Co., Ltd. (中理檢驗有限公司), a subsidiary of COSCO Shipping	Provision of financial advisory service	0.19
August 26, 2022	(i) the Company; and (ii) China Standard Inspection Co., Ltd. (中理檢驗有限公司), a subsidiary of COSCO Shipping	Provision of financial advisory service	0.47
Total			3.07

Note:

- The transaction amount is rounded to the nearest two decimal places and the aggregate transaction amount may not add up to the total transaction amount of RMB3.07 million due to rounding.

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As the highest of the applicable percentage ratios in respect of each of the following transactions: (i) the securities and financial products and transactions between the Group and COSCO Shipping and/or its associates during the period from January 1, 2022 to the Latest Practicable Date, and (ii) the transactions regarding provision of financial services by the Group to COSCO Shipping and/or its associates during the period from January 1, 2022 to the Latest Practicable Date is less than 0.1%, these transactions are fully exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. As such, the Board is of the view that in respect of the above-mentioned transactions, the Company has complied with the requirements under Chapter 14A of the Listing Rules.

Proposed COSCO Annual Caps

The Proposed COSCO Annual Caps for the transaction amounts under the 2022 COSCO Framework Agreement are as follows:

1. Securities and financial products and transactions

The Company considers that it is impracticable and extremely difficult to set a separate cap for each category of the securities and financial products and transactions for the following main reasons: (i) the securities and financial products and transactions are frequently conducted at the prevailing market prices in the ordinary and usual course of business of the Group. Such transactions are market-driven and are entered into depending on various factors including the bidding price and timing; (ii) most of these transactions are conducted within a very short timeframe and are very sensitive to market prices; (iii) as the variety and characteristics of products are experiencing rapid innovations in the ever-changing securities and financial market, it is difficult to precisely estimate when new products will be launched, however, once new securities and financial products and transactions are launched, it is expected that the total inflow and the total outflow of securities and financial products and transactions between COSCO Shipping and/or its associates and the Group will increase; (iv) all such transactions will continue to be entered into at the prevailing market prices in the ordinary and usual course of business of the Group; and (v) if an annual cap is set for each category of these transactions, it would cause significant delay to such transactions and harm to the Group's existing operations and potential growth to the detriment of the Company and the Shareholders as a whole and restrict the Company's overall competitiveness in a highly competitive securities industry. In light of the above, the Company considers that it is more practicable to set a cap for the total inflow and the total outflow of all the securities and financial products and transactions under the 2022 COSCO Framework Agreement, instead of a separate cap for each category of those products and transactions.

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The Proposed COSCO Annual Caps of expected total inflow⁽¹⁾ amount and expected total outflow⁽²⁾ amount of the securities and financial products and transactions between the Group and COSCO Shipping and/or its associates under the 2022 COSCO Framework Agreement for each of the three years ending December 31, 2024 are as follows:

The Proposed COSCO Annual Caps			
<i>(RMB million)</i>			
	For the year ending December 31, 2022⁽³⁾	For the year ending December 31, 2023	For the year ending December 31, 2024
Securities and financial products and transactions			
Inflow ⁽¹⁾	600	1,600	1,600
Outflow ⁽²⁾	800	3,650	3,660

Notes:

- (1) “Inflow” refers to the Group’s total cash inflow arising from the sale of fixed-income products, equity products and derivative products to, transactions with, and/or borrowing/repurchase from financing transactions with, COSCO Shipping and/or its associates.
- (2) “Outflow” refers to the Group’s total cash outflow arising from the purchase of fixed-income products, equity products and derivative products from, transactions with, and/or lending/resale from financing transactions with, COSCO Shipping and/or its associates.
- (3) At the meeting convened on May 27, 2022, the Board set (i) the proposed annual cap on total inflow to RMB1,600 million and (ii) the proposed annual cap on total outflow to RMB3,640 million for the year ending December 31, 2022 under the 2022 COSCO Framework Agreement for securities and financial products and transactions with COSCO Shipping and/or its associates. Taking into consideration that the 2022 COSCO Framework Agreement is not yet effective up to the Latest Practicable Date, the Group has imposed limitations on the securities and financial products and transactions with COSCO Shipping and/or its associates, as a result, the transaction amount for the securities and financial products and transactions between the Group and COSCO Shipping and/or its associates during the period from January 1, 2022 to the Latest Practicable Date was much lower than the normal historical figures. At the meeting convened on October 28, 2022, the Board resolved to (i) reduce the proposed annual cap on total inflow to RMB600 million and (ii) reduce the proposed annual cap on total outflow to RMB800 million for the year ending December 31, 2022 under the 2022 COSCO Framework Agreement for securities and financial products and transactions with COSCO Shipping and/or its associates.

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In estimating the Proposed COSCO Annual Caps of the total inflow amount and the total outflow amount of the securities and financial products and transactions between the Group and COSCO Shipping and/or its associates for the three years ending December 31, 2024, the Group has considered, among other things, the following key factors:

- approximate historical figures of the total inflow amount and the total outflow amount of securities and financial products and transactions between the Group and COSCO Shipping and/or its associates for the three years ended December 31, 2021;
- approximate historical figures of the total inflow amount and the total outflow amount of those securities and financial products and transactions between the Group and COSCO Shipping and/or its associates during the period from January 1, 2022 to the Latest Practicable Date, and as 2022 COSCO Framework Agreement is not yet effective up to the Latest Practicable Date, the Group has imposed limitations on the securities and financial products and transactions with COSCO Shipping and/or its associates, resulting in a far lower respective historical figures than the normal historical figures;
- it is estimated that for the year 2022, the total inflow and outflow amount from the purchase and redemption of the products (including fixed-income products, equity products, monetary products and customized products) managed by the Group by COSCO Shipping and/or its associates will be approximately RMB0.28 billion and RMB0.1 billion, respectively, which was estimated based on the following facts:
 - i. it is estimated that the inflow from the purchase of asset management scheme products like monetary and fixed-income products managed by CMS Asset Management by COSCO Shipping and/or its associates in 2022 will be no more than RMB0.1 billion. Meanwhile, as the redemption of the above-mentioned types of products has no limitations, COSCO Shipping and/or its associates may redeem the asset management scheme products purchased at any time or within a shorter period of time, it is expected to incur an outflow of no more than RMB0.1 billion in 2022;
 - ii. in addition, it is expected that the purchase of the sub-level share of the asset-backed securities scheme (資產支持專項計劃) managed by CMS Asset Management by the associates of COSCO Shipping will incur an inflow of approximately RMB0.18 billion in 2022.

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- it is estimated that the outflow from the purchase of the financial instruments to be issued by COSCO Shipping and/or its associates by the Group will be approximately RMB0.654 billion, RMB3.55 billion and RMB3.56 billion in each of 2022, 2023 and 2024, respectively, while the inflow from the payment of the principal and interest of such financial instruments by the Group will be approximately RMB0.285 billion, RMB1.50 billion and RMB1.50 billion in each of the coming three financial years, respectively, which was estimated based on the following facts:
 - i. for the outflow from the purchase of the financial instruments issued by COSCO Shipping and/or its associates by the Group was approximately RMB0.55 billion, RMB0.24 billion and RMB0.25 billion in 2019, 2020 and 2021, respectively, while the inflow from the payment of the principal and interest of such financial instruments was approximately Nil, Nil and RMB0.16 billion in 2019, 2020 and 2021, respectively;
 - ii. the financing demands of COSCO Shipping and its associates will continue to increase in order to support their respective rapid business growth;
 - iii. it is estimated that (i) for the year ending December 31, 2022, the expected outflow from the purchase of the financial instruments to be issued by COSCO Shipping and/or its associates by the Group will be approximately RMB0.654 billion, and the inflow from the payment of the principal and interest of such financial instruments will be RMB0.285 billion; and (ii) for each of the two years ending December 31, 2024, the expected inflow and outflow from the purchase and payment of the principal and interest of the fixed-income financial instruments issued by COSCO Shipping and/or its associates by the Group will be approximately RMB1 billion, respectively, which was determined with reference to:
 - (a) the average scale of purchase of the fixed-income financial instruments issued by COSCO Shipping and/or its associates by the Group in the past three years (2019 to 2021);

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- (b) During the period from January 1, 2022 to the Latest Practicable Date, the amount from the purchase of the fixed-income financial instruments issued by the associates of COSCO Shipping by the Group was RMB0.094 billion, resulting in an outflow of RMB0.094 billion. In accordance with the development initiative of “Industry-finance Integration” (產融結合) of the Group, the Group may participate in the subscription of the financial instruments undertaken by the Company. It is estimated that the amount of the fixed-income financial instruments issued by COSCO Shipping and/or its associates to be underwritten by the Group will be approximately RMB2 billion in September to December 2022, of which the amount of the fixed-income financial instruments proposed to be subscribed for by the Group is expected to be not more than RMB0.56 billion, thus resulting in an outflow of no more than RMB0.654 billion in total in 2022. Meanwhile, as a result of the payment of the principal and interest of the fixed-income financial instruments purchased by the Group and issued by COSCO Shipping and/or its associates, an inflow of approximately RMB0.285 billion will be incurred;
- (c) the Group has started to invest in REITs products since June 2021, the size of investment in REITs products by the Group in 2021 was approximately RMB130 million. It is expected that in 2023 and 2024, the size of investment in REITs products by the Group will be approximately RMB500 million, respectively, among which, the inflow and outflow from the subscription for and payment of the principal and interest of the REITs products issued by COSCO Shipping and/or its associates by the Group is estimated to be approximately RMB100 million;

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- (d) for the period from 2019 to 2021, the maximum size of investment of the Group in asset-backed securities and credit bonds issued by COSCO Shipping and/or its associates was RMB550 million. After taking into consideration of expansion of operation scale of COSCO Shipping and/or its associates as well as the Group's enhanced Industry-finance Integration, it is expected that in 2023 and 2024, the annual size of investment of the Group in asset-backed securities and credit bonds issued by COSCO Shipping and/or its associates will be approximately RMB900 million resulting in corresponding annual inflow and outflow of approximately RMB900 million; and
 - (e) the Group may further strengthen business cooperation with COSCO Shipping and/or its associates in the future;
- iv. in accordance with the development initiative of "Industry-finance Integration" (產融結合) of the Group, it is estimated that the amount of the fixed-income financial instruments issued by COSCO Shipping and its associates to be subscribed for by the Group as a result of underwriting by way of standby commitment will be no more than RMB0.48 billion for each of 2023 and 2024, resulting in an outflow of no more than RMB0.48 billion for each of 2023 and 2024. The above estimation is made after taking into consideration the following facts:
 - (a) the amount of fixed-income financial instruments underwritten by the Group increased from approximately RMB360 billion in 2019 to approximately RMB500 billion in 2021, and the market share of the Group maintained at approximately 4% to 6%. It is expected that the amount of the fixed-income financial instruments to be underwritten by the Group and the corresponding market share will grow further in 2023 and 2024;

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- (b) for each of 2019, 2020 and 2021, the annual amount of fixed-income financial instruments issued by COSCO Shipping and/or its associates underwritten by the Group by way of standby commitment was approximately RMB1.3 billion to RMB4.3 billion. The Group did not subscribe for the fixed-income financial instruments issued by COSCO Shipping and/or its associates as a result of underwriting by way of standby commitment. After taking into consideration of the business development of the Group and potential business needs of COSCO Shipping as mentioned above, it is estimated that the annual amount of fixed-income financial instruments issued by COSCO Shipping and/or its associates to be underwritten by the Group by way of standby commitment will be no more than RMB5.0 billion in 2023 and 2024. According to the risk tolerance requirements of the Group and in order to strengthen the business co-operation between the Group and COSCO Shipping and/or its associates, enhance the integrated contribution from customers, reduce finance costs of customers and increase market share of the Group, as well as taking into account the possibility of fully underwritten amid market fluctuation, it is estimated that in each of 2023 and 2024, the maximum amount of fixed-income financial instruments issued by COSCO Shipping and/or its associates to be subscribed for by the Group as a result of underwriting by way of standby commitment shall be RMB0.48 billion, representing approximately 10% of the estimated underwriting amount mentioned above, thus, resulting in an annual outflow of no more than RMB0.48 billion;

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- v. it is estimated that the outflow from the transactions in relation to agency primary bond auction business, forward contracts/forward trading business and other fixed-income intermediary business to be conducted between the Group and COSCO Shipping and/or its associates will be approximately RMB2 billion for each of the two years ending December 31, 2024, while the estimated inflow from the relevant transactions will be approximately RMB500 million. The above estimation is made after taking into consideration:
 - (a) the Group would further expand its fixed-income intermediary business, including agency primary bond auction business, forward contracts/forward trading business and other fixed-income intermediary business since 2023. In respect of the agency primary bond auction business, the Group may subscribe for the financial instruments issued by COSCO Shipping and/or its associates at primary markets as commissioned by the clients and then sell back to the clients, thus resulting in an outflow; in respect of forward contracts/forward trading business, the Group may conduct forward bond transaction at secondary markets with COSCO Shipping and/or its associates, which may be the purchaser or vendor of the bonds, thus resulting in an inflow or outflow; in respect of other fixed-income intermediary business, the Group may conduct spot bond transaction at secondary markets with COSCO Shipping and/or its associates, which may be the purchaser or vendor of the bonds, thus resulting in an inflow or outflow;

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- (b) the fixed-income intermediary business of the Group experienced rapid growth in the past two years, and is expected to continue to grow steadily in 2023 and 2024. Among which, the agency primary bond auction business grew from approximately RMB94.2 billion in 2020 to approximately RMB170 billion in 2021, the forward contracts/forward trading business grew from approximately RMB2.5 billion in 2020 to approximately RMB5 billion in 2021, and the other fixed-income intermediary business grew from approximately RMB125 billion in 2020 to approximately RMB182.1 billion in 2021. Therefore, it is expected that the Group's agency primary bond auction business, forward contracts/forward trading business and other fixed-income intermediary business will maintain an annual growth rate of 50% to 100% in 2023 and 2024; and
- (c) the Group has not conducted any transactions in relation to agency primary bond auction business, forward contracts/forward trading business and other fixed-income intermediary business with COSCO Shipping and/or its associates in the past three years. It is expected that the annual amount of fixed-income products issued by COSCO Shipping and/or its associates in 2023 and 2024 will be tens of billions of RMB. Based upon the issuance plans of COSCO Shipping and/or its associates and integrated needs of customers, the Group estimates that the annual amount of fixed-income products issued by COSCO Shipping and/or its associates to be applied and paid by the Group as commissioned by the clients will be no more than RMB1.5 billion, thus resulting in an outflow of RMB1.5 billion. Meanwhile, the Group will expand its efforts in conducting forward contracts/forward trading business and other fixed-income intermediary business with financial enterprises controlled by COSCO Shipping in 2023 and 2024. The size of each forward contracts/forward trading business and other fixed-income intermediary business normally ranges from approximately tens of millions of RMB to RMB100 million. It is expected that the total number of forward contracts/forward trading business and other fixed-income intermediary business to be conducted between the Group and COSCO Shipping and/or its associates will not exceed 50 each year, thus resulting in an inflow and outflow of RMB500 million in each of 2023 and 2024.

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- the Group provides integrated financial products and services to its customers. The Company has now obtained qualifications in more than 100 business activities and is licensed to engage in the above-mentioned business activities, and such qualifications of the Company had played an active role in the past three years. In recent years, the Group promoted the transformation of investment banking, established a modern investment bank, underwent transformation in relation to wealth management, strategically developed institutional business, while kept on enriching the financial services provided by the Company, as well as the types and amounts of the Company's financial products. For instance, the Company launched the "Gazelle Incubator Project" (羚躍計劃) in 2019 and the Company implemented the fund investment and consultation business, and launched the "Zhiyuan Private Bank (智遠私行)" exclusive service for high net worth customers in 2021, which further enhanced the wealth management product structure. The Group may launch new kinds of financial services and securities and new financial products such as new wealth management products and market-making services on STAR Market in 2023 and 2024. In addition COSCO Shipping and/or its associates supports global trade, operates on its global network, takes shipping, port and logistics as its bases and core industries while developing aviation finance, equipment manufacturing, value-added services, digital innovation as its capacities and value-added industries, with an aim of creating a "3+4" industrial ecology in full force and constructing a world class global integrated logistics supply chain services ecology. This will create more opportunities for the Group to conduct securities and financial transactions with COSCO Shipping and/or its associates and to provide securities and financial products to each other. Therefore, it is expected that there will be an increase in the total inflow amount and the total outflow amount in 2023 and 2024; and
- given that (i) the inherent nature of the securities and financial products and transactions described above, including their market-sensitivity and timeliness, (ii) the Group's limited control over the counterparties in those transactions, and (iii) the volatility and unpredictability of the financial market in general, an adequate buffer should be provided to prevent undue restriction on the future business operations of the Group.

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2. Financial services

The Proposed COSCO Annual Caps of the revenue to be generated by the Group from the financial services transactions under the 2022 COSCO Framework Agreement for each of the three years ending December 31, 2024 are as follows:

The Proposed COSCO Annual Caps			
<i>(RMB million)</i>			
	For the year ending December 31, 2022⁽¹⁾	For the year ending December 31, 2023	For the year ending December 31, 2024
Financial services			
Revenue to be generated by the Group	7.00	71.20	71.50

Note:

- (1) At the meeting convened on May 27, 2022, the Board set the proposed annual cap on the revenue from the provision of financial services to COSCO Shipping and/or their associates by the Group to RMB71.00 million for the year ending December 31, 2022 under the 2022 COSCO Framework Agreement. Taking into consideration that the 2022 COSCO Framework Agreement is not yet effective up to the Latest Practicable Date, the Group has imposed limitations on the financial services provided to COSCO Shipping and/or its associates, as a result, the revenue from the provision of financial services to COSCO Shipping and/or their associates by the Group during the period from January 1, 2022 to the Latest Practicable Date was much lower than the normal historical figures. At the meeting convened on October 28, 2022, the Board resolved to reduce proposed annual cap on the revenue from the provision of financial services to COSCO Shipping and/or their associates by the Group for the year ending December 31, 2022 under the 2022 COSCO Framework Agreement to RMB7 million.

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In estimating the Proposed COSCO Annual Caps of the revenue to be generated by the Group from the provision of financial services to COSCO Shipping and/or its associates for the three years ending December 31, 2024, the Group has considered, among other things, the following key factors:

- historical amounts of the revenue generated by the Group from providing financial services to COSCO Shipping and/or its associates for the three years ended December 31, 2021, including the different service rates and fees the Group charged for the provision of different types of financial services, and considering, in particular, that the Group's provision of financial services to COSCO Shipping and/or its associates is mainly market-driven. Therefore, the Proposed COSCO Annual Caps shall include an adequate buffer to cover any market volatility and changes. Otherwise, an annual cap that is too restrictive might cause undue disruption to the operations of the Group and hamper its ability to respond quickly to changes in the highly volatile financial market;
- as part of its normal course of business, the Group will continue to provide underwriting and sponsoring services for the equity and debt financial instruments to be issued by COSCO Shipping and/or its associates, which is expected to generate a revenue of approximately RMB4.00 million, RMB41.20 million and RMB41.50 million in 2022, 2023 and 2024, respectively. The above estimation is made with reference to the following facts:
 - i. in each of 2019, 2020 and 2021, the Group provided underwriting and sponsoring services for the equity and debt financial instruments issued by COSCO Shipping and/or its associates, which generated a revenue of approximately RMB1.51 million, RMB0.21 million and RMB2.62 million, respectively.
 - ii. the revenue from the provision of underwriting and sponsoring services by the Group to COSCO Shipping and/or its associates amounted to RMB2.41 million during the period from January 1, 2022 to the Latest Practicable Date. Based on the expected progress of the ongoing projects between the Group and COSCO Shipping and/or its associates, the potential transactions for which the Group may provide such services and the charges on large-scale projects in the market, it is expected that the revenue from the provision of underwriting and sponsoring services by the Group to COSCO Shipping and its associates will amount to approximately RMB4.00 million in 2022;

- iii. COSCO Shipping is a corporate group engaged in Industry-finance Integration with a relatively comprehensive industrial structure system, comprising shipping, terminals, logistics, shipping finance and shipyards. Those companies along the upstream and downstream industrial chain, such as shipping, terminals, logistics, shipping finance and shipyards, will require higher mid-to-long term financing in the next two years. Under the general background of encouraging direct financing by the central government and the reform of the registration-based system in the domestic securities market, the re-financing, IPOs and other financing demands of COSCO Shipping and the relevant listed companies and industrial enterprises controlled by COSCO Shipping will increase significantly. The Group enjoys strong competitiveness in the above business sectors. Therefore, it is expected that the revenue from the provision of underwriting and sponsoring services to COSCO Shipping and/or its associates will record significant growth. Due to the difficulty in estimating the progress of the projects and the subsequent market regulatory environment, it would be impracticable to predict the actual years for the realization of such revenue. Based on the expected demand of COSCO Shipping and its associates for capital operation services, the expected progress of the ongoing projects, the potential transactions for which the Group may provide such services and the charges on large-scale projects in the market, it is expected that the revenue from the provision of underwriting and sponsoring services (including but not limited to IPOs, re-financing, mergers and acquisitions and restructuring) by the Group to COSCO Shipping and/or its associates will amount to approximately RMB41.20 million and RMB41.50 million in 2023 and 2024, respectively;

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- it is estimated that the service fees to be received by the Group for the provision of other investment banking services (mainly financial advisory services) to COSCO Shipping and/or its associates for the year ending December 31, 2022 will be approximately RMB3 million. Meanwhile, it is estimated that the service fees to be received by the Group for the provision of other investment banking services (mainly financial advisory services) to COSCO Shipping and/or its associates for each of the two years ending December 31, 2024 will be approximately RMB30 million, respectively. The above estimation is made based on the following facts:
 - i. the service fees received by the Group for the provision of other investment banking services (mainly financial advisory services) to COSCO Shipping and/or its associates in 2019, 2020 and 2021 amounted to approximately Nil, Nil and RMB0.28 million, respectively. The service fees received by the Group for the provision of other investment banking services to COSCO Shipping and/or its associates during the period from January 1, 2022 to the Latest Practicable Date was RMB0.66 million;
 - ii. based on the expected demand of COSCO Shipping and its associates for capital operation services, the expected progress of the ongoing projects and the potential transactions for which the Group may provide such services, it is expected that the revenue from the provision of financial advisory and other investment banking services by the Group to COSCO Shipping and/or its associates will be approximately RMB3 million in 2022, and the revenue will be approximately RMB30 million in each of 2023 and 2024.

Reasons for and Benefits of Entering into the 2022 COSCO Framework Agreement

The securities and financial products and transactions and financial services under the 2022 COSCO Framework Agreement will be conducted in the ordinary course of business of the Group. Such transactions will continue to be entered into on arm's length basis and based on terms which are fair and reasonable so far as the Group is concerned. In light of the past and current cooperation relationships between the Group and COSCO Shipping, and that such transactions have contributed and will continue to contribute to the overall business operation and growth of the Group, the Board (including the Independent Board Committee having taken into account of the advice of the Independent Financial Adviser) considers that entering into the 2022 COSCO Framework Agreement with COSCO Shipping is beneficial to the Group.

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Such transactions will comprehensively capitalize on the resource advantages of the Group and COSCO shipping and/or its associates, enhance the market competitiveness of the parties' cooperation business, and create cost synergy by integrating the strengths of the parties, which will in turn improve the profitability of the Group and enhance the Group's leading position in the securities industry. The Board (including the Independent Board Committee having taken into account the advice of the Independent Financial Adviser) is of the view that the 2022 COSCO Framework Agreement was: (i) entered into in the ordinary and usual course of business of the Group; (ii) on normal commercial terms (in accordance with the terms determined after arm's length negotiation or those no less favorable than the terms offered by the Group to independent third parties); and (iii) its terms and the Proposed COSCO Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3. Internal Control Measures of Continuing Connected Transactions

To safeguard the interests of the Shareholders as a whole, including minority Shareholders, the Group has implemented internal approval and monitoring procedures for connected transactions, which include the following:

- the Group has formulated and established internal guidance and policies for various securities and financial products and transactions and financial services, as well as internal procedures and system for the approval and monitoring of such transactions. Such policies and guidance set forth requirements regarding pre-transaction inquiry, applicable price, pricing procedures, approving body and procedures, record retention, supervision and review procedures. The Group's connected transaction management working team, headquarter for wealth management and institutional business, committee for investment banking, headquarter for financial market investment, fund management department and subsidiaries of the Company, including but not limited to China Merchants Securities International Company Limited, China Merchants Futures Co., Limited and China Merchants Securities Asset Management Co., Ltd., are responsible for reviewing the actual transaction amount and determining whether the Proposed Annual Caps have been exceeded;
- the Group's connected transaction management working team will regularly (every half-year and every year) or irregularly collect data from all departments and subsidiaries, to ensure the Proposed Annual Caps will not be exceeded and will remind relevant departments and subsidiaries to keep such connected transactions not exceeding the Proposed Annual Caps. Legal and compliance department will also review such transactions and grant approval when and as appropriate;

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- while offering or selling the same batch of securities and financial products and transactions and financial services to customers (including both connected persons and independent third parties), the Group will offer the same pricing terms to all the customers and no preferential terms shall be provided to the customers who are the Group's connected persons;
- in order to ensure that the price/market rate is with reference to the then prevailing market prices/rates, the Group will obtain market references or quotations for similar products/services/transactions. For fixed-income products or transactions, the Group will obtain market references or quotations from similar products offered in the inter-bank markets or the PRC stock exchange markets. For equity products or transactions, the Group will obtain market references or quotations from similar products offered in the PRC stock exchange markets. The Group will normally obtain three to five market references or quotations (depending on available information). The Group will then adopt evaluation methods to ascertain the market price for similar products or transactions and determine whether the price offered by connected person is fair and reasonable. For other products/services/transactions where there are no active markets (for example, forward contracts), the Group will obtain market references or quotations for similar products/services/transactions offered in an active market (for example, futures market) and/or market references or quotations in that inactive market. Depending on the availability of information, the Group will compare the information collected from both active and inactive markets to ascertain the market price of such products/services/transactions and determine whether the price offered by connected person is fair and reasonable;
- the Group has formulated internal guidelines requiring additional approval procedures, including prior assessment and approval by independent Directors before the matter is submitted for consideration by the Board for transactions that exceed certain monetary amounts;
- for securities and financial products and transactions, the Group has implemented the following internal control procedures to ensure that the terms are normal commercial terms or better:
 - the investment department and the investment management department will determine the reasonable pricing of fixed-income products and equity products according to the pricing model for the issuing of such products or purchase such products issued by China Merchants Group, COSCO Shipping and/or their associates. For fixed-income products or transactions, under normal circumstances, the Group will determine the reasonable pricing of such products or transactions from multiple dimensions such as subject, rating and financial indicators. The

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Group will evaluate the terms and the credit risk of such products and transactions based on the rating of such products provided by the external rating agencies after their evaluation and the internal rating system developed by the Group. The rating evaluated by the external rating agencies will be verified and evaluated by the internal rating system to ensure that the terms of such products and transactions are on normal commercial terms or better. For equity products and transactions, under normal circumstances, the Group will determine the reasonable pricing of such products or transactions in accordance with market-based valuation methods (such as, price-earnings ratio valuation method, PS valuation method, PEG valuation method, price-to-book ratio valuation method, market rate valuation method, DCF valuation method, etc.) Different valuation methods will be adopted depending on the ability to continue as a going concern, financial condition and risk condition of the industry of the issuer or the financier. Should there be no direct market comparable, the Group will also consider price of derivative of such products and also market price of such products of similar nature for reference when necessary in order to determine the market price of such products or transactions. The Group will take priority to consider price of derivative of such products to determine the market price. If there are no derivatives of such products, the Group will consider products of similar nature to determine the market price. The Group will select comparable of products of similar nature with reference to, among other things, industry of the issuer or the financier, its business and financial scale, its price-to-earnings ratio and its price-to-book ratio. The Group will select two to three market comparables and determine a range of market price of these comparables as reference to determine, among others whether the price offered by China Merchants Group, COSCO Shipping and/or their associates is normal commercial terms or better. With reference to the above-mentioned, the Group can ascertain the value of certain securities and financial products and transactions and ensure whether the terms are normal commercial terms or better.

The independent non-executive Directors and auditors of the Company will conduct an annual review on the continuing connected transactions of the Group (including the pricing terms) and provide their annual confirmations in accordance with the Listing Rules that, among others, the relevant transactions are conducted in the ordinary and usual course of business of the Group and in accordance with the terms of the agreement that are fair and reasonable and in the interests of the Company and the Shareholders as a whole, on normal commercial terms or better and in accordance with the pricing policy of the Group.

4. General Information of the Company, China Merchants Group and COSCO Shipping

The Company is a joint stock company incorporated in the PRC with limited liability, the domestic shares of which are listed on the Shanghai Stock Exchange and the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange. The Group mainly engages in brokerage and wealth management and institutional business, investment banking business, investment management business, and investment and trading business.

China Merchants Group is a wholly state-owned enterprise incorporated in the PRC, and is a controlling shareholder of the Company. China Merchants Group is principally engaged in transportation and logistics, integrated finance, urban and industrial park integrated development as well as big health, testing and other new industries invested in recent years.

COSCO Shipping is a wholly state-owned enterprise incorporated in the PRC, and is a substantial shareholder of the Company. Its businesses mainly focus on shipping, logistics, ship financing, equipment manufacturing and maritime services.

5. Board Approval

Pursuant to Rule 14A.68(8) of the Listing Rules, as Mr. HUO Da, Mr. WU Zongmin, Mr. LIU Weiwu, Mr. DENG Weidong, Ms. SU Min, Ms. PENG Lei and Mr. GAO Hong are directors connected to China Merchants Group, they are deemed to have material interests in the transactions contemplated under the 2022 CMG Framework Agreement and thus have abstained from voting on the board resolution in respect of the entering into of the 2022 CMG Framework Agreement, and the transactions contemplated thereunder (including the Proposed CMG Annual Caps). Save as disclosed above, none of the Directors has any material interest in the transaction contemplated under the 2022 CMG Framework Agreement and thus be required to abstain from voting on the relevant board resolution.

Pursuant to Rule 14A.68(8) of the Listing Rules, as Mr. HUANG Jian is a director connected to COSCO Shipping, he is deemed to have material interests in the transactions contemplated under the 2022 COSCO Framework Agreement and thus has abstained from voting on the board resolution in respect of the entering into of the 2022 COSCO Framework Agreement and the transactions contemplated thereunder (including the Proposed COSCO Annual Caps). Save as disclosed above, none of the Directors has any material interest in the transaction contemplated under the 2022 COSCO Framework Agreement and thus be required to abstain from voting on the relevant board resolution.

6. Implications under the Listing Rules

China Merchants Group is a controlling shareholder of the Company. As at the Latest Practicable Date, China Merchants Group indirectly holds approximately 44.17% in aggregate of the equity interest of the Company. Accordingly, China Merchants Group and its associates are connected persons of the Company under the Listing Rules, and the transactions contemplated under the 2022 CMG Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the transactions contemplated under the 2022 CMG Framework Agreement exceed 5%, the transactions contemplated under the 2022 CMG Framework Agreement are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

COSCO Shipping is a substantial shareholder of the Company. As at the Latest Practicable Date, COSCO Shipping indirectly holds approximately 10.02% in aggregate of the equity interest of the Company. Accordingly, COSCO Shipping and its associates are connected persons of the Company under the Listing Rules, and the transactions contemplated under the 2022 COSCO Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the transactions contemplated under the 2022 COSCO Framework Agreement exceed 5%, the transactions contemplated under the 2022 COSCO Framework Agreement are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to consider the 2022 CMG Framework Agreement and the 2022 COSCO Framework Agreement and to advise the Independent Shareholders on the entering into of the 2022 CMG Framework Agreement and the 2022 COSCO Framework Agreement. Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the 2022 CMG Framework Agreement and the 2022 COSCO Framework Agreement are on normal commercial terms or better in the ordinary and usual course of business of the Company and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

III. PROPOSED APPOINTMENT OF DIRECTORS

Reference is made to the announcement of the Company dated October 10, 2022, in relation to, among others, the proposed appointment of Mr. LIU Chong (“**Mr. LIU**”) as a non-executive Director and the proposed appointment of Mr. FENG Jinhua (“**Mr. FENG**”) as an independent non-executive Director.

The Board has resolved (i) to nominate Mr. LIU as a candidate for non-executive Director of the seventh session of the Board; and (ii) to nominate Mr. FENG as a candidate for independent non-executive Director of the seventh session of the Board, at the meeting held on October 10, 2022. The proposed appointment of each of Mr. LIU and Mr. FENG as Director is subject to the consideration and approval by the Shareholders at the EGM.

The term of office of Mr. LIU as a non-executive Director of the Company will take effect from the date on which the resolution in relation to his appointment as a non-executive Director of the seventh session of the Board is approved at the EGM until the expiry of the seventh session of the Board. The term of office of Mr. FENG as an independent non-executive Director of the Company will take effect from the date on which the resolution in relation to his appointment as an independent non-executive Director of the seventh session of the Board is approved at the EGM until the expiry of the seventh session of the Board. Pursuant to the Articles of Association, each of Mr. LIU and Mr. FENG is eligible for re-election upon the expiry of his term of office.

The biographical details of Mr. LIU and Mr. FENG and other information relating to their appointment are as follows:

Mr. LIU Chong, aged 52, has successively served as the general manager from March 2016 to June 2022, an executive director since June 2016 and the chairman of the board since June 2022 of COSCO SHIPPING Development Co., Ltd.* ((中遠海運發展股份有限公司), formerly known as China Shipping Container Lines Company Limited* (中海集裝箱運輸股份有限公司)), a company listed on the SSE (stock code: 601866) and the Hong Kong Stock Exchange (stock code: 02866), and has successively served as a director since July 2016 and the chairman of the board since June 2022 of COSCO SHIPPING Investment Holdings Co., Limited* (中遠海運投資控股有限公司). Mr. LIU has served as the chairman of the board of Haifa Baocheng Financial Leasing Co., Ltd.* (海發寶誠融資租賃有限公司) (formerly known as COSCO Shipping Leasing Co., Ltd.* (中遠海運租賃有限公司)) since July 2016, a non-executive director of China Cinda Asset Management Co., Ltd.* (中國信達資產管理股份有限公司) since August 2017, a company listed on the Hong Kong Stock Exchange (stock code: 01359), a non-executive director of China Everbright Bank Company Limited* (中國光大銀行股份有限公司) since December 2019, a company listed on the SSE (stock code: 601818) and the Hong Kong Stock Exchange (stock code: 06818), a director and the chairman of the board since May 2022 of COSCO SHIPPING Development (Hong Kong) Co., Limited* (中遠海運發展(香港)有限公司) and COSCO Shipping Development (Asia) Co., Ltd.* (中遠海運發展(亞洲)有限公司) since July 2016, successively. From May 2016 to March 2021, Mr. LIU has successively served as a non-executive director and a vice chairman of the board of CHINA INTERNATIONAL MARINE CONTAINERS (GROUP) CO., LTD.* (中國國際海運集裝箱(集團)股份有限公司), a company listed on the SZSE (stock code: 000039) and the Hong Kong Stock Exchange

* For identification purpose only

LETTER FROM THE BOARD

(stock code: 02039). Mr. LIU also served as the vice general manager and general manager of China Shipping Investment Co., Ltd.* (中海集團投資有限公司), the chief financial officer and a vice general manager of China Shipping Logistics Co., Ltd.* (中海集團物流有限公司), the chief accountant of China Shipping (Hainan) Haisheng Shipping Co., Ltd.* (中海(海南)海盛船務股份有限公司) and China Shipping Container Lines Company Limited* (中海集裝箱運輸股份有限公司) (now renamed as COSCO SHIPPING Development Co., Ltd.* (中遠海運發展股份有限公司)), respectively. In addition, Mr. LIU served as a Director and a Supervisor of the Company from July 2008 to May 2014 and from May 2014 to May 2017, respectively.

Mr. LIU obtained a bachelor's degree in economics from Sun Yat-sen University (中山大學) in July 1990 and was awarded the title of senior accountant in November 2000.

Mr. FENG Jinhua, aged 66, has served as an independent non-executive director of CIMC Vehicles (Group) Co., Ltd. (the “**CIMC Vehicles**”) since June 2019, a company listed on SZSE (stock code: 301039) and Hong Kong Stock Exchange (stock code: 01839). Mr. FENG has extensive working and management experience in the ocean transportation, shipping and logistics industries and has obtained good qualifications in the transportation industry. Mr. FENG served as a vice section chief, the section chief, a vice division chief, the division chief, a vice chief accountant and the chief accountant of finance department of Qingdao Ocean Shipping Company* (青島遠洋運輸公司), the general manager of finance department of China Ocean Shipping (Group) Company* (中國遠洋運輸(集團)總公司), the financial director of COSCO SHIPPING Holdings Co., Ltd.* (中遠海運控股股份有限公司) (formerly known as China COSCO Holdings Company Limited* (中國遠洋控股股份有限公司)), a company listed on SSE (stock code: 601919) and Hong Kong Stock Exchange (stock code: 01919), a vice managing director of COSCO Pacific Limited* (中遠太平洋有限公司), the financial director of COSCO (Hong Kong) Group Limited* (中遠(香港)集團有限公司), and a non-executive director of CIMC Vehicles.

Mr. FENG graduated from Qingdao Ocean Shipping Mariners College* (青島遠洋船員學院), majoring in accounting, in July 1986, and obtained an Executive Master of Business Administration degree from the Business School of the University of International Business and Economics (對外經濟貿易大學) in December 2006. He was awarded the senior accountant qualification by China Road and Bridge Corporation* (中國路橋(集團)總公司) in September 2005, the title of the excellent accountant in transportation industry by the China Communications Accounting Society (中國交通會計學會) in April 2006 and the title of outstanding informatization application promoter by the National Informatization Evaluation Center* (國家信息化測評中心) in February 2007.

Based on the Company's diversity policy and nomination policy and the recommendations of the Nomination Committee of the Board, the Board, having comprehensively considered the educational background, knowledge, skills and experience of Mr. LIU and the contributions he can make to the Board, recommends the appointment of Mr. LIU as a non-executive Director of the Company.

* For identification purpose only

LETTER FROM THE BOARD

With many years of experience in the ocean transportation, shipping and logistics industries, Mr. FENG is able to promote the diversity of the Board and will bring more sophisticated expertise in the transportation industry to the Board. When determining the nomination of independent non-executive Director of the Company, the Company considered the diversity of Board members in several aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The determination of Board members is based on the value of the candidate and the contribution that the candidate can make to the Board. The benefits from the diversity of the Board are also taken into full consideration according to their objective conditions. The selection of Board members is conducted in accordance with laws, regulations and relevant requirements of regulators. Based on the Company's diversity policy and nomination policy and the recommendations of the Nomination Committee of the Board, the Board, having comprehensively considered the educational background, knowledge, skills and experience of Mr. FENG and the contributions he can make to the Board, recommends the appointment of Mr. FENG as an independent non-executive Director of the Company. The Company also considers that Mr. FENG is independent in accordance with the independence guidelines set out in the Listing Rules.

Upon the approval by the Shareholders at the EGM, the Company will enter into service contracts with Mr. LIU and Mr. FENG. During his term of office as a non-executive Director of the Company, Mr. LIU will not receive any Director's emoluments from the Company. During his term of office as an independent non-executive Director of the Company, Mr. FENG will receive RMB0.2 million (before tax) per annum as director's allowance from the Company, which is determined with reference to his duties and responsibilities with the Company.

Each of Mr. LIU and Mr. FENG has confirmed that, save as disclosed above, as of the date of the Latest Practicable Date: (1) he does not hold any other positions in the Company or any of its subsidiaries, nor has he held any directorships in the last three years in any other public companies where the securities of which are listed on any securities market in Hong Kong or overseas; (2) he does not have any relationship with any other directors, supervisors, senior management, substantial shareholders or controlling shareholders of the Company or any of its subsidiaries; (3) he does not hold any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong); and (4) he does not have any matters regarding the proposed appointment that shall be disclosed pursuant to Rule 13.51(2)(h) to Rule 13.51(2)(v) of the Listing Rules, nor is there any other issue regarding the proposed appointment that shall be brought to the attention of the Shareholders. Mr. LIU and Mr. FENG are not prohibited from serving as directors by regulatory authorities and stock exchanges where the Company's securities are listed.

The above resolution has been considered and approved by the Board on October 10, 2022, and is hereby proposed at the EGM for consideration and approval by way of an ordinary resolution.

LETTER FROM THE BOARD

IV. PROPOSED AMENDMENTS TO THE RULES FOR INDEPENDENT DIRECTORS OF THE COMPANY

In accordance with the Measures for the Supervision and Administration of the Directors, Supervisors, Senior Executives and Practitioners of Securities and Fund Business Institutions (《證券基金經營機構董事、監事、高級管理人員及從業人員監督管理辦法》), Rules for Independent Directors of Listed Companies (《上市公司獨立董事規則》), Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation (《上海證券交易所上市公司自律監管指引第1號—規範運作》) and Rules for Governance of Securities Companies (《證券公司治理準則》), the Board passed a resolution concerning the proposed amendments to the Rules for Independent Directors of the Company currently in force on July 11, 2022. For details of the proposed amendments to the Rules for Independent Directors of the Company, please refer to Appendix II to this circular.

The proposed amendments to the Rules for Independent Directors of the Company are prepared in the Chinese language. In case of any discrepancy between the English version and the Chinese version of the Rules for Independent Directors of the Company, the Chinese version shall prevail.

The above resolution has been considered and approved by the Board on July 11, 2022 and is hereby proposed at the EGM for consideration and approval by way of an ordinary resolution.

V. PROPOSED AMENDMENTS TO THE ADMINISTRATIVE MEASURES ON THE PROCEEDS RAISED BY THE COMPANY

In accordance with the Guidelines for the Supervision of Listed Companies No. 2 – Regulatory Requirements for the Management and Use of Proceeds Raised by Listed Companies (《上市公司監管指引第2號—上市公司募集資金管理和使用的監管要求》), Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation (《上海證券交易所上市公司自律監管指引第1號—規範運作》) and other regulations, the Board passed a resolution concerning the proposed amendments to the Administrative Measures on the Proceeds Raised by the Company on August 26, 2022. For details of the proposed amendments to the Administrative Measures on the Proceeds Raised by the Company, please refer to Appendix III to this circular.

The proposed amendments to the Administrative Measures on the Proceeds Raised by the Company are prepared in the Chinese language. In case of any discrepancy between the English version and the Chinese version of Administrative Measures on the Proceeds Raised by the Company, the Chinese version shall prevail.

The above resolution has been considered and approved by the Board on August 26, 2022 and is hereby proposed at the EGM for consideration and approval by way of an ordinary resolution.

LETTER FROM THE BOARD

VI. PROPOSED FORMULATION OF THE ADMINISTRATIVE MEASURES ON THE EXTERNAL DONATIONS OF THE COMPANY

In accordance with the requirements of the Implementation Plan for Powers and Rights of the Board of Directors of China Merchants Securities Co., Ltd. (《招商證券股份有限公司落實董事會職權實施方案》) considered and approved at the meeting of the Board convened on December 27, 2021 of the Company, and in light of the actual circumstances of the Company, the Board passed a resolution concerning the proposed formulation of the Administrative Measures on the External Donations of the Company on July 11, 2022. For full text of the Administrative Measures on the External Donations of the Company, please refer to Appendix IV to this circular.

The Administrative Measures on the External Donations of the Company are prepared in the Chinese language. In case of any discrepancy between the English version and the Chinese version of the Administrative Measures on the External Donations of the Company, the Chinese version shall prevail.

The above resolution has been considered and approved by the Board on July 11, 2022 and is hereby proposed at the EGM for consideration and approval by way of an ordinary resolution.

VII. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Reference is made to the announcement of the Company dated October 28, 2022 in relation to the proposed amendments to the Articles of Association.

In accordance with relevant regulations revised or newly issued by the China Securities Regulatory Commission and the Shanghai Stock Exchange in recent years, such as the “Measures for the Administration of Information Disclosure by Listed Companies” (《上市公司信息披露管理辦法》), the “Measures for the Supervision and Administration of the Directors, Supervisors, Senior Executives and Practitioners of Securities and Fund Business Institutions” (《證券基金經營機構董事、監事、高級管理人員及從業人員監督管理辦法》), the “Rules for Independent Directors of Listed Companies” (《上市公司獨立董事規則》), the “Rules Governing the Listing of Stocks on the Shanghai Stock Exchange” (《上海證券交易所股票上市規則》) and the “Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation” (《上海證券交易所上市公司自律監管指引第1號—規範運作》), and in line with the fact that the Company recently obtained the qualification for market-making and trading business of listed securities, the Board passed a resolution concerning the proposed amendments to the existing Articles of Association (the “**Proposed Amendments**”) on October 28, 2022. For details of the Proposed Amendments, please refer to Appendix V to this circular.

As a result of the aforesaid Proposed Amendments to the Articles of Association, the subsequent articles will be renumbered accordingly and the relevant numbering of such articles referred to in the Articles of Association shall be adjusted accordingly. Save for the aforementioned articles, the contents of other articles in the Articles of Association remain unchanged.

LETTER FROM THE BOARD

The Proposed Amendments are subject to the consideration and approval by the Shareholders at the EGM by way of a special resolution, and the amended Articles of Association shall come into effect from the date of approval upon consideration by the EGM of the Company. Before that, the existing Articles of Association shall remain valid. The Board has also resolved to propose at the EGM to authorise the Board in turn to authorise the management of the Company to handle the filing procedures and the procedures for change of industrial and commercial registration in respect of the Proposed Amendments with relevant regulatory authorities, and to adjust the details of the Proposed Amendments in accordance with the opinions of regulatory authorities (if any).

The Proposed Amendments are prepared in the Chinese language. In case of any discrepancy between the English version and the Chinese version of the Articles of Association, the Chinese version of the Articles of Association shall prevail.

The above resolution has been considered and approved by the Board on October 28, 2022 and is hereby proposed at the EGM for consideration and approval by way of a special resolution.

VIII. EGM

The EGM is to be held at China Merchants Securities Building, No. 111 Fuhua Yi Road, Futian Street, Futian District, Shenzhen, Guangdong Province, the PRC on Tuesday, November 29, 2022 at 10 a.m. The notice convening the EGM is set out on pages N-1 to N-4 of this circular.

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

Last Registration Date	:	at 4:30 p.m. on or before November 23, 2022
Closure of Register of Members for H Shareholders	:	November 24, 2022 to November 29, 2022 (both days inclusive)
Submission of Proxy Form	:	24 hours before the time appointed for the EGM (i.e. at 10:00 a.m. on November 28, 2022)

The register of members of H shares of the Company will be closed from Thursday, November 24, 2022 to Tuesday, November 29, 2022 (both days inclusive), during which period no transfer of H Shares will be registered. All transfer documents accompanied by the relevant share certificates, shall be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, November 23, 2022. Purchasers of Shares who have submitted their transfer documents to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, and registered as Shareholders on the register of members of H Shares of the Company before 4:30 p.m. on Wednesday, November 23, 2022 are entitled to attend and vote in respect of all resolutions to be proposed at the EGM.

LETTER FROM THE BOARD

To be valid, for holders of H Share, the form of proxy and notarised power of attorney or other document of authorisation must be delivered to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time appointed for the EGM. Completion and return of the proxy form will not preclude you from attending and voting at the EGM in person if you so wish.

IX. PROCEDURES FOR VOTING AT THE EGM

According to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at a Shareholders' general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the chairman of the EGM will demand a poll in relation to the proposed resolutions at the EGM in accordance with Article 128 of the Articles of Association.

China Merchants Group, which indirectly holds approximately 44.17% in aggregate of the equity interest of the Company, is a controlling shareholder of the Company. As such, China Merchants Group and its associates will be required to abstain from voting on the resolution in respect of the entering into of the 2022 CMG Framework Agreement and the transactions contemplated thereunder at the EGM.

COSCO Shipping, which indirectly holds approximately 10.02% in aggregate of the equity interest of the Company, is a substantial shareholder of the Company. As such, COSCO Shipping and its associates will be required to abstain from voting on the resolution in respect of the entering into of the 2022 COSCO Framework Agreement and the transactions contemplated thereunder at the EGM.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no other Shareholders have material interests in the resolutions to be proposed at the EGM and are required to abstain from voting on such resolutions.

X. RECOMMENDATION

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, is of the view the transactions contemplated under the 2022 CMG Framework Agreement and the 2022 COSCO Framework Agreement are in the ordinary and usual course of business of the Group and are on normal commercial terms and the terms are fair and reasonable and in the interests of the Company and its Shareholders as a whole. The Board (including the Independent Board Committee having taken into account the advice of the Independent Financial Adviser) is of the view that each of the 2022 CMG Framework Agreement and the 2022 COSCO Framework Agreement was: (i) entered into in the ordinary and usual course of business of the Group; (ii) on normal commercial terms (in accordance with the terms determined after arm's length negotiation or those no less favorable than the terms offered by the Group to independent third parties); and (iii) its terms and the proposed annual caps for the continuing connected transactions contemplated thereunder are fair and reasonable and

LETTER FROM THE BOARD

in the interests of the Company and the Shareholders as a whole. As such, the Board (including the Independent Board Committee having taken into account the advice of the Independent Financial Adviser) recommends that all Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM in respect of the 2022 CMG Framework Agreement and the 2022 COSCO Framework Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps).

The Board believes that all the other ordinary resolutions in relation to (i) the proposed appointment of Directors, (ii) the proposed amendments to the Rules for Independent Directors of the Company, (iii) the proposed amendments to the Administrative Measures on the Proceeds Raised by the Company, and (iv) the proposed formulation of the Administrative Measures on the External Donations of the Company, as well as (v) the special resolution in relation to the proposed amendments to the Articles of Association to be proposed at the EGM are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that all Shareholders vote in favour of the above-mentioned resolutions to be proposed at the EGM.

XI. FURTHER INFORMATION

Your attention is drawn to the statutory and general information set out in Appendix I to this circular.

Yours faithfully,
By order of the Board
China Merchants Securities Co., Ltd.
Huo Da
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in connection with the entering into of the 2022 CMG Framework Agreement and the 2022 COSCO Framework Agreement for inclusion in this circular.



招商证券股份有限公司
China Merchants Securities Co., Ltd.

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 6099)

November 9, 2022

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO RENEWAL OF THE SECURITIES AND FINANCIAL PRODUCTS, TRANSACTIONS AND SERVICES FRAMEWORK AGREEMENTS

We have been appointed to form the Independent Board Committee to consider and advise the Independent Shareholders as to our opinions on the entering into of the 2022 CMG Framework Agreement and the 2022 COSCO Framework Agreement, and the transactions contemplated thereunder, the details of which are set out in the circular issued by the Company to the Shareholders dated November 9, 2022 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular will have the same meanings when used herein unless the context otherwise requires. Lego Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee. We wish to draw your attention to the letter from the Independent Financial Adviser as set out on pages 80 to 144 of this Circular.

Having taken into account (i) the reasons as disclosed in the paragraphs headed “Reasons for and Benefits of Entering into the 2022 CMG Framework Agreement” and “Reasons for and Benefits of Entering into the 2022 COSCO Framework Agreement” of the Circular; and (ii) the principal factors and reasons considered by the Independent Financial Adviser, and its conclusion and advice, we are of the view and concur with the opinion of the Independent Financial Adviser that the 2022 CMG Framework Agreement and the 2022 COSCO Framework Agreement were entered into in the ordinary and usual course of business of the Group and are on normal commercial terms, the terms and conditions therein as well as the Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM in respect of the 2022 CMG Framework Agreement and the 2022 COSCO Framework Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps).

Yours faithfully
Independent Board Committee of
China Merchants Securities Co., Ltd.
XIANG Hua
XIAO Houfa
XIONG Wei
HU Honggao
WONG Ti
(Independent non-executive Directors)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Lego Corporate Finance Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the 2022 CMG Framework Agreement and the 2022 COSCO Framework Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps).



9 November 2022

*To the Independent Board Committee
and the Independent Shareholders*

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO RENEWAL OF THE SECURITIES AND FINANCIAL PRODUCTS, TRANSACTIONS AND SERVICES FRAMEWORK AGREEMENTS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the 2022 CMG Framework Agreement and the 2022 COSCO Framework Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps), details of which are set out in the Letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 9 November 2022 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

References are made to (i) the prospectus for the global offering of H Shares of the Company dated 27 September 2016, (ii) the announcement of the Company dated 15 February 2019, and (iii) the announcement of the Company dated 21 May 2019, respectively, in relation to, among others, the continuing connected transactions under the 2016 CMG Framework Agreement, the 2019 Half Year Agreement and the 2019 CMG Framework Agreement. Reference is also made to the announcement of the Company dated 27 May 2022 in relation to the 2022 CMG Framework Agreement entered into between the Company and the China Merchants Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As (i) the validity of the 2019 CMG Framework Agreement has expired on 31 December 2021; and (ii) the Group and China Merchants Group and/or its associates expect to continually conduct securities and financial transactions with each other and provide securities and financial products to each other, and the Group expects to continually provide financial services to China Merchants Group and/or its associates thereafter in the ordinary course of business based on normal commercial terms and market practices at prevailing market prices or rates, the Company entered into the 2022 CMG Framework Agreement with China Merchants Group on 27 May 2022 to renew the 2019 CMG Framework Agreement. The term of the 2022 CMG Framework Agreement shall take effect upon obtaining the approval from the Independent Shareholders, and shall expire on 31 December 2024.

China Merchants Group is a controlling shareholder of the Company. As at the Latest Practicable Date, China Merchants Group indirectly holds approximately 44.17% in aggregate of the equity interest of the Company. Accordingly, China Merchants Group and its associates are connected persons of the Company under the Listing Rules, and the transactions contemplated under the 2022 CMG Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the transactions contemplated under the 2022 CMG Framework Agreement exceed 5%, the transactions contemplated under the 2022 CMG Framework Agreement are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Further references are made to (i) the announcement of the Company dated 30 December 2020 in relation to the continuing connected transactions under the 2020 COSCO Framework Agreement, and (ii) the announcement of the Company dated 27 May 2022 in relation to the 2022 COSCO Framework Agreement entered into between the Company and COSCO Shipping.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As (i) the validity of the 2020 COSCO Framework Agreement expired on 31 December 2021; and (ii) the Group and COSCO Shipping and/or its associates expect to continually conduct securities and financial transactions with each other and provide securities and financial products to each other, and the Group expects to continually provide financial services to COSCO Shipping and/or its associates thereafter in the ordinary course of business based on normal commercial terms and market practices at prevailing market prices or rates, the Company entered into the 2022 COSCO Framework Agreement with COSCO Shipping on 27 May 2022 to renew the 2020 COSCO Framework Agreement. The term of the 2022 COSCO Framework Agreement shall take effect upon obtaining the approval from the Independent Shareholders, and shall expire on 31 December 2024.

COSCO Shipping is a substantial shareholder of the Company. As at the Latest Practicable Date, COSCO Shipping indirectly holds approximately 10.02% in aggregate of the equity interests of the Company. Accordingly, COSCO Shipping and its associates are connected persons of the Company under the Listing Rules, and the transactions contemplated under the 2022 COSCO Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the transactions contemplated under the 2022 COSCO Framework Agreement exceed 5%, the transactions contemplated under the 2022 COSCO Framework Agreement are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will obtain the Independent Shareholders' approval for transactions contemplated under the 2022 CMG Framework Agreement and the 2022 COSCO Framework Agreement at the EGM. China Merchants Group and its associates will be required to abstain from voting on the resolution in respect of the entering into of the 2022 CMG Framework Agreement and the transactions contemplated thereunder at the EGM. COSCO Shipping and its associates will be required to abstain from voting on the resolution in respect of the entering into of the 2022 COSCO Framework Agreement and the transactions contemplated thereunder at the EGM.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no other Shareholders have material interests in the resolutions to be proposed at the EGM and are required to abstain from voting on such resolutions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Xiang Hua, Mr. Xiao Houfa, Mr. Xiong Wei, Mr. Hu Honggao and Mr. Wong Ti, has been established to advise the Independent Shareholders as to whether the entering into of the 2022 CMG Framework Agreement and the 2022 COSCO Framework Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps) are in the ordinary and usual course of business of the Company based on normal commercial terms or better and the terms of which are fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to whether to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve the 2022 CMG Framework Agreement and the 2022 COSCO Framework Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps). As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

As at the Latest Practicable Date, Lego Corporate Finance Limited did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of Lego Corporate Finance Limited. In the last two years, Lego Corporate Finance had acted as independent financial adviser to the Company in relation to the renewal of the property leasing framework agreement, details of which was disclosed in the announcement of the Company dated 27 March 2022. Apart from normal professional fees paid or payable to us in connection with the previous appointment mentioned above as well as this appointment as the independent financial adviser, no arrangement exist whereby we had received or will receive any fees or benefits from the Company or any other party to the transactions. Accordingly, we consider that the aforementioned previous appointment would not affect our independence, and we are qualified to give independent advice in respect of the 2022 CMG Framework Agreement and the 2022 COSCO Framework Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion and advice, we have considered, amongst other things, (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the management of the Group (the “**Management**”); and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us by the Directors and/or the Management for which they are solely and wholly responsible for, or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date of the EGM and all such statements of belief, opinions and intention of the Directors and the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors, the Management and/or the advisers of the Company. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the Management are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the EGM.

We consider that we have reviewed the relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, or any of their respective subsidiaries and associates.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the 2022 CMG Framework Agreement and the 2022 COSCO Framework Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps), and except for its inclusion in the Circular and for the purpose of the EGM, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have considered the following principal factors and reasons:

1. General information of the Company, China Merchants Group and COSCO Shipping

1.1 Information of the Company

As set out in the Letter from the Board, the Company is a joint stock company incorporated in the PRC with limited liability, the domestic shares of which are listed on the Shanghai Stock Exchange and the H Shares of which are listed on the Main Board of the Stock Exchange. The Group mainly engages in brokerage and wealth management and institutional business, investment banking business, investment management business, and investment and trading business.

The following table summarises the financial information of the Company for three years ended 31 December 2021 extracted from the annual report of the Company for the year ended 31 December 2020 (the “2020 Annual Report”) and the annual report of the Company for the year ended 31 December 2021 (the “2021 Annual Report”):

	For the year ended 31 December		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Audited)
Revenue	23,306,962	29,298,256	36,101,325
— Wealth management and institutional business	11,955,926	16,764,078	20,650,534
— Investment banking	1,878,151	2,205,580	2,610,454
— Investment management	1,844,837	1,586,255	1,746,405
— Investment and trading	7,358,833	8,463,977	10,840,752
— Others	330,232	327,005	288,409
— Elimination	(61,017)	(48,639)	(35,229)
Profit before income tax	8,773,637	11,308,869	13,703,853
Profit for the year	7,313,283	9,503,867	11,657,808

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As illustrated in the above table, the Company recorded an increase in revenue of approximately 25.7% for the year ended 31 December 2020, as compared to that for the year ended 31 December 2019, which was mainly contributed by the increase in revenue generated from the wealth management and institutional business segments. According to the 2020 Annual Report, revenue from the wealth management and institutional business segment recorded a year-on-year increase of approximately 40.2%, mainly due to the year-on-year increase of approximately 62.4% in average trading volume of A shares in 2020, the increase in the market share of the trading volume of the Company, and a year-on-year increase in net fee income from agency trading. The net income from financial products under agency sale and the net interest income from margin financing and securities lending also recorded growth on year-on-year basis.

The Company recorded an increase in revenue of approximately 23.2% for the year ended 31 December 2021, as compared to that for the year ended 31 December 2020, which was mainly contributed by the increase in revenue generated from the wealth management and institutional business segments. According to the 2021 Annual Report, revenue from the wealth management and institutional business segment recorded a year-on-year increase of approximately 23.2%, mainly due to the year-on-year increase of approximately 24.7% in the trading volume of stocks and funds in the A share market in 2021, the increase in market share of the trading volume of stocks and funds of the Company, along with a decrease in commission rate. The net income from financial products under agency sale of the Company hit a record high. The increase in interest income from margin financing and securities lending also grew to a larger extent due to the growth in margin financing and securities lending.

1.2 Information of China Merchants Group

As set out in the Letter from the Board, China Merchants Group is a wholly state-owned enterprise incorporated in the PRC and is a controlling shareholder of the Company. China Merchants Group is principally engaged in transportation and logistics, integrated finance, urban and industrial park integrated development as well as big health, testing and other new industries invested in recent years.

1.3 Information of COSCO Shipping

As stated in the Letter from the Board, COSCO Shipping is a wholly state-owned enterprise incorporated in the PRC and is a substantial shareholder of the Company. Its business mainly focuses on shipping, logistic, ship financing, equipment manufacturing, and maritime services.

2. The 2022 CMG Framework Agreement

2.1 *The reasons for and benefits of entering into the 2022 CMG Framework Agreement*

As disclosed in the Letter from the Board, the securities and financial products and transactions and financial services under the 2022 CMG Framework Agreement will be conducted in the ordinary course of business of the Group. Such transactions will continue to be entered into on arm's length basis and based on terms which are fair and reasonable so far as the Group is concerned. In light of the past and current cooperation relationships between the Group and China Merchants Group and its associates in relation to "Industry-finance Integration" (產融結合) and "Financial Sector Integration" (融融結合), and that such transactions have contributed and will continue to contribute to the overall business operation and growth of the Group, the Board considers that the entering into of the 2022 CMG Framework Agreement with China Merchants Group is beneficial to the Group.

We have discussed with the Management and were given to understand that the abovementioned transactions will create cost synergy by integrating the strengths of the Group and China Merchants Group and/or its associates, thereby reducing the aggregate operational costs and general expenses which will in turn improve the profitability of the Group and enhance the Group's leading position in the securities industry.

We were advised by the Directors that, as the transactions contemplated under the 2022 CMG Framework Agreement will be entered into in the ordinary and usual course of business of the Group and on a frequent and regular basis, it would be (i) impracticable to negotiate numerous agreements with China Merchants Group and/or its associates; and (ii) costly and impractical to make regular disclosure of each of the relevant transactions and obtain prior approval from the Independent Shareholders as required by the Listing Rules, if necessary.

In light of the abovementioned factors, we concur with the Directors that the entering into of the 2022 CMG Framework Agreement is in the interests of the Company and the Shareholders as a whole and the transactions contemplated under the 2022 CMG Framework Agreement are conducted in the ordinary and usual course of business of the Group.

2.2 *Principal terms of the 2022 CMG Framework Agreement*

As disclosed in the Letter from the Board, the validity of the 2019 CMG Framework Agreement has expired on 31 December 2021. The Group and China Merchants Group and/or its associates expect to continually conduct securities and financial transactions with each other and provide securities and financial products to each other, and the Group expects to continually provide financial services to China Merchants Group and/or its associates thereafter in their respective ordinary course of business based on normal commercial terms and market practices at prevailing market prices or rates, the Company entered into the 2022 CMG Framework Agreement with China Merchants Group on 27 May 2022 to renew the 2019 CMG Framework Agreement. The principal terms of the 2022 CMG Framework Agreement are as follows:

Date:	27 May 2022
Parties:	The Company and China Merchants Group
Term:	The term of the 2022 CMG Framework Agreement shall take effect upon obtaining the approval from the Independent Shareholders, and shall expire on 31 December 2024.

The 2022 CMG Framework Agreement is conditional upon the obtaining of the approval from the Independent Shareholders. Details of the scope of the transactions and services contemplated under the 2022 CMG Framework Agreement are set out under the sub-section headed “The 2022 CMG Framework Agreement — Scope of the Transactions and Services” in the Letter from the Board.

2.3 *Pricing basis for the 2022 CMG Framework Agreement*

In relation to securities and financial products and transactions

As disclosed under the sub-section headed “The 2022 CMG Framework Agreement — Pricing basis — 1. Securities and financial products and transactions” in the Letter from the Board, the securities and financial products and transactions are conducted through the PRC inter-bank bond market and the PRC exchange bond market, exchanges (including stock exchanges, futures exchanges, Shanghai Gold Exchange and China Foreign Exchange Trade System) and other OTC markets.

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The transaction prices and related fees for each type of the securities and financial products and transactions shall be determined by the prevailing market price or the market price normally applicable to independent third parties for similar types of products and transactions as referred in the 2022 CMG Framework Agreement at the time of the transaction. The pricings of such transactions are also subject to strict PRC regulatory supervision and requirements of the applicable PRC laws and regulations.

We have discussed with the Management and noted that currently there are total of four categories of securities and financial products and transactions under the 2022 CMG Framework Agreement, namely fixed-income products or transactions, equity products or transactions, financing transactions and other related securities and financial products and derivative products as permitted by regulatory authorities, and it is expected that the said four types of securities and financial products will continue to comply with the corresponding pricing policies as disclosed in the Letter from the Board.

In relation to financial services

As disclosed in the Letter from the Board, the Group provides various financial services to its clients, which include China Merchants Group and/or its associates, in its ordinary course of business. Due to the expertise and professional capabilities of the Group, the Group has been engaged by China Merchants Group and/or its associates to provide financial services including but not limited to (i) underwriting and sponsoring services, (ii) other investment banking services, and (iii) other financial services, from time to time. The pricing basis for the financial services to be provided by the Group to China Merchants Group and/or its associates under the 2022 CMG Framework Agreement are set out under the sub-section headed “The 2022 CMG Framework Agreement — Pricing basis — 2. Financial services” in the Letter from the Board.

The terms, including pricing terms, between China Merchants Group and/or its associates and the Group to be entered into in respect of the provision of financial services as stated above to be provided by the Group shall be comparable to those offered to the Group’s other institutional clients of a similar size and with similar transaction volume who are independent third parties, and shall be subject to the same internal approval and monitoring procedures and pricing policies applicable to independent third party clients.

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As disclosed in the Letter from the Board, both the securities and financial products and transactions and financial services are conducted according to the prevailing market rates with majority of the securities and financial products and transactions under the strict supervision and monitoring of the People's Bank of China and other PRC regulatory authorities. We also understood from the Management that the securities and financial products and transactions and financial services are highly sensitive to the market conditions, which are volatile and vulnerable to numerous complicated factors, such as economic environment.

Assessment on the pricing basis of the 2022 CMG Framework Agreement

In order to assess the fairness and reasonableness of the pricing basis of the 2022 CMG Framework Agreement, we have randomly selected and reviewed sample copies of contracts for different types of transactions entered into by the Group. We have randomly selected and reviewed five sample agreements entered into between the Company and China Merchant Group for each of the three years ended 31 December 2021 pursuant to the 2019 CMG Framework Agreement for each category of securities and financial products as stated above, and noted that the pricing policies stipulated in the product agreements are consistent with the pricing policies as discussed above. We have randomly selected and reviewed five sample agreements entered into between the Company and other independent third parties to provide/purchase similar products with respect to each category of securities and financial products and noted that the terms of each category of securities and financial products offered/purchased by such independent third parties are similar to that offered/purchased by China Merchant Group.

Further, we have also randomly selected and reviewed five agreements for each category of the financial services, namely (i) underwriting and sponsoring services; (ii) other investment banking services; and (iii) other financial services for each of the three years ended 31 December 2021 provided by the Group to China Merchants Group and/or its associates and similar services provided by the Group to independent third parties. In view of the aforesaid samples cover the principal types of securities and financial products and financial services provided by the Group to China Merchants Group and/or its associates, which contemplated under the 2019 CMG Framework Agreement, and similar services provided by the Group to independent third parties for each of the three years ended 31 December 2021, which covered the same time period as the 2019 CMG Framework Agreement, we consider that such samples are fair and representative to illustrate the pricing of transactions under the 2022 CMG Framework Agreement is comparable to that provided/purchased to/from independent third parties. We consider such review covering the historical period under the 2022 CMG Framework Agreement on a random sampling basis on each category of financial products and financial services of the Group to be sufficient from the independent financial adviser's perspective and nothing has come to our attention that causes us to believe that such agreements did not follow the internal control measures.

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We were further advised that such service fees or commission or brokerage fees charged for the financial services provided to China Merchants Group and/or its associates shall be based on negotiations between the parties with reference to the prevailing market rates and the fees or commissions charged by the Group for services provided to independent third parties, while taking into account individual factors such as deal size and complexities, market responses, and competition from other securities companies, and in accordance with the requirements of the applicable laws and regulations of the PRC. We have reviewed terms including but not limited to the (i) scope of service; (ii) payment terms; and (iii) basic information of the customers stated on the contract samples provided by the Company, and noted that pricing terms offered by the Group to China Merchants Group and/or its associates were on normal commercial terms or on terms no less favourable than those offered by the Group to the independent third parties which substantiated the above.

Internal approval procedures and supervision

As advised by the Management, the Group has adopted a series of internal pricing policies and approval procedures to regulate the transactions under the 2022 CMG Framework Agreement. Details of the major internal policies are set out in the section headed “Internal Control Measures of Continuing Connected Transactions” in the Letter from the Board. For due diligence purpose, we have obtained and reviewed the documents showing the Group’s internal approval and monitoring procedures for both (i) the securities and financial products and transactions; and (ii) financial services under the 2022 CMG Framework Agreement.

We have also obtained and reviewed four guidelines showing the Group’s internal approval and monitoring procedures for the transactions contemplated under the 2019 CMG Framework Agreement. We noted from the documents that, among other things, the Group has formulated and established internal guidance and policies for (a) various securities and financial products and transactions; and (b) financial services, as well as internal procedures and system for the approval and monitoring of such transactions. Such documents covered the major internal policies of the Group as set out in the section headed “Internal Control Measures of Continuing Connected Transactions” in the Letter from the Board, therefore we consider that the documents are fair and representative to illustrate the internal control measures.

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In view of (i) the Group would conduct pricing quotations/offering procedures from/to at least two independent third parties for contemporaneous transactions; (ii) the Group's connected transaction management working team, which comprises staff from various department and are mainly responsible for managing the Group's connected transactions on a regular basis (every half year and every year) so as to ensure the Proposed Annual Caps in respect of such transactions will not be exceeded and will remind relevant departments and subsidiaries to control such connected transactions to be conducted on normal commercial terms from time to time; and (iii) the Group is required to offer the same pricing terms to all the customers and no preferential terms shall be provided to the customers who are the Group's connected persons in the sale of the same batch of (a) securities and financial products and transactions; and (b) financial services to customers (including both connected persons and independent third parties), we consider that the internal control procedures are sufficient for the Company to monitor the securities and financial products and transactions and the effective implementation of the procedures would help to ensure fair pricing of the transactions contemplated under the 2022 CMG Framework Agreement according to the pricing policies. Based on the above, we consider that the internal control procedures are sufficient for the Company to monitor the transactions contemplated under the 2022 CMG Framework Agreement and the effective implementation of the procedures would help to ensure fair pricing according to the pricing policies.

In light of the above and that the transactions under the 2022 CMG Framework Agreement (i) are mainly conducted through the PRC inter-bank bond market and the PRC exchange bond market, exchanges (including stock exchanges, futures exchanges, the Shanghai Gold Exchange and the China Foreign Exchange Trade System) and other OTC markets; (ii) are highly market-sensitive and the Group generally could not control on the counterparties of transactions due to the majority of the securities and financial products and transactions are conducted through intermediate system(s); and (iii) are monitored by the Group's internal control procedures as mentioned in the Letter from the Board, we are of the view that the terms of the 2022 CMG Framework Agreement are on normal commercial terms and the pricing basis which are determined with reference to prevailing market prices/rates at the time of transactions and the terms are fair and reasonable so far as the Independent Shareholders are concerned.

2.3 *The historical amounts and the proposed annual caps of securities and financial products and transactions*

As disclosed in the Letter from the Board, in setting the proposed annual caps under the 2016 CMG Framework Agreement, it was assumed that China Merchants Bank would become a connected person of the Company. However, as at the Latest Practicable Date, China Merchants Group holds approximately 29.97% in aggregate of the equity interests in China Merchants Bank, thus China Merchants Bank is not a connected person of the Company. Accordingly, similar to the 2019 Half Year Agreement and the 2019 CMG Framework Agreement, the transactions (including deposit services, customer depository services, custodian, lending services and other services) that were or might be carried out between the Group and China Merchants Bank were not taken into consideration when determining the Proposed CMG Annual Caps under the 2022 CMG Framework Agreement. In addition, considering that (i) China Merchants Group's 45% equity interest in China Merchants Fund is held through the Company; and (ii) neither China Merchants Group nor any of its associates (China Merchants Bank is not an associate of China Merchants Group) has a direct interest in China Merchants Fund, China Merchants Fund is not an associate of China Merchants Group and is therefore not a connected person of the Company. Accordingly, transactions that were or might be carried out between the Group and China Merchants Fund were not taken into consideration when determining the Proposed CMG Annual Caps under the 2022 CMG Framework Agreement.

In addition, as disclosed in the Letter from the Board, considering that (i) China Merchants Group's 45% equity interest in China Merchants Fund is held through the Company; and (ii) neither China Merchants Group nor any of its associates (China Merchants Bank is not an associate of China Merchants Group) has a direct interest in China Merchants Fund, China Merchants Fund is not an associate of China Merchants Group and is therefore not a connected person of the Company. Accordingly, transactions that were or might be carried out between the Group and China Merchants Fund were not taken into consideration when determining the Proposed CMG Annual Caps under the 2022 CMG Framework Agreement, since the abovementioned transactions are not connected transactions of the Company.

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Set out below are (i) the actual historical transaction amount of the securities and financial products and transactions between the Company and China Merchants Group and/or its associates for the three years ended 31 December 2021 with existing annual caps; and (ii) the proposed annual caps in respect to the provision of securities and financial products and transactions for the three years ending 31 December 2024 (“CMG Financial Products Annual Caps”):

	For the year ended 31 December		
	2019	2020	2021
	RMB	RMB	RMB
	million	million	million
Securities and financial products and transactions – Inflow⁽¹⁾			
Actual historical amount ⁽³⁾	1,753.52	6,752.11	1,793.08
Existing annual caps	10,290	10,890	11,110
Utilisation rate	17.0%	62.0%	16.1%
Adjusted historical amount ⁽⁴⁾	3,133.71	8,253.50	3,544.63
Adjusted utilisation rate ⁽⁵⁾	30.5%	75.8%	31.9% ⁽⁶⁾
Securities and financial products and transactions – Outflow⁽²⁾			
Actual historical amount ⁽³⁾	1,302.80	7,258.64	1,174.12
Existing annual caps	8,440	10,840	14,940
Utilisation rate	15.4%	67.0%	7.9%
Adjusted historical amount ⁽⁴⁾	2,245.06	9,946.33	4,345.38
Adjusted utilisation rate ⁽⁵⁾	26.6%	91.8%	29.1% ⁽⁶⁾
	For the year ending 31 December		
	2022	2023	2024
	RMB	RMB	RMB
	million	million	million
CMG Financial Products Annual Caps			
Inflow ⁽¹⁾	2,900	7,500	7,500
Outflow ⁽²⁾	2,500	11,660	11,670

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Notes:

- (1) “Inflow” refers to the Group’s total cash inflow arising from the sale of fixed-income products and equity products and derivative products to, transactions with, and/or borrowing/repurchase from financing transactions with, China Merchants Group and/or its associates.
- (2) “Outflow” refers to the Group’s total cash outflow arising from the purchase of fixed-income products and equity products and derivative products from, transactions with, and/or lending/resale from financing transactions with, China Merchants Group and/or its associates.
- (3) The approximate historical figures do not include the figures concerning the transactions between the Group, on the one hand, and China Merchants Bank or China Merchants Fund, on the other hand.
- (4) The approximate adjusted historical figures include the figures concerning the transactions between the Group and China Merchants Fund.
- (5) The adjusted utilisation rate is calculated based on the adjusted historical figures (which include the figures concerning the transactions between the Group and China Merchants Fund) and divided by the existing annual caps for the three years ended 31 December 2021.
- (6) The adjusted utilisation rate was for illustrative purpose only as China Merchants Fund was not connected persons of the Company during the three years ended 31 December 2021 and the transactions between the Group and China Merchants Fund shall not take into account when calculating the existing annual cap.
- (7) At the meeting convened on 27 May 2022, the Board set (i) the proposed annual cap on total inflow to RMB7,000 million and (ii) the proposed annual cap on total outflow to RMB11,150 million for the year ending 31 December 2022 under the 2022 CMG Framework Agreement for securities and financial products and transactions conducted by the Group with China Merchants Group and/or its associates. Take into consideration that the 2022 CMG Framework Agreement is not yet effective up to the Latest Practicable Date, the Group has imposed limitations on the securities and financial products and transactions with China Merchants Group and/or its associates, as a result the transaction amount for the securities and financial products and transactions between the Group and China Merchants Group and/or its associates for the period from 1 January 2022 to the Latest Practicable Date was much lower than the normal historical figures, and at the meeting convened on 28 October 2022, the Board resolved to lower (i) the proposed annual cap on total inflow to RMB2,900 million and (ii) the proposed annual cap on total outflow to RMB2,500 million for the year ending 31 December 2022 under the 2022 CMG Framework Agreement for securities and financial products and transactions conducted by the Group with China Merchants Group and/or its associates.

Due to the nature of the securities and financial products and transactions, the Company considers that it is more practicable to set a cap for the total inflow amount and outflow of all the securities and financial products and transactions under the 2022 CMG Framework Agreement, instead of a separate cap for each category of those products and transactions. In arriving at the CMG Financial Products Annual Caps, the Directors have considered the historical figures for similar transactions and have taken into account various factors, details of which are set out under the section headed “Proposed CMG Annual Caps — 1. Securities and financial products and transactions” in the Letter from the Board.

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2.4 The historical amounts and the proposed annual caps of the financial services

Set out below are (i) the actual historical transaction amount of the financial services provided by the Group to China Merchants Group and/or its associates for the three years ended 31 December 2021 with existing annual caps; and (ii) the proposed annual caps in respect of the provision of financial services for the three years ending 31 December 2024 (“**CMG Financial Services Annual Caps**”):

	For the year ended 31 December		
	2019	2020	2021
	RMB	RMB	RMB
	million	million	million
Financial services transactions – Revenue nature			
Actual historical amount ⁽¹⁾	136.94	31.85	36.06
Existing annual caps	230.11	231.22	232.39
Utilisation rate	59.5%	13.8%	15.5%
Adjusted historical amount ⁽²⁾	165.03	117.43	185.65
Adjusted utilisation rate ⁽³⁾	71.7%	50.8%	79.9% ⁽⁴⁾
	For the year ending 31 December		
	2022	2023	2024
	RMB	RMB	RMB
	million	million	million
CMG Financial Services Annual Caps			
	70.00	92.00	95.00

Notes:

- (1) The approximate historical figures do not include the figures concerning the transactions between the Group and China Merchants Bank or China Merchants Fund.
- (2) The approximate adjusted historical figures include the figures concerning the transactions between the Group and China Merchants Fund.
- (3) The adjusted utilisation rate is calculated based on the adjusted historical figures (which include the figures concerning the transactions between the Group and China Merchants Fund) and divided by the existing annual caps for the three years ended 31 December 2021.
- (4) At the meeting convened on May 27, 2022, the Board set the proposed annual cap on the revenue from the provision of financial services to China Merchants Group and/or its associates by the Group to RMB 90.00 million for the year ending December 31, 2022 under the 2022 CMG Framework Agreement. Take into consideration that the 2022 CMG Framework Agreement is not yet effective up to the Latest Practicable Date, the Group has imposed limitations on the financial services provided to China Merchants Group and/or its associates, as a result the revenue from the provision of financial services to China Merchants Group and/or its associates by the Group for the period from January 1, 2022 to the Latest Practicable Date was much lower than the normal historical figures, and at the meeting convened on October 28, 2022, the Board resolved to lower proposed annual cap on the revenue from the provision of financial services to China Merchants Group and/or its associates by the Group for the year ending December 31, 2022 under the 2022 CMG Framework Agreement to RMB70.00 million.

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With reference to the Letter from the Board, the CMG Financial Services Annual Caps for the three years ending 31 December 2024 were determined after taking into account of various factors, details of which are set out under the section headed “Proposed CMG Annual Caps — 2. Financial services” in the Letter from the Board.

2.5 Utilisation rates of the existing annual caps

As illustrated in the tables above, the utilisation rates of the existing annual caps for both (i) cash inflow and outflow of the securities and financial products and transactions for the two years ended 31 December 2019 and 2021; and (ii) financial services for the year ended 31 December 2020 were not at relatively high levels.

For the utilisation rates of the existing annual caps for the securities and financial products and transactions, we have discussed with the Management in this regard and understood that the transactions that were carried out between the Group and (i) China Merchants Bank; and (ii) China Merchant Fund were not included in the actual historical amount in the tables above, mainly due to the fact that China Merchants Bank and China Merchant Fund are no longer considered as a connected person of the Company as at the Latest Practicable Date, while the existing annual caps included the figures concerning the transactions between the Group and China Merchant Fund because it was assumed that China Merchant Fund would become a connected person of the Company when setting the proposed annual caps under the 2019 CMG Framework Agreement.

As further advised by the Management, we understood that the actual transaction amount between the Group and China Merchant Fund under the 2019 CMG Framework Agreement accounted for substantial portion of the existing annual caps, in which (i) the adjusted utilisation rate of the securities and financial products and transactions – inflow and outflow (after taking into account of such actual transaction amount) for the three years ended 31 December 2021 are approximately 30.5%, 75.8% and 31.9%, and 26.6%, 91.8% and 29.1%, respectively; and (ii) the adjusted utilisation rate of the financial services (after taking into account of such actual transaction amount) for the three years ended 31 December 2021 are approximately 71.7%, 50.8% and 79.9%, respectively. We consider that such adjusted utilisation rates are more appropriate to reflect the actual level of utilisation in this regard.

2.6 Assessment on the Proposed CMG Annual Caps

To assess the fairness and reasonableness of the Proposed CMG Annual Caps, we conducted following analysis:

In relation to securities and financial products and transactions

As stated in the Letter from the Board, in estimating the CMG Financial Products Annual Caps of the total inflow amount and the total outflow amount of the securities and financial products and transactions to be conducted between the Group and China Merchants Group and/or its associates for the three years ending 31 December 2024, the Group has

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considered certain expected amounts, which are subject to market condition. The expected amounts are as follows:

- approximate historical figures of the total inflow amount and the total outflow amount of those securities and financial products and transactions between the Group and China Merchants Group and/or its associates for the three years ended 31 December 2021;
- approximate historical figures of the total inflow amount and the total outflow amount of those securities and financial products and transactions between the Group and China Merchants Group and/or its associates during the period from 1 January 2022 to the Latest Practicable Date, and as 2022 CMG Framework Agreement is not yet effective up to the Latest Practicable Date, the Group has imposed limitations on the securities and financial products and transactions with China Merchants Group and/or its associates, resulting in a far lower respective historical figures than the normal historical figures;
- it is estimated that (i) for the year ending 31 December 2022, the total inflow and outflow from the purchase and redemption of the products (including monetary products, fixed-income products, equity products and customised products) managed by CMS Asset Management, a wholly-owned subsidiary of the Company, by China Merchants Group and/or its associates will be approximately RMB2.0 billion; and (ii) for each of the two years ending 31 December 2024, the total inflow and outflow amount from the purchase and redemption of the products (including monetary products, fixed-income products, equity products, and customised products) managed by CMS Asset Management, by China Merchants Group and/or its associates will be approximately RMB3.0 billion, respectively, which was estimated based on the following facts:
 - i. for each of 2019, 2020 and 2021, the inflow from the purchase of the products managed by CMS Asset Management, a wholly-owned subsidiary of the Company, by China Merchants Group and/or its associates was approximately RMB0.113 billion, RMB6.532 billion and RMB99 million, respectively, and the outflow from the redemption of such products was approximately RMB0.113 billion, RMB6.533 billion and RMB99 million, respectively, among which, relatively higher amounts of inflow and outflow recorded in 2020 were due to the purchase of the monetary products managed by CMS Asset Management by associates of China Merchants Group with the margin intended to be used for participation in the issue of rights shares of the Company;

- ii. China Merchants Group and/or its associates have set up securities trading accounts at the Company, which could be used for the subscription of the shares issued by listed companies or potential listed companies. The amounts of such transactions are normally higher but the frequency would be lower. As the purchase and redemption of the monetary products managed by CMS Asset Management may be conducted in a shorter period before subscription, thus it is required to reserve a certain buffer amount;
- iii. it is estimated that the inflow from the purchase of asset management scheme products like monetary and fixed-income products managed by CMS Asset Management by China Merchants Group and/or its associates in 2022 will be no more than RMB2.0 billion. Meanwhile, as the redemption of the above-mentioned types of products has no limitations, China Merchants Group and/or its associates may redeem the asset management scheme products purchased at any time or within a shorter period of time, it is expected to incur an outflow of no more than RMB2.0 billion in 2022;
- iv. it is estimated that for each of 2023 and 2024, China Merchants Group and/or its associates may purchase monetary products managed by CMS Asset Management with the margin intended to be used for subscription of shares due to engagement of refinancing of listed companies or establishment of employee stock ownership plan, which will result in an annual inflow ranging from RMB2 billion to RMB2.5 billion. Meanwhile, based on the development strategic initiative of “Industry-finance Integration” (產融結合) jointly implemented by the Group and China Merchants Group, it is estimated that in 2023 and 2024, China Merchants Group and/or its associates may also purchase monetary products managed by CMS Asset Management due to investments in stocks or liquidity management subject to market conditions, which will result in an annual inflow of approximately RMB0.1-0.2 billion. Given that monetary products have no limitations on redemption, it is estimated that in 2023 and 2024, annual outflow from the short-term redemption of such monetary products by China Merchants Group and/or its associates will range from RMB2.1 billion to RMB2.7 billion in total;

- v. As the transitional period for the implementation of the newly promulgated regulations on asset management (“The Guiding Opinions on Regulating the Asset Management Business of Financial Institutions”) (《關於規範金融機構資產管理業務的指導意見》) expired at the end of 2021, CMS Asset Management has completed the rectification of existing products in compliance with the regulatory requirements by the end of 2021, creating more favourable conditions for its business development. In addition, the Measures for the Supervision and Administration of Mutual Fund Managers (Draft for Solicitation of Comments) issued by the CSRC proposed to relax restrictions on the qualification of mutual fund managers. CMS Asset Management plans to apply for the abovementioned qualification after the implementation of the regulation to carry out asset management business in broader and more standard industries; and
- vi. CMS Asset Management has been vigorously developing active asset management business in recent years. With the impetus given by the implementation of cooperation strategy between the Group and China Merchants Group and/or its associates, China Merchants Group and/or its associates may subscribe for the single asset management schemes managed by CMS Asset Management in the future. Given that the Group did not conduct such transactions with China Merchants Group and/or its associates in the past years, the Company will estimate the inflow and outflow from such transactions based on (a) historical size of the actively-managed single asset management schemes managed by CMS Asset Management, i.e. approximately RMB150 billion in 2021; and (b) the prediction of the percentage of the single asset management schemes managed by CMS Asset Management purchased or redeemed by China Merchants Group and/or its associates for each 2023 and 2024, i.e. approximately 0.3%-0.4%. As such, it is estimated that the annual inflow and outflow from the purchase and redemption of single asset management schemes managed by CMS Asset Management by China Merchants Group and/or its associates for the period in 2023 and 2024 will range from RMB0.45 billion to RMB0.6 billion.
- it is estimated that (i) the outflow from the purchase of the financial instruments to be issued by China Merchants Group and/or its associates by the Group and/or the asset management products managed by the Group will be approximately RMB0.45 billion for the year ending 31 December 2022, while the inflow

from the payment of the principal and interest of such financial instruments will be approximately RMB0.805 billion; and (ii) the outflow from the purchase of the financial instruments to be issued by China Merchants Group and/or its associates by the Group and/or the asset management products managed by the Group will be approximately RMB7.66 billion and RMB7.67 billion for each of the two years ending 31 December 2024, respectively, while the inflow from the payment of the principal and interest of the financial instruments purchased by the Group and/or asset management products managed by the Group will be approximately RMB3.5 billion in 2023 and 2024, respectively, which was estimated based on the following facts;

- i. the outflow from the purchase of the financial instruments issued by China Merchants Group and/or its associates by the Group and/or the asset management products managed by the Group was approximately RMB0.981 billion, RMB0.726 billion and RMB1.075 billion each of 2019, 2020 and 2021, respectively, while the inflow from the payment of the principal and interest of such financial instruments was approximately RMB1.641 billion, RMB0.220 billion and RMB1.694 billion in 2019, 2020 and 2021, respectively;
- ii. the financing demands of China Merchants Group and its associates will continue to increase in order to support their respective rapid business growth;
- iii. in accordance with the development initiative of “Industry-finance integration” (產融結合) of the Group, it is estimated that the total amounts of the equity products and the fixed-income financial instruments issued by China Merchants Group and/or its associates to be subscribed for by the Group as a result of underwriting by way of standby underwriting will be no more than RMB1.6 billion for each of 2023 and 2024, resulting in an outflow of no more than RMB1.6 billion for each of 2023 and 2024. The above estimation is made after taking into consideration the following facts:
 - a. upon an overall assessment on pilot program of the reform of state-owned capital investment enterprises by the State-owned Assets Supervision and Administration Commission of the State Council, China Merchants Group has been transformed into a state-owned capital investment enterprise owing to its accurate positioning of functions, its outstanding capability of capital operation and its effective structural adjustment. It is expected that China

Merchants Group will vigorously develop investment and financing, industry nurturing and capital operation for the sake of optimising distribution and structure of state-owned capital, thus result in a significant increase in the scale of the equity products and the fixed-income financial instruments to be issued by China Merchants Group and its associates in 2023 and 2024. Therefore, the Group, as a subsidiary of China Merchants Groups will be able to provide more underwriting services for equity products and fixed-income financial instruments issued by China Merchants Group and its associates;

- b. as a result of the implementation of A share issuance registration system since 2019, the amount of equity products underwritten by the Group increased to approximately RMB50 billion in 2021 from approximately RMB25 billion in 2019, and the market share of the Group expanded from approximately 3% in 2019 to approximately 4% in 2021. In addition, the amount of fixed-income financial instruments underwritten by the Group increased to approximately RMB500 billion in 2021 from approximately RMB360 billion in 2019, and the market share of the Group maintained at approximately 4% to 6%. It is expected that the amount of the equity products and fixed-income financial instruments to be underwritten by the Group and the corresponding market shares will grow further in 2023 and 2024; and
- c. for each of 2019, 2020 and 2021, the annual amount of equity and fixed-income financial instruments issued by China Merchants Group and/or its associates underwritten by the Group by way of standby commitment was approximately RMB10 billion to RMB12 billion. The Group did not subscribe for the equity and fixed-income financial instruments issued by China Merchants Group and/or its associates as a result of underwriting by way of standby commitment. After taking into consideration of the business development of the Group and potential business needs of China Merchants Group as mentioned above, it is estimated that the annual total amount of equity and fixed-income financial instruments issued by China Merchants Group and/or its associates to be underwritten by the Group will be approximately RMB16 billion for each of 2023

and 2024. According to the risk tolerance requirements of the Group and in order to strengthen the business co-operation between the Group and China Merchants Group and/or its associates, enhance the integrated contribution from customers, reduce finance costs of customers and increase market share of the Group, as well as taking into account the possibility of fully underwritten amid market fluctuation, the maximum percentage of equity and fixed-income financial instruments issued by China Merchants Group and/or its associates to be subscribed for by the Group as a result of underwriting by way of standby commitment shall not exceed 10% of the amount underwritten for by the Company in each of 2023 and 2024, thus, resulting in an annual outflow of no more than RMB1.6 billion.

- iv. it is estimated that (i) for the year ending 31 December 2022, the expected outflow from the purchase of the fixed-income financial instruments issued by China Merchants Group and/or its associates by the asset management products managed by the Group will be approximately RMB0.25 billion, and the inflow from the payment of principal and interest of such financial instruments will be approximately RMB0.2 billion; (ii) for the two years ending 31 December 2024, the expected outflow from the purchase of the equity and fixed-income financial instruments issued by China Merchants Group and/or its associates by the asset management products managed by the Group will be approximately RMB2.0 billion, and the inflow from the payment of principal and interest of such financial instruments will be approximately RMB2.0 billion, which is estimated based on the following facts:
 - a. the outflow from the purchase of the equity and fixed-income financial instruments issued by China Merchants Group and/or its associates by the asset management products managed by the Group in 2019, 2020 and 2021 was RMB1 million, RMB4 million and RMB695 million, respectively, while the inflow from the payment of the principal and interest of such financial instruments purchased by the asset management products managed by the Group in 2019, 2020 and 2021 was RMB1.641 billion, Nil and RMB1.371 billion, respectively;

- b. for the period from 1 January 2022 to the Latest Practicable Date, the outflow from the purchase of the financial instruments issued by the associates of China Merchants Group by the asset management products managed by the Group was RMB0.05 billion. From September to December 2022, it is expected that the inflow from the purchase of the fixed-income financial instruments issued by China Merchants Group and/or its associates by the asset management products managed by the Group and the outflow from the payment of the principal and interest of such financial instruments will be no more than RMB0.2 billion, respectively;
- c. the expected annual inflow from the payment of the principal and interest of the fixed-income financial instruments issued by China Merchants Group and/or its associates, which have already been subscribed for by the asset management products managed by the Group will be approximately RMB0.5 billion for each of 2023 and 2024;
- d. the associates of China Merchants Group may establish employee stock ownership plans in the future under the state-owned enterprises reform, and the participants under aforesaid employee stock ownership plans may need financing, the asset management products managed by the Group could provide financing for the participants, thus resulting in an outflow of approximately RMB400 million to RMB500 million in 2023 and 2024; and
- e. it is expected that in 2023 and 2024, with China Merchants Group and/or its associates expediting efforts in the development of emerging industries and unveiling new works on the innovation of the industry, the assets from emerging industries of the associates of China Merchants Group are playing an increasingly important role in the target asset pool of CMS Asset Management. In the future, the customized single asset management schemes of CMS Asset Management may purchase the equity and fixed-income financial instruments issued by the associates of China Merchants Group based on the expected asset allocation of third-party clients. Given that the scale of the customized single asset management schemes managed by the Group

for non-financial corporate customers for the past three years normally amounted to RMB100 million to RMB500 million, while the scale of the customized single asset management schemes managed by the Group for financial corporate customers normally amounted to RMB4 billion to RMB5 billion, it is expected that the financial products issued by the associates of China Merchants Group to be subscribed for by the customized single asset management schemes managed by CMS Asset Management for non-financial corporate customers will be no more than RMB1.5 billion in 2023 and 2024, thus resulting in an annual outflow of no more than RMB1.5 billion. Meanwhile, as the redemption period of customized asset management schemes is normally short, it is also expected to incur an annual inflow of no more than RMB1.5 billion for each of the next two years.

- v. it is estimated that (i) for the year ending 31 December 2022, the expected outflow from the purchase of the fixed-income financial instruments issued by China Merchant Group and/or its associates by the Group will be approximately RMB0.2 billion, and the inflow from the payment of the principal and interest of such financial instruments will be approximately RMB0.605 billion; (ii) for each of the two years ending 31 December 2024, the expected inflow and outflow from the purchase and payment of the principal and interest of the fixed-income financial instruments issued by China Merchants Group and/or its associates will be approximately RMB1.5 billion and RMB4.0 billion, respectively. The above estimation is made after taking into consideration the following facts:
 - a. According to the internal and external ratings and investment preference of the Group on the financial instruments issued by China Merchants Group and/or its associates, the outflow from the purchase of the fixed-income financial instruments issued by China Merchants Group and/or its associates by the Group on primary market in 2019, 2020 and 2021 was approximately RMB0.980 billion, RMB0.708 billion and RMB0.280 billion, respectively, the inflow from the payment of the principal and interest of such financial instruments was approximately Nil, RMB0.220 billion and RMB0.291 billion, respectively;

- b. in accordance with the development initiative of “Industry-finance Integration” (產融結合) of the Group, the Group may participate in the subscription of the financial instruments issued by China Merchants Group and/or its associates. As a result of the purchase by the Group of the fixed-income financial instruments issued by the associates of China Merchants Group, an outflow of approximately RMB0.2 billion will be incurred in 2022. As a result of the payment of the principal and interest of the fixed-income financial instruments purchased by the Group and issued by China Merchants Group and/or its associates, an inflow of approximately RMB0.605 billion will be incurred in 2022.
- c. taking into consideration the maximum annual subscription amount in the past three years (2019-2021), it is estimated that the annual outflow from the purchase of the fixed-income financial instruments issued by China Merchants Group and/or its associates by the Group will be no more than RMB1 billion in 2023 and 2024; and
- d. According to the amount of fixed-income financial instruments issued by China Merchants Group and/or its associates that had been purchased or proposed to be purchased by the Group, it is estimated that the inflow for the payment of the principal and interest of such financial instruments in 2023 and 2024 will be no more than RMB1 billion.
- e. it is estimated that the outflow from agency primary bond auction business, forward contracts/forward trading business and other fixed-income intermediary business to be conducted between the Group and China Merchants Group and/or its associates will be approximately RMB3 billion for each of the two years ending 31 December 2024, of which the outflow from agency primary bond auction business will be approximately RMB2.5 billion, and the total outflow from forward contracts/forward trading business and other fixed-income intermediary business will be approximately RMB500 million, while the estimated total inflow from the relevant transactions will be approximately RMB500 million. The above estimation is made based on the following facts:

- (1) the Group would further expand its fixed-income intermediary business, including agency primary bond auction business, forward contracts/forward trading business and other fixed-income intermediary business since 2023. In respect of the agency primary bond auction business, the Group may subscribe for the financial instruments issued by China Merchants Group and/or its associates at primary markets as commissioned by the clients and then sell back to the clients, thus resulting in an outflow; in respect of forward contracts/forward trading business, the Group may conduct forward bond transaction at secondary markets with China Merchants Group and/or its associates, which may be the purchaser or vendor of the bonds, thus resulting in an inflow or outflow; in respect of other fixed-income intermediary business, the Group may conduct spot bond transaction at secondary markets with China Merchants Group and/or its associates, which may be the purchaser or vendor of the bonds, thus resulting in an inflow or outflow;
- (2) the fixed-income intermediary business of the Group experienced rapid growth in the past two years, and is expected to continue to grow steadily in 2023 and 2024. Among which, the agency primary bond auction business grew from approximately RMB94.2 billion in 2020 to approximately RMB170 billion in 2021, the forward contracts/forward trading business grew from approximately RMB2.5 billion in 2020 to approximately RMB5 billion in 2021 and the other fixed-income intermediary business grew from approximately RMB125 billion in 2020 to approximately RMB182.1 billion in 2021. Therefore, it is expected that the Group's agency primary bond auction business, forward contracts/forward trading business and other fixed-income intermediary business will maintain an annual growth rate of 50% to 100% in 2023 and 2024; and

- (3) the Group has not conducted any transactions in relation to agency primary bond auction business, forward contracts/forward trading and other fixed-income intermediary business with China Merchants Group and/or its associates in the past three years. It is expected that the annual amount of fixed-income products issued by China Merchants Group and/or its associates in 2023 and 2024 will be tens of billions of RMB. Based upon the issuance plans of China Merchants Group and/or its associates and integrated needs of customers, the Group estimates that the annual amount of fixed-income products issued by China Merchants Group and/or its associates to be applied and paid by the Group at primary markets as commissioned by the clients will be no more than RMB2.5 billion, thus resulting in an outflow of RMB2.5 billion. Meanwhile, the Group will expand its efforts in conducting forward contracts/forward trading business and other fixed-income intermediary business with financial enterprises controlled by China Merchants Group, such as China Merchants Life Insurance Company Limited, in 2023 and 2024. The size of each forward contracts/forward trading business and other fixed-income intermediary business normally ranges from tens of millions of RMB to RMB100 million. It is expected that the total number of forward contracts/forward trading business to be conducted between the Group and China Merchants Group and/or its associates will not exceed 50 each year, thus resulting in an inflow and outflow of RMB500 million in 2023 and 2024.

- the Group provides integrated financial products and services to its customers. The Company has now obtained qualifications in more than 100 business activities and is licensed to engage in above-mentioned business activities, and such qualifications of the Company had played an active role in the past three years. In recent years, the Group has promoted the transformation of investment banking, established a modern investment bank, underwent transformation in relation to wealth management, strategically developed institutional business, while kept on enriching the financial services provided by the Company, as well as the types and amounts of the Company's financial products. For instance, the Company launched the "Gazelle Incubator Project" (羚躍計劃) in 2019 and launched the "Zhiyuan Private Bank (智遠私行)" exclusive service for high net worth customers in 2021, which further enhanced the wealth management product structure. The Group may launch new kinds of financial services and securities and new financial products such as new wealth management products and market-making services on STAR Market in the 2023 and 2024. In addition, China Merchants Group and/or its associates principally engaged in three sectors, namely transportation and logistics, finance, as well as holistic development and operation of residential communities and industrial parks, while recently it had actively tapped into the development of new industries such as cruise, health and testing. The business growth and diversification of China Merchants Group and/or its associates will create more opportunities for the Group to conduct securities and financial transactions with China Merchants Group and/or its associates and to provide securities and financial products to each other. Therefore, it is expected that there will be an increase in the total inflow amount and the total outflow amount in 2023 and 2024; and
- given that (i) the inherent nature of the securities and financial products and transactions described above, including their market-sensitivity and timeliness, (ii) the Group's limited control over the counterparties in those transactions, and (iii) the volatility and unpredictability of the financial market in general, an adequate buffer should be provided to prevent undue restriction on the future business operations of the Group.

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We have discussed with the Management and were given to understand that an adequate buffer should be provided to cope with the changes to the securities and financial products and transactions brought about due to the market factors to prevent undue restriction on the future business operations of the Group as a result of the inherent nature of the securities and financial products and transactions, including their market-sensitivity and timeliness, and the Group's limited control over the counterparties in those transactions as the majority of which are conducted through intermediate system(s), as well as the volatility and unpredictability of the financial market in general. As disclosed in the Letter from the Board, it is expected that there will be an increase in the total inflow amount and total outflow amount in 2023 and 2024 taking into account the new types of securities and financial products that the Group may offer and the business growth and diversification of China Merchants Group and/or its associates, which will create more opportunities for the Group and China Merchants Group and/or its associates to conduct securities and financial transactions and provide securities and financial products to each other.

As such, the Proposed CMG Annual Caps were determined with reference to the historical data, but were mainly determined after considering (i) the increasing business collaboration and business integration with China Merchants Group and/or its associates, including the abovementioned "Industry-finance Integration" (產融結合) and "Financial Sector Integration" (融融結合); (ii) the introduction of new types of securities and financial products; and (iii) the development of the financial products markets, with an adequate buffer incorporated to cater for new products and businesses, and given the nature of the securities and financial products and transactions being market-sensitive and unpredictable, to avoid restriction on the Group's future business opportunities and growth.

To assess the fairness and reasonableness of the total inflow amount and total outflow amount of the CMG Financial Products Annual Caps for the effective period of the 2022 CMG Framework Agreement, we have taken into consideration the factors as detailed below.

We have reviewed the business plan for the three years ending 31 December 2024 provided by the Company and noted that the CMG Financial Products Annual Caps are estimated based on the expected transaction volume of different types of transactions in such business plan. We noted that the total inflow amount and the total outflow amount of the securities and financial products and transactions to be conducted between the Group and China Merchants Group and/or its associates for the three years ending 31 December 2024 is in line with the estimations in the business plan.

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According to the information on the National Bureau of Statistics of the PRC (<https://data.stats.gov.cn/>), the PRC achieved steady economic growth, with gross domestic product increased by a CAGR of approximately 8.0% from approximately RMB59,592 per capita in 2017 to approximately RMB80,976 per capita in 2021. From 2017 to 2021, the per capita disposable income grew at a CAGR of approximately 7.8% from approximately RMB25,974 to approximately RMB35,128. The increase in per capita disposable income demonstrates the rapid accumulation of personal wealth in the PRC. Such wealth accumulation leads to stronger demands of securities and financial products and financial services.

As advised by the Management, the Group has been continuously growing its scale of operation since 2015, and has become a large-scale financial holding group across the PRC engaging in brokerage and wealth management business, including stocks, funds, bonds and financial products trading; investment banking business, including equity financing, debt financing and structured financing; investment management business, including collective asset management, targeted asset management and special asset management, as well as investment and trading business, including equity securities and fixed-income securities transactions.

For our due diligence purpose, we have obtained a list from the Company, showing the breakdown of the CMG Financial Products Annual Caps for each of the three years ending 31 December 2024. We understood from the Company that relevant subsidiaries/departments of the Company provided an estimation of the forecasted sale and purchase amount of securities and financial products and transactions for the three years ending 31 December 2024. We noted that such forecasted amounts were based on (i) the historical growth of the respective business sub-segments, including but not limited to those under the fixed-income intermediary business of the Group; and (ii) the expansion plans and potential business development between the Group and China Merchants Group anticipated by the Management as detailed above. Such forecasted amounts can be reconciled with the estimations in the business plan, and were approved by management of the relevant subsidiaries before submitting to the Company for consolidation and review. The connected transaction management working team of the Company was responsible for the consolidation and review.

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Despite that the CMG Financial Products Annual Caps for the three years ending 31 December 2024 were higher than the actual historical transaction amount of the securities and financial products and transactions, taking into account the above factors, including (i) the annual caps are generally in line with the estimation of transaction volume in the business plan and the forecasted breakdown of the Group; (ii) adequate buffer is required to prevent undue restriction on the future business development of the Group and for risk management regarding market volatility and changes; (iii) current status of PRC capital market; (iv) increase in the scale of operation of the Group since 2015 which demonstrates the business expansion in recent years; and (v) the prudent approach adopted by the Management to estimate relatively lower CMG Financial Products Annual Caps as compared to the existing annual caps, we concur with the Directors that the CMG Financial Products Annual Caps for the three years ending 31 December 2024 to be fair and reasonable.

As disclosed in the Letter from the Board, it is noted that the approximate historical figures of the total inflow amount and the total outflow amount of those securities and financial products and transactions between the Group and China Merchants Group and/or its associates during the period from 1 January 2022 to the Latest Practicable Date, and as 2022 CMG Framework Agreement is yet to be effective up to the Latest Practicable Date, the Group has imposed limitations on the securities and financial products and transactions with China Merchants Group and/or its associates, resulting in a far lower respective historical figures than the normal historical figures.

Shareholders should note that as the CMG Financial Products Annual Caps for the three years ending 31 December 2024 are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2024, and they do not represent forecasts of revenue/income/cost to be incurred from the securities and financial products and transactions. Consequently, we express no opinion as to how closely the actual revenue/income/cost to be incurred from the securities and financial products and transactions will correspond with the CMG Financial Products Annual Caps.

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In relation to financial services

As disclosed in the Letter from the Board, in estimating the CMG Financial Services Annual Caps of the revenue to be generated by the Group from the provision of financial services to China Merchants Group and/or its associates for the three years ending 31 December 2024, the Group has considered, among other things, the following key factors:

- historical amounts of the revenue generated by the Group from providing financial services to China Merchants Group and/or its associates for the three years ended 31 December 2021, including the different service rates and fees the Group charged for the provision of different types of financial services, and considering, in particular, that the Group's provision of financial services to China Merchants Group and/or its associates is mainly market-driven. Therefore, the Proposed CMG Annual Caps shall include an adequate buffer to cover any market volatility and changes. Otherwise, an annual cap that is too restrictive might cause undue disruption to the operations of the Group and hamper its ability to respond quickly to changes in the highly volatile financial market;
- as part of its normal course of business, the Group will continue to provide underwriting and sponsoring services for the equity and debt financial instruments to be issued by China Merchants Group and/or its associates, which is expected to generate a revenue of approximately RMB39.21 million, RMB82 million and RMB85 million in 2022, 2023 and 2024, respectively. The estimation is made after taking into consideration:
 - i. the revenue from the provision of underwriting and sponsoring services by the Group for the equity and debt financial instruments issued by China Merchants Group and/or its associates amounted to approximately RMB35.16 million, RMB12.47 million and RMB20.38 million in 2019, 2020 and 2021, respectively;
 - ii. the revenue from the provision of underwriting and sponsoring services by the Group to China Merchants Group and/or its associates amounted to RMB28.77 million during the period from 1 January 2022 to the Latest Practicable Date. Based on the expected progress of the ongoing projects between the Group and China Merchants Group and/or its associates, the potential transactions for which the Group may provide such services and the charges on large-scale projects in the market, it is expected that the revenue from the provision of underwriting and sponsoring services by the Group to China Merchants Group and its associates will amount to approximately RMB39.21 million in 2022;

- iii. as a large corporate group, China Merchants Group controls and holds shares of various listed companies in Hong Kong and Mainland China. Meanwhile, it has cultivated and is cultivating various enterprises with influence in new energy, semiconductor, bio-pharmaceutical, technology and other industries, which are expected to enter the domestic capital market in the future. Under the general background of encouraging direct financing by the central government and the reform of the registration-based system in the domestic securities market, the IPOs, re-financing and other financing demands of China Merchants Group and the relevant listed companies and industrial enterprises controlled by the China Merchants Group will increase significantly. As a comprehensive securities company controlled by the China Merchants Group, the Group enjoys strong competitiveness in the above business sectors. Therefore, it is expected that the revenue from the provision of underwriting and sponsoring services to China Merchants Group and/or its associates will record significant growth. Due to the difficulty in estimating the progress of the projects and the subsequent market regulatory environment, it would be impracticable to predict the actual years for the realization of such revenue. Based on the expected demand of China Merchants Group and its associates for capital operation services, the expected progress of the ongoing projects, the potential transactions for which the Group may provide such services and the charges on large-scale projects in the market, it is expected that the revenue from the provision of underwriting and sponsoring services (including but not limited to IPOs, re-financing, mergers and acquisitions and restructuring) by the Group to China Merchants Group and/or its associates will amount to approximately RMB82 million and RMB85 million in 2023 and 2024, respectively;

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- it is estimated that the service fees to be received by the Group for provision of other investment banking services (mainly financial advisory services) to China Merchants Group and/or its associates for each of the year ending 31 December 2022 will be approximately RMB21.34 million. Meanwhile, it is estimated that the service fees to be received by the Group for provision of other investment banking services (mainly financial advisory services) to China Merchants Group and/or its associates for each of the two years ending 31 December 2024 will be approximately RMB10 million, respectively. The above estimation is made based on the following facts:
 - i. the service fees received by the Group for the provision of other investment banking services (mainly financial advisory services) to China Merchants Group and/or its associates in 2019, 2020 and 2021 amounted to approximately RMB101.79 million, RMB15.87 million and RMB15.68 million, respectively. The service fees received by the Group for the provision of other investment banking services to China Merchants Group and/or its associates during the period from 1 January 2022 to the Latest Practicable Date was approximately RMB7.92 million;
 - ii. based on the expected demand of China Merchants Group and its associates for capital operation services, the expected progress of the ongoing projects and the potential transactions for which the Group may provide financial advisory or other investment banking services with/to China Merchants Group, it is expected that the revenue from the provision of financial advisory and other investment banking services by the Group to China Merchants Group and/or its associates will be approximately RMB21.34 million in 2022, and the revenue will be approximately RMB10 million in 2023 and 2024, respectively.

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To assess the fairness and reasonableness of the CMG Financial Services Annual Caps for the effective period of the 2022 CMG Framework Agreement, we have taken into consideration the factors as detailed below.

As disclosed in the 2021 Annual Report, the global economy showed a trend of recovery in 2021. Under the recurrence of the COVID-19 pandemic, the global stock market rose amid volatility. In 2021, along with the continuous advancement of the reform of registration-based IPO system in the capital market and the official opening of the Beijing Stock Exchange, trading in the A share equity financing market was active, with both the number of IPOs and the amount of proceeds raised reaching record highs. According to the statistics from Wind Information Co., Ltd., a service provider of financial data, information and software, which was stated in the 2021 Annual Report, the total amount of equity financing in the A share market (excluding share issuance for asset acquisition, same for below) was approximately RMB1,596.0 billion, representing a year-on-year increase of approximately 15.7%. A total of 520 IPOs were completed with raised proceeds of approximately RMB603.0 billion, representing a year-on-year increase of approximately 17.4% and 24.7%, respectively. The proceeds raised from refinancing amounted to approximately RMB993.0 billion, representing a year-on-year increase of approximately 10.9%. According to the statistics from Wind Information Co., Ltd., the Company ranked 7th and 8th in the industry in terms of the amount and number of A share projects underwritten, respectively. According to the statistics from Bloomberg, in the overseas market, the Company completed a total of 14 IPO projects in the Hong Kong market, with an underwritten amount of approximately US\$750 million, ranking 5th among Chinese brokers. Moreover, the Company also completed 3 U.S. IPO/SPAC projects, with a financing amount of approximately US\$678 million.

We have discussed with the Management and noted that the Directors consider that (i) for the capital market, the reform focusing on the registration-based IPO system has been accelerated, and the foundation for the development of the securities industry has been continuously reinforced; (ii) more urgent and stronger demand for wealth management in the market lay the foundation for securities firms to speed up the development of wealth management business and enhance business growth; (iii) the growth of institutional investors has brought more comprehensive and diversified business opportunities, driving securities firms to accelerate service upgrades, enhance innovation and build a more robust business portfolio; (iv) driven by the national technological innovation strategy, there has been rapid development and strong demand for financing in new generation of industries, which will result in new opportunities for investment banking and equity investment business; (v) the increase in varieties of financial instruments, the rapid enhancement of operating system and trading mechanism and the further advancement of two-way opening-up have brought extensive development prospects for investment and trading across different markets, time scales and regions.

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We have reviewed the business plan for the three years ending 31 December 2024 provided by the Company and noted that the CMG Financial Services Annual Caps are estimated based on the expected transaction volume of different types of transactions in such business plan. We noted that the revenue to be generated by the Group from the provision of financial services to China Merchants Group and/or its associates for the three years ending 31 December 2024 is in line with the estimations in the business plan.

For our due diligence purpose, we have obtained a list from the Company, showing the breakdown of the CMG Financial Services Annual Caps for each of the three years ending 31 December 2024. We understood that the forecasted sale and purchase amount of financial services for the three years ending 31 December 2024. We noted that such amounts were based on (i) the historical revenue generated from the provision of financial services; and (ii) the expansion plans and potential business development between the Group and China Merchants Group anticipated by the Management as detailed above. Such forecasted amounts can be reconciled with the estimations in the business plan, and were approved by management of the relevant subsidiaries before submitting to the Company for consolidation and review. The connected transaction management working team of the Company was responsible for such consolidation and review. We understood from the relevant personnel from the connected transaction management working team of the Company that (i) it would be in the interests of the Group for the CMG Financial Services Annual Caps to be as accommodating to the Group as possible, provided that the conduct of those transactions would be strictly followed relevant internal control procedure to ensure the fair pricing; (ii) the Group would have flexibility in the provision and accepting of financial services if the CMG Financial Services Annual Caps are tailored to the future business and market growth; and (iii) if the CMG Financial Services Annual Caps are set without considering sufficient room for future business and market growth and the Company has to revise the annual caps upward at a general meeting before conducting additional transactions, the Company's business may be restricted and it will have to incur additional administrative costs and resources to obtain approval from the Independent Shareholders. During our discussion, we have not identified any major factor which caused us to doubt the reasonableness of the estimation of the services amounts of the financial services for the three years ending 31 December 2024.

As advised by the Management, the merger and acquisition and restructuring are among the strategic goals of China Merchants Group, coupled with the Group's plan to strengthen its merger and acquisition advisory business in which it is expected that there will be more opportunities for the Group to provide financial advisory services to China Merchants Group and/or its associates.

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We have also discussed with the Management on the possible high growth rate to the asset management service income after taking into account that after China Merchants Group and/or its associates obtains their investment license(s) in which they will be able to invest in the asset management plans issued by the Group. We noted that the Group's leading position in the relevant markets which would enable the Group to better seize the opportunities to provide financial services to China Merchants Group and/or its associates. According to 2021 Annual Report, the Company has been granted the highest "AA" regulatory rating under the "A" category for securities firms for 14 consecutive years, and was among the first batch of securities firms included in the "White List" (白名單) of the China Securities Regulatory Commission.

In light of the above factors, including (i) the CMG Financial Services Annual Caps are generally in line with the estimation of transaction volume in the business plan and the forecasted breakdown of the Group; (ii) adequate buffer is required to prevent undue restriction on the future business development of the Group and for risk management regarding market volatility and changes; (iii) current status of PRC capital market; (iv) increase in the scale of operation of the Group since 2015 which demonstrates the business expansion in recent years; (v) our discussion with the relevant personnel in the connected transaction management working team of the Company; and (vi) the prudent approach adopted by the Management to estimate substantially lower CMG Financial Services Annual Caps as compared to the existing annual caps, we concur with the Directors that the CMG Financial Services Annual Caps for the three years ending 31 December 2024 to be fair and reasonable.

Shareholders should note that as the CMG Financial Services Annual Caps for the three years ending 31 December 2024 are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2024, and they do not represent forecasts of revenue/income/cost to be incurred from the securities and financial products and transactions. Consequently, we express no opinion as to how closely the actual revenue/income/cost to be incurred from the securities and financial products and transactions will correspond with the CMG Financial Services Annual Caps.

3. THE 2022 COSCO FRAMEWORK AGREEMENT

3.1 *The reasons for and benefits of entering into the 2022 COSCO Framework Agreement*

As disclosed in the Letter from the Board, transactions contemplated under the 2022 COSCO Framework Agreement will comprehensively capitalise on the resource advantages of the Group and COSCO Shipping and/or its associates, enhance the market competitiveness of the parties' cooperation business, and create cost synergy by integrating the strengths of the parties, which will in turn improve the profitability of the Group and enhance the Group's leading position in the securities industry.

We have discussed with the Management and were given to understand that in light of the past and current cooperation relationships between the Group and COSCO Shipping, the abovementioned transactions have and will continue to contribute to the overall business operation and growth of the Group.

We were advised by the Directors that, as the transactions contemplated under the 2022 COSCO Framework Agreement will be entered into in the ordinary and usual course of business of the Group and on a frequent and regular basis, it would be (i) impracticable to negotiate for numerous agreements with COSCO shipping and/or its associates; and (ii) costly and impractical to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders as required by the Listing Rules, if necessary.

In light of the above factors, we concur with the Directors that the entering into of the 2022 COSCO Framework Agreement is in the interests of the Company and the Shareholders as a whole and the transactions contemplated under the 2022 COSCO Framework Agreement are conducted in the ordinary and usual course of business of the Group.

3.2 *Principal terms of the 2022 COSCO Framework Agreement*

As disclosed in the Letter from the Board, the validity of the 2020 COSCO Framework Agreement has expired on 31 December 2021. The Group and COSCO Shipping and/or its associates expect to continually conduct securities and financial transactions with each other and provide securities and financial products to each other, and the Group expects to continually provide financial services to COSCO Shipping and/or its associates thereafter in their respective ordinary course of business based on normal commercial terms and market practices at prevailing market prices or rates, the Company entered into the 2022 COSCO Framework Agreement with COSCO Shipping on 27 May 2022 to renew the 2020 COSCO Framework Agreement. The principal terms of the 2022 COSCO Framework Agreement are as follows:

Date:	27 May 2022
Parties:	The Company and COSCO Shipping
Term:	The term of the 2022 COSCO Framework Agreement shall take effect upon obtaining the approval from the Independent Shareholders, and shall expire on 31 December 2024.

The 2022 COSCO Framework Agreement is conditional upon the obtaining of the approval from the Independent Shareholders. Details of the scope of the transactions and services contemplated under the 2022 COSCO Framework Agreement are set out under the sub-section headed “The 2022 COSCO Framework Agreement — Scope of the Transactions and Services” in the Letter from the Board.

3.3 *Pricing basis for the 2022 COSCO Framework Agreement*

In relation to securities and financial products and transactions

As stated under the sub-section headed “The 2022 COSCO Framework Agreement — Pricing basis — 1. Securities and financial products and transactions” in the Letter from the Board, the securities and financial products and transactions are conducted through the PRC inter-bank bond market and the PRC exchange bond market, exchanges (including stock exchanges, futures exchanges, Shanghai Gold Exchange and China manage System) and other OTC markets.

The transaction prices and related fees for each type of the securities and financial products and transactions shall be determined by the prevailing market price or the market price normally applicable to independent third parties for similar types of products and transactions as referred in the 2022 COSCO Framework Agreement at the time of the transaction. The pricings of such transactions are also subject to strict PRC regulatory supervision and requirements of the applicable PRC laws and regulations.

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We have discussed with the Management and noted that currently there are total four categories of securities and financial products under the 2022 COSCO Framework Agreement, namely fixed-income products or transactions, equity products or transactions, financing transactions and other related securities and financial products and derivative products as permitted by regulatory authorities, and it is expected that the said four types of securities and financial products will continue to comply with the corresponding pricing policies as disclosed in the Letter from the Board.

In relation to financial services

As disclosed in the Letter from the Board, the Group provides various financial services to its clients, which include COSCO Shipping and/or its associates, in its ordinary course of business. Due to the expertise and professional capabilities of the Group, the Group has been engaged by COSCO Shipping and/or its associates to provide financial services, including but not limited to, (i) underwriting and sponsoring services; (ii) other investment banking services; and (iii) other financial services, from time to time. The pricing basis for the financial services to be provided by the Group to COSCO Shipping and/or its associates under the 2022 COSCO Framework Agreement are set out under the section headed “The 2022 COSCO Framework Agreement — Pricing basis — 2. Financial services” in the Letter from the Board.

The terms, including pricing terms, between COSCO Shipping and/or its associates and the Group to be entered into in respect of the provision of financial services as stated above to be provided by the Group shall be comparable to those offered to the Group’s other institutional clients of a similar size and with similar transaction volume who are independent third parties, and shall be subject to the same internal approval and monitoring procedures and pricing policies applicable to independent third party clients.

As disclosed in the Letter from the Board, both the securities and financial products and transactions and financial services are conducted according to the prevailing market rates with majority of the securities and financial products and transactions under the strict supervision and monitoring of the People’s Bank of China and other PRC regulatory authorities. We also understood from the Management that the securities and financial products and transactions and financial services are highly sensitive to the market conditions, which are volatile and vulnerable to numerous complicated factors, such as economic environment.

3.4 Assessment on the pricing basis of the 2022 COSCO Framework Agreement

In order to assess the fairness and reasonableness of the pricing basis of the 2022 COSCO Framework Agreement, we have randomly selected and sample agreements for different types of transactions entered into by the Group. We have randomly selected and reviewed five sample agreements entered into by the Company and COSCO Shipping pursuant to the 2022 COSCO Framework Agreement for each category of (i) securities and financial products; and (ii) financial services for each of the three years ended 31 December 2021 as stated above, and noted that the pricing policies stipulated in the product agreements are consistent with the pricing policies as discussed above. We have also randomly selected and reviewed five sample agreements entered into between the Company and other independent third parties who provide/purchase similar products/services to/from the Company with respect to each category of (i) securities and financial products; and (ii) financial services, and noted that the terms of each category of securities and financial products/services offered/purchased by such independent third parties are similar to the terms offered/purchased by COSCO Shipping, which covered the same time period as the 2020 COSCO Framework Agreement. In view of the aforesaid samples cover the principal types of (i) securities and financial products; and (ii) financial services provided by the Group to COSCO Shipping and/or its associates and similar products/services provided by the Group to independent third parties for each of the three years ended 31 December 2021, we consider that such samples are fair and representative to illustrate the pricing of transactions under the 2022 COSCO Framework Agreement is comparable to that provided/purchased to/from independent third parties. We consider such review covering the historical period under the 2022 COSCO Framework Agreement on a random sampling basis on each categories of financial products and financial services of the Group to be sufficient from the independent financial adviser's perspective and nothing has come to our attention that causes us to believe that such agreements did not follow the internal control measures.

We were further advised that such service fees or commission or brokerage fees charged for the financial services provided to COSCO Shipping and/or its associates shall be based on negotiations between the parties with reference to the prevailing market rates and the fees or commissions charged by the Group for services provided to independent third parties, while taking into account individual factors such as deal size and complexities, market responses, and competition from other securities companies, and in accordance with the requirements of the applicable laws and regulations of the PRC. We have reviewed terms including but not limited to the (i) scope of service; (ii) payment terms; and (iii) basic information of the customers stated on the contract samples provided by the Company, and noted that pricing terms offered by the Group to COSCO Shipping and/or its associates were on normal commercial terms or on terms no less favourable than those offered by the Group to the independent third parties which substantiated the above.

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Internal approval procedures and supervision

As advised by the Management, the Group has adopted a series of internal pricing policies and approval procedures to regulate the transactions under the 2022 COSCO Framework Agreement. For due diligence purpose, we have obtained and reviewed four guidelines showing the Group's internal approval and monitoring procedures for both (i) the securities and financial products and transactions; and (ii) the financial services. We noted from the documents that, among other things, the Group has formulated and established internal guidance and policies for (i) various securities and financial products and transactions; and (ii) financial services, as well as internal procedures and system for the approval and monitoring of such transactions. Such documents covered the major internal policies of the Group as set out in the section headed "Internal Control Measures of Continuing Connected Transactions" in the Letter from the Board, therefore we consider that the documents are fair and representative to illustrate the internal control measures. Based on the above, we consider that the internal control procedures are sufficient for the Company to monitor the transactions contemplated under the 2022 COSCO Framework Agreement and the effective implementation of the procedures would help to ensure fair pricing according to the pricing policies.

In light of the above and that the transactions under the 2022 COSCO Framework Agreement (i) are highly market-sensitive and the Group generally could not control on the counterparties of transactions due to the majority of the securities and financial products and transactions are conducted through intermediate system(s); and (ii) are monitored by the Group's internal control procedures as mentioned in the Letter from the Board, we are of the view that the terms of the 2022 COSCO Framework Agreement are on normal commercial terms and the pricing bases which are determined with reference to prevailing market prices/rates at the time of transactions and the terms are fair and reasonable so far as the Independent Shareholders are concerned.

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3.5 *The historical amounts and the proposed annual caps of securities and financial products and transactions*

Set out below are (i) the actual historical transaction amount of the securities and financial products and transactions between the Company and COSCO Shipping and/or its associates for the three years ended 31 December 2021 and the existing annual cap for the year ended 31 December 2021; and (ii) the proposed annual caps in respect to the provision of securities and financial products and transactions for the three years ending 31 December 2024 (“**COSCO Financial Products Annual Caps**”):

	For the year ended 31 December		
	2019	2020	2021
	RMB	RMB	RMB
	million	million	million
Securities and financial products and transactions – Inflow⁽¹⁾			
Actual historical amount	0.00	0.00	156.80
Existing annual caps	N/A	N/A	1,280
Utilisation rate	N/A	N/A	12.3%
Securities and financial products and transactions – Outflow⁽²⁾			
Actual historical amount	650.00	241.00	319.75
Existing annual caps	N/A	N/A	1,280
Utilisation rate	N/A	N/A	25.0%
	For the year ending 31 December		
	2022 ⁽³⁾	2023	2024
	RMB	RMB	RMB
	million	million	million
COSCO Financial Products Annual Caps			
Inflow ⁽¹⁾	600	1,600	1,600
Outflow ⁽²⁾	800	3,650	3,660

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Notes:

- (1) “Inflow” refers to the Group’s total cash inflow arising from the sale of fixed-income products and equity products and derivative products to, transactions with, and/or borrowing/repurchase from financing transactions with, COSCO Shipping and/or its associates.
- (2) “Outflow” refers to the Group’s total cash outflow arising from the purchase of fixed-income products and equity products and derivative products to, transactions with, and/or lending/resale from financing transactions with, COSCO Shipping and/or its associates.
- (3) At the meeting convened on 27 May 2022, the Board set (i) the proposed annual cap on total inflow to RMB1,600 million; and (ii) the proposed annual cap on total outflow to RMB3,640 million for the year ending 31 December 2022 under the 2022 COSCO Framework Agreement for securities and financial products and transactions with COSCO Shipping and/or its associates. As disclosed in the Letter from the Board, taking in to consideration that the 2022 COSCO Framework Agreement is yet to be effective up to the Latest Practicable Date, the Group has imposed limitations on the securities and financial products and transactions with COSCO Shipping and/or its associates, as a result, the transaction amount for the securities and financial products and transactions between the Group and COSCO Shipping and/or its associates during the period from 1 January 2022 to the Latest Practicable Date was much lower than the normal historical figures. At the meeting convened on 28 October 2022, the Board resolved to reduce (i) the proposed annual cap on total inflow to RMB600 million and (ii) the proposed annual cap on total outflow to RMB800 million for the year ending 31 December 2022 under the 2022 COSCO Framework Agreement for securities and financial products and transactions with COSCO Shipping and/or its associates.

Due to the nature of the securities and financial products and transactions, the Company considers that it is more practicable to set a cap for the total inflow amount and outflow of all the securities and financial products and transactions under the 2022 COSCO Framework Agreement, instead of a separate cap for each category of those products and transactions. In arriving at the above caps, the Directors have considered the historical figures for similar transactions and have taken into account various factors, details of which are set out under the section headed “Proposed COSCO Annual Caps — 1. Securities and financial products and transactions” in the Letter from the Board.

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3.6 The historical amounts and the proposed annual caps of the financial services

Set out below are (i) the actual historical transaction amount of the financial services provided by the Group to COSCO Shipping and/or its associates for the three years ended 31 December 2021 and the existing annual cap for the year ended 31 December 2021; and (ii) the proposed annual caps in respect of the provision of financial services for the three years ending 31 December 2024 (“COSCO Financial Services Annual Caps”):

	For the year ended 31 December		
	2019	2020	2021
	RMB	RMB	RMB
	million	million	million
Financial services transactions – Revenue nature			
Actual historical amount	1.51	0.21	2.90
Existing annual caps	N/A	N/A	39.00
Utilisation rate	N/A	N/A	7.4%
	For the year ending 31 December		
	2022 ⁽¹⁾	2023	2024
	RMB	RMB	RMB
	million	million	million
COSCO Financial Services Annual Caps			
	7.00	71.20	71.50

Note:

- (1) At the meeting convened on 27 May 2022, the Board set the proposed annual cap on the revenue from the provision of financial services to COSCO Shipping and/or their associates by the Group to RMB71.00 million for the year ending 31 December 2022 under the 2022 COSCO Framework Agreement. As disclosed in the Letter from the Board, taking into consideration that the 2022 COSCO Framework Agreement is yet to be effective up to the Latest Practicable Date, the Group has imposed limitations on the financial services provided to COSCO Shipping and/or its associates, as a result, the revenue from the provision of financial services to COSCO Shipping and/or their associates by the Group during the period from 1 January 2022 to the Latest Practicable Date was much lower than the normal historical figures. At the meeting convened on 28 October 2022, the Board resolved to reduce proposed annual cap on the revenue from the provision of financial services to COSCO Shipping and/or their associates by the Group for the year ending 31 December 2022 under the 2022 COSCO Framework Agreement to RMB7.0 million.

With reference to the Letter from the Board, the COSCO Financial Services Annual Caps for the three years ending 31 December 2024 were determined after taking into account of various factors, details of which are set out under the section headed “Proposed COSCO Annual Caps — 2. Financial services” in the Letter from the Board.

3.7 *Utilisation rates of the existing annual cap*

According to the table illustrated above, the utilisation rate of the existing annual cap for both (i) cash inflow and outflow of the securities and financial products and transactions for the year ended 31 December 2021; and (ii) financial services for the year ended 31 December 2021 were not at relatively high levels.

3.8 *Assessment on the Proposed COSCO Annual Caps*

To assess the fairness and reasonableness of the Proposed COSCO Annual Caps, we conducted following analysis:

In relation to securities and financial products and transactions

As disclosed in the Letter from the Board, in estimating the COSCO Financial Products Annual Caps of the total inflow amount and the total outflow amount of the securities and financial products and transactions between the Group and COSCO Shipping and/or its associates for the three years ending 31 December 2024, the Group has considered, among other things, the following key factors:

- approximate historical figures of the total inflow amount and the total outflow amount of securities and financial products and transactions between the Group and COSCO Shipping and/or its associates for the three years ended 31 December 2021;
- approximate historical figures of the total inflow amount and the total outflow amount of those securities and financial products and transactions between the Group and COSCO Shipping and/or its associates during the period from 1 January 2022 to the Latest Practicable Date, and as 2022 COSCO Framework Agreement is yet to be effective up to the Latest Practicable Date, the Group has imposed limitations on the securities and financial products and transactions with COSCO Shipping and/or its associates, resulting in a far lower respective historical figures than the normal historical figures; it is estimated that for the year 2022, the total inflow and outflow amount from the purchase and redemption of the products (including fixed-income products, equity products, monetary products and customized products) managed by the Group by COSCO Shipping and/or its associates will be approximately RMB0.28 billion and RMB0.1 billion, respectively, which was estimated based on the following facts:
 - (i) it is estimated that the inflow from the purchase of asset management scheme products like monetary and fixed-income products managed by CMS Asset Management by COSCO Shipping and/or its associates in

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2022 will be no more than RMB0.1 billion. Meanwhile, as the redemption of the above-mentioned types of products has no limitations, COSCO Shipping and/or its associates may redeem the asset management scheme products purchased at any time or within a shorter period of time, it is expected to incur an outflow of no more than RMB0.1 billion in 2022;

- (ii) in addition, it is expected that the purchase of the sub-level share of the asset-backed securities scheme (資產支持專項計劃) managed by CMS Asset Management by the associates of COSCO Shipping will incur an inflow of approximately RMB0.18 billion in 2022.
- it is estimated that the outflow from the purchase of the financial instruments to be issued by COSCO Shipping and/or its associates by the Group will be approximately RMB0.654 billion, RMB3.55 billion and RMB3.56 billion in 2022, 2023 and 2024, respectively, while the inflow from the redemption of such financial instruments by the Group will be approximately RMB0.285 million, RMB1.50 billion and RMB1.50 billion in each of the next three financial years, which was estimated based on the following facts:
 - (i) for the outflow from the purchase of the financial instruments issued by COSCO Shipping and/or its associates by the Group was approximately RMB0.55 billion, RMB0.24 billion and RMB0.25 billion in 2019, 2020 and 2021, respectively, while the inflow from the redemption by the Group of such financial instruments was approximately Nil, Nil and RMB0.16 billion in 2019, 2020 and 2021, respectively;
 - (ii) the financing demands of COSCO Shipping and its associates will continue to increase in order to support their respective rapid business growth;

(iii) it is estimated that (i) for the year ending 31 December 2022, the expected inflow and outflow from the purchase and redemption of the fixed-income financial instruments to be issued by COSCO Shipping and/or its associates by the Group will be approximately RMB0.654 billion, and the inflow from the redemption of such financial instruments will be approximately RMB0.285 billion; and (ii) for each of the two years ending 31 December 2024, the expected inflow and outflow from the purchase and payment of the principal and interest of the fixed-income financial instruments to be issued by COSCO Shipping and/or its associates by the Group will be approximately RMB1 billion, respectively, which was determined with reference to:

- a. the average scale of purchase of the fixed-income financial instruments issued by COSCO Shipping and/or its associates by the Group in the past three years (2019 to 2021);
- b. During the period from 1 January 2022 to the Latest Practicable Date, the amount from the purchase of the fixed-income financial instruments issued by the associates of COSCO Shipping by the Group was RMB0.094 billion, resulting in an outflow of RMB0.094 billion. In accordance with the development initiative of “Industry-finance Integration” (產融結合) of the Group, the Group may participate in the subscription of the financial instruments undertaken by the Company. It is estimated that the amount of the fixed-income financial instruments issued by COSCO Shipping and/or its associates to be underwritten by the Group will be approximately RMB2 billion in September to December 2022, of which the amount of the fixed-income financial instruments proposed to be subscribed for by the Group is expected to be not more than RMB0.56 billion, thus resulting in an outflow of no more than RMB0.654 billion in total in 2022. Meanwhile, as a result of the payment of the principal and interest of the fixed-income financial instruments purchased by the Group and issued by COSCO Shipping and/or its associates, an inflow of approximately RMB0.285 billion will be incurred;

- c. the Group has started to invest in REITs products since June 2021, the size of investment in REITs products by the Group in 2021 was approximately RMB130 million. It is expected that in 2023 and 2024, the size of investment in REITs products by the Group will be approximately RMB500 million, respectively, among which the inflow and outflow from the subscription for and payment of the principal and interest of the REITs products to be issued by COSCO Shipping and/or its associates by the Group is estimated to be approximately RMB100 million;
- d. for the period from 2019 to 2021, the maximum size of investment of the Group in asset-backed securities and credit bonds issued by COSCO Shipping and/or its associates was approximately RMB550 million. After taking into consideration of expansion of operation scale of COSCO Shipping and/or its associates as well as the Group's enhanced Industry-finance Integration, it is expected that in 2023 and 2024, the annual size of investment of the Group in asset-backed securities and credit bonds issued by COSCO Shipping and/or its associates will be approximately RMB900 million resulting in inflow and outflow of approximately RMB900 million; and
- e. the Group may further strengthen business cooperation with COSCO Shipping and/or its associates in the future;

(iv) in accordance with the development initiative of “Industry-finance Integration” (產融結合) of the Group, it is estimated that the amount of the fixed-income financial instruments issued by COSCO Shipping and its associates to be subscribed for by the Group as a result of underwriting by way of standby commitment will be no more than RMB0.48 billion for each of 2023 and 2024, resulting in an outflow of no more than RMB0.48 billion for each of 2023 and 2024. The above estimation is made after taking into consideration the following facts:

- a. the amount of fixed-income financial instruments underwritten by the Group increased from approximately RMB360 billion in 2019 to approximately RMB500 billion in 2021, and the market share of the Group maintained at approximately 4% to 6%. It is expected that the amount of the fixed-income financial instruments to be underwritten by the Group and the corresponding market share will grow further in 2023 and 2024; and
- b. for each of 2019, 2020 and 2021, the annual amount of fixed-income financial instruments issued by COSCO Shipping and/or its associates underwritten by the Group by way of standby commitment was approximately RMB1.3 billion to RMB4.3 billion. The Group did not subscribe for the fixed-income financial instruments issued by COSCO Shipping and/or its associates as a result of underwriting by way of standby commitment. After taking into consideration of the business development of the Group and potential business needs of COSCO Shipping as mentioned above, it is estimated that the annual total amount of fixed-income financial instruments (including corporate bonds, ABS and REITs) issued by COSCO Shipping and/or its associates to be underwritten by the Group by way of standby commitment will be no more than RMB5.0 billion in 2023 and 2024. According to the risk tolerance requirements of the Group and in order to strengthen the business co-operation between the Group and COSCO Shipping and/or its associates, enhance the integrated contribution from customers, reduce finance costs of customers and increase market share of the Group, as well as taking into account the possibility of fully underwritten amid market fluctuation, it is estimated that in each of 2023 and

2024, the maximum amount of fixed-income financial instruments issued by COSCO Shipping and/or its associates to be subscribed for by the Group as a result of underwriting by way of standby commitment shall be RMB0.48 billion, representing approximately 10% of the estimated underwriting amount mentioned above, thus, resulting in an annual outflow of no more than RMB0.48 billion;

- (v) it is estimated that the outflow from the transactions in relation to agency primary bond auction business, forward contracts/forward trading business and other fixed-income intermediary business to be conducted between the Group and COSCO Shipping and/or its associates will be approximately RMB2 billion for each of the two years ending 31 December 2024, while the estimated inflow from the relevant transactions will be approximately RMB500 million. The above estimation is made after taking into consideration:
 - a. the Group would further expand its fixed-income intermediary business, including agency primary bond auction business, flow trading and market making and forward contracts/forward trading business and other fixed-income intermediary business since 2023. In respect of the agency primary bond auction business, the Group may subscribe for the financial instruments issued by COSCO Shipping and/or its associates at primary markets as commissioned by the clients and then sell back to the clients, thus resulting in an outflow. In respect of forward contracts/forward trading business, the Group may conduct forward bond transaction at secondary markets with COSCO Shipping and/or its associates, which may be the purchaser or vendor of the bonds, thus resulting in an inflow or outflow; in the respect of other fixed-income intermediary business, the Group may conduct spot bond transaction at secondary markets with COSCO Shipping and/or its associates, which may be the purchaser or vendor of the bonds, thus resulting in an inflow or outflow;

- b. the fixed-income intermediary business of the Group experienced rapid growth in the past two years, and is expected to continue to grow steadily in 2023 and 2024. Among which, the agency primary bond auction business grew from approximately RMB94.2 billion in 2020 to approximately RMB170 billion in 2021, the forward contracts/forward trading business grew from approximately RMB2.5 billion in 2020 to approximately RMB5 billion in 2021, and the other fixed-income intermediary business grew from approximately RMB125 billion in 2020 to approximately RMB182.1 billion in 2021.. Therefore, it is expected that the Group's agency primary bond auction business, flow trading and market making and forward contracts/forward trading will maintain an annual growth rate of 50% to 100% in 2023 and 2024; and
- c. the Group has not conducted any agency primary bond auction, flow trading and market making and forward contracts/forward trading business with COSCO Shipping and/or its associates in the past three years. It is expected that the annual amount of fixed-income products issued by COSCO Shipping and/or its associates in 2023 and 2024 will be tens of billions of RMB. Based upon the issuance plans of COSCO Shipping and/or its associates and integrated needs of customers, the Group estimates that the annual amount of fixed-income products issued by COSCO Shipping and/or its associates to be subscribed by the Group at primary markets as commissioned by the clients will be no more than RMB1.5 billion, thus resulting in an outflow of RMB1.5 billion. Meanwhile, the Group will expand its efforts in conducting forward contracts/forward trading business with financial enterprises controlled by COSCO Shipping in 2023 and 2024. The size of each flow trading and market making and forward contracts/forward trading transaction normally ranges from tens of millions of RMB to RMB100 million. It is expected that the total number of flow trading and market making and forward contracts/forward trading transactions to be conducted between the Group and COSCO Shipping and/or its associates will not exceed 50 each year, thus resulting in an inflow and outflow of RMB500 million in each of 2023 and 2024.

- (vi) the Group provides integrated financial products and services to its customers. The Company has now obtained qualifications in more than 100 business activities and is licensed to engage in the above-mentioned business activities, and such qualifications of the Company had played an active role in the past three years. In recent years, the Group promoted the transformation of investment banking, established a modern investment bank, underwent transformation in relation to wealth management, strategically developed institutional business, while kept on enriching the financial services provided by the Company's financial products. For instance, the Company launched the "Gazelle Incubator Project" (羚躍計劃) in 2019 and the Company implemented the fund investment and consultation business, and launched the "Zhiyuan Private Bank (智遠私行)" exclusive service for high net worth customers in 2022, which further enhanced the wealth management product structure. The Group may launch new kinds of financial services and securities and new financial products such as new wealth management products and market-making services on STAR Market in 2023 and 2024. In addition, COSCO Shipping and/or its associates supports global trade, operates on its global network, takes shipping, port and logistics as its bases and core industries while developing aviation finance, equipment manufacturing, value-added services, digital innovation as its capacities and value-added industries, with an aim of creating a "3+4" industrial ecology in full force and constructing a world class global integrated logistics supply chain services ecology. This will create more opportunities for the Group to conduct securities and financial transactions with COSCO Shipping and/or its associates and to provide securities and financial products to each other. Therefore, it is expected that there will be an increase in the total inflow amount and the total outflow amount in 2023 and 2024; and

- (vii) given that (i) the inherent nature of the securities and financial products and transactions described above, including their market-sensitivity and timeliness, (ii) the Group's limited control over the counterparties in those transactions, and (iii) the volatility and unpredictability of the financial market in general, an adequate buffer should be provided to prevent undue restriction on the future business operations of the Group.

We have discussed with the Management and noted that it is estimated that the outflow from the purchase of the financial instruments to be issued by COSCO Shipping and/or its associates by the Group will be approximately RMB0.654 billion, RMB3.55 billion and RMB3.56 billion for the three years ending 31 December 2024, which represented approximately 81.8%, 97.3% and 97.3% of the COSCO Financial Products Annual Caps — outflow, respectively. As advised by the Management, it is estimated that the inflow from the redemption by the Group of such financial instruments issued by COSCO Shipping and/or its associates will be approximately RMB0.285 million, RMB1.50 billion and RMB1.50 billion each year for the three years ending 31 December 2024, which represented approximately 47.5%, 93.8% and 93.8% of the COSCO Financial Products Annual Caps — inflow, respectively. For details of the basis of the estimation, please refer to the section "Proposed COSCO Annual Caps — 1. Securities and financial products and transactions".

We have discussed with the Management and were given to understand that an adequate buffer should be provided, given that (i) the inherent nature of the securities and financial products and transaction, including their market-sensitivity and timeliness; (ii) the Group's limited control over the counterparties in those transactions; and (iii) the volatility and unpredictability of the financial market in general. Accordingly, the COSCO Financial Product Annual Cap is determined with reference to (i) the buffer required for risk management regarding the transactions; (ii) the financing demands of COSCO Shipping and/or its associates will continue to increase in order to support their respective rapid business growth; (iii) the new types of securities and financial products that the Group may offer; and (iv) the business growth and diversification of COSCO Shipping and/or its associates, which will create more opportunities for the Group to conduct securities and financial transactions with COSCO Shipping and/or its associates and for the Group and COSCO Shipping and/or its associates to provide securities and financial products to each other.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

To assess the fairness and reasonableness of the total inflow amount and total outflow amount of the COSCO Financial Products Annual Caps for the effective period of the 2022 COSCO Framework Agreement, we have taken into consideration the factors as detailed below.

We have reviewed the business plan for the three years ending 31 December 2024 provided by the Company and noted that the COSCO Financial Products Annual Caps are estimated based on the expected transaction volume of different types of transactions in such business plan. We noted that the total inflow amount and the total outflow amount of the securities and financial products and transactions between the Group and COSCO Shipping and/or its associates for the three years ending 31 December 2024 is in line with the estimations in the business plan.

According to the information on the National Bureau of Statistics of the PRC (<https://data.stats.gov.cn/>), the PRC achieved steady economic growth, with gross domestic product increased by a CAGR of approximately 8.0% from approximately RMB59,592 per capita in 2017 to approximately RMB80,976 per capita in 2021. From 2017 to 2021, the per capita disposable income grew at a CAGR of approximately 7.8% from approximately RMB25,974 to approximately RMB35,128. The increase in per capita disposable income demonstrates the rapid accumulation of personal wealth in the PRC. Such wealth accumulation leads to stronger demands of securities and financial products and financial services.

For our due diligence purpose, we have obtained a list from the Company, showing the breakdown of the Proposed COSCO Financial Products Annual Caps for each of the three years ending 31 December 2024. We understood from the Company that relevant subsidiaries/departments of the Company provided an estimation of the forecasted sale and purchase amount of securities and financial products and transactions for the three years ending 31 December 2024. Such forecasted amounts based on (i) the historical growth of the amount of fixed-income financial instruments underwritten by the Group and the fixed-income intermediary business of the Group; and (ii) the expansion plans and potential business development between the Group and COSCO Shipping anticipated by the Management as detailed above. Such forecasted amounts can be reconciled with the estimations in the business plan, and were approved by management of the relevant subsidiaries before submitting to the Company for consolidation and review.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, we have further discussed with the senior management, the members of the connected transaction management working team (who were from different departments), and the staffs of the Company's major relevant departments and subsidiaries and understood that the aforesaid parties will comply with relevant implemented internal approval and monitoring procedure when conducting the transactions.

We have randomly selected and reviewed five sample agreements entered into by the Company and COSCO Shipping pursuant to the 2020 COSCO Framework Agreement for each category of securities and financial products, and noted that the pricing policies stipulated in the product agreements are consistent with the pricing policies as discussed above. We have also reviewed sample agreements entered into with the Company and other third parties independent from the Company who provide similar services to the Company with respect to each category of securities and financial products and noted that the terms of each category of securities and financial products offered by such independent third parties are similar to the terms offered by COSCO Shipping.

Despite that the COSCO Financial Products Annual Caps for the three years ending 31 December 2024 are substantially higher than the historical transaction amount of the securities and financial products and transactions together with the existing annual caps for the three years ended 31 December 2021, taking into account the above factors, we concur with the Directors that the COSCO Financial Products Annual Caps for the three years ending 31 December 2024 to be fair and reasonable.

Shareholders should note that as the COSCO Financial Products Annual Caps for the three years ending 31 December 2024 are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2024, and they do not represent forecasts of revenue/income/cost to be incurred from the securities and financial products and transactions. Consequently, we express no opinion as to how closely the actual revenue/income/cost to be incurred from the securities and financial products and transactions will correspond with the COSCO Financial Products Annual Caps.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In relation to financial services

As disclosed in the Letter from the Board, in estimating the Proposed COSCO Annual Caps, the Directors have considered the historical amounts of the revenue generated by the Group from providing financial services to COSCO Shipping and/or its associates for the three years ended 31 December 2021, including the different service rates and fees the Group charged for the provision of different types of financial services, and considering, in particular, that the Group's provision of financial services to COSCO Shipping and/or its associates is mainly market-driven. Therefore, the Proposed COSCO Annual Caps shall include an adequate buffer to cover any market volatility and changes. Otherwise, an annual cap that is too restrictive might cause undue disruption to the operations of the Group and hamper its ability to respond quickly to changes in the highly volatile financial market.

In estimating the COSCO Financial Services Annual Caps of the revenue to be generated by the Group from the provision of financial services to COSCO Shipping and/or its associates for the three years ending 31 December 2024, the Group has considered, among other things, the following key factors:

- historical amounts of the revenue generated by the Group from providing financial services to COSCO Shipping and/or its associates for the three years ended 31 December 2021, including the different service rates and fees the Group charged for the provision of different types of financial services, and considering, in particular, that the Group's provision of financial services to COSCO Shipping and/or its associates is mainly market-driven. Therefore, the Proposed COSCO Annual Caps shall include an adequate buffer to cover any market volatility and changes. Otherwise, an annual cap that is too restrictive might cause undue disruption to the operations of the Group and hamper its ability to respond quickly to changes in the highly volatile financial market;
- as part of its normal business, the Group will continue to provide underwriting and sponsoring services for the equity and debt financial instruments to be issued by COSCO Shipping and/or its associates, which is expected to generate a revenue of approximately RMB4.00 million, RMB41.20 million and RMB41.50 million in 2022, 2023 and 2024, respectively. The above estimation is made with reference to the following facts:
 - (i) in each of 2019, 2020 and 2021, the Group provided underwriting and sponsoring services for the equity and debt financial instruments issued by COSCO Shipping and/or its associates, which generated a revenue of approximately RMB1.51 million, RMB0.21 million and RMB2.62 million, respectively; and

- (ii) the revenue from the provision of underwriting and sponsoring services by the Group to COSCO Shipping and/or its associates amounted to RMB2.41 million during the period from 1 January 2022 to the Latest Practicable Date. Based on the expected progress of the ongoing projects between the Group and COSCO Shipping and/or its associates, the potential transactions for which the Group may provide such services and the charges on large-scale projects in the market, it is expected that the revenue from the provision of underwriting and sponsoring services by the Group to COSCO Shipping and its associates will amount to approximately RMB4.00 million in 2022;
- (iii) COSCO Shipping is a corporate group engaged in Industry-finance Integration with a relatively comprehensive industrial structure system, comprising shipping, terminals, logistics, shipping finance and shipyards. Those companies along the upstream and downstream industrial chain, such as shipping, terminals, logistics, shipping finance and shipyards, will require higher mid-to-long term financing in the next three years. Under the general background of encouraging direct financing by the central government and the reform of the registration-based system in the domestic securities market, the re-financing, IPOs and other financing demands of COSCO Shipping and the relevant listed companies and industrial enterprises controlled by COSCO Shipping will increase significantly. The Group enjoys strong competitiveness in the above business sectors. Therefore, it is expected that the revenue from the provision of underwriting and sponsoring services to COSCO Shipping and/or its associates will record significant growth. Due to the difficulty in estimating the progress of the projects and the subsequent market regulatory environment, it would be impracticable to predict the actual years for the realization of such revenue. Based on the expected demand of COSCO Shipping and its associates for capital operation services, the expected progress of the ongoing projects, the potential transactions for which the Group may provide such services and the charges on large-scale projects in the market, it is expected that the revenue from the provision of underwriting and sponsoring services (including but not limited to IPOs, re-financing, mergers and acquisitions and restructuring) by the Group to COSCO Shipping and/or its associates will amount to approximately RMB41.20 million and RMB41.50 million in 2023 and 2024, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- it is estimated that the service fees to be received by the Group for the provision of other investment banking services (mainly financial advisory services) to COSCO Shipping and/or its associates for the year ending 31 December 2022 will be approximately RMB3 million. Meanwhile, it is estimated that the service fees to be received by the Group for the provision of other investment banking services (mainly financial advisory services) to COSCO Shipping and/or its associates for each of the two years ending 31 December 2024 will be approximately RMB30 million. The above estimation is made based on the following facts:
 - (i) the service fees received by the for the provision of other investment banking services (mainly financial advisory services) to COSCO Shipping and/or its associates in 2019, 2020 and 2021 amounted to approximately nil, nil, RMB0.28 million, respectively. The service fees received by the Group for the provision of other investment banking services to COSCO Shipping and/or its associates during the period from 1 January 2022 to the Latest Practicable Date was RMB0.66 million;
 - (ii) based on the expected demand of COSCO Shipping and its associates for capital operation services, the expected progress of the ongoing projects and the potential transactions for which the Group may provide such services, it is expected that the revenue from the provision of financial advisory and other investment banking services by the Group to COSCO Shipping and/or its associates will be approximately RMB3 million in 2022, and the revenue will be approximately RMB30 million for each of 2023 and 2024.

As advised by the Management, we understood that the provision of financial services to COSCO Shipping and/or its associates under the 2022 COSCO Framework Agreement will continue to grow. The Group will continue to provide underwriting and sponsoring services for the equity and debt financial instruments to be issued by COSCO Shipping and/or its associates, which is expected to generate a revenue of approximately RMB4.0 million, RMB41.2 million and RMB41.5 million for the three years ending 31 December 2024, which represented approximately 57.1%, 57.9% and 58.0% of the COSCO Financial Services Annual Caps, respectively. For details of the basis of the estimation, please refer to the section “Proposed COSCO Annual Caps — 2. Financial services”.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, as discussed with the Management, it is expected that there will be an increase in other investment banking service fees to be received by the Group for providing services to COSCO Shipping and/or its associates in areas such as merger and acquisition and restructuring as a result of their expansion of such business in the three years ending 31 December 2024. The service fees, primarily financial advisory fees, to be received by the Group for providing other investment banking services to COSCO Shipping and/or its associates is estimated to be approximately RMB3 million, RMB30.0 million and RMB30.0 million for each of the three years ending 31 December 2024, which represented approximately 42.9%, 42.1% and 42.0% of the COSCO Financial Services Annual Caps, respectively. Taking into account (i) the ongoing transactions for which the Group is providing advisory or other investment banking services to COSCO Shipping and/or its associates, and the potential transactions for which the Group may provide such services; (ii) merger and acquisition and restructuring are among the strategic goals of COSCO Shipping; and (iii) the Group's plan to strengthen its financial advisory business, we were given to understand that the Management expect there will be more opportunities for the Group to provide financial advisory services to COSCO Shipping and/or its associates, and that the revenue of the Group derived from such services is expected to show significant growth in the next three years.

We have reviewed the business plan for the three years ending 31 December 2024 provided by the Company and noted that the COSCO Financial Services Annual Caps are estimated based on the expected transaction volume of different types of transactions in such business plan. We noted that the revenue to be generated by the Group from the provision of financial services to COSCO Shipping and/or its associates for the three years ending 31 December 2024 is in line with the estimations in the business plan.

For our due diligence purpose, we have obtained a list from the Company, showing the breakdown of the Proposed COSCO Financial Services Annual Caps for each of the three years ending 31 December 2024. We understood from the Company that relevant subsidiaries/departments of the Company provided an estimation of the forecasted sale and purchase amount of financial services for the three years ending 31 December 2024. Such forecasted amounts based on (i) the historical revenue generated from the provision of financial services; and (ii) the expansion plans and potential business development between the Group and COSCO Shipping anticipated by the Management as detailed above. Such forecasted amounts can be reconciled with the estimations in the business plan, and were approved by management of the relevant subsidiaries before submitting to the Company for consolidation and review.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have randomly selected and reviewed five sample copies of contracts for each category of the financial services, namely (i) underwriting and sponsoring services; (ii) other investment banking services; and (iii) other financial services for the year ended 31 December 2021 from the Group to COSCO Shipping and/or its associates and similar services from the Group to independent third parties. In view of the aforesaid samples cover the principal types of financial services from the Group to COSCO Shipping and/or its associates and similar services from the Group to independent third parties for the year ended 31 December 2021, we consider that such samples are fair and representative to illustrate that the financial services provided/to COSCO Shipping and/or its associates is comparable to that provided to independent third parties.

We also noted that, among other things, (i) the Group has formulated and established internal guidance and policies for conduct of different types of financial services; (ii) the Group's connected transaction management working team, which comprises staff from various department and are mainly responsible for managing the Group's connected transactions on a regular basis (every half year and every year) so as to ensure the proposed annual caps in respect of the provision of financial services will not be exceeded and will remind relevant departments and subsidiaries to control such connected transactions to be conducted on normal commercial terms from time to time; and (iii) the Group is required to offer the same pricing terms to all the customers and no preferential terms shall be provided to the customers who are the Group's connected persons in the offer of the same batch of financial services to customers (including both connected persons and independent third parties). Based on the above, we consider that the internal control procedures are sufficient for the Company to monitor the financial services and the effective implementation of the procedures would help to ensure fair pricing of the transactions contemplated under the financial services according to the pricing policies.

Despite that the COSCO Financial Services Annual Caps for the three years ending 31 December 2024 are substantially higher than the historical transaction amount of the provision of financial services together with the existing annual caps for the three years ended 31 December 2021, taking into account the above factors, we concur with the Directors that the COSCO Financial Services Annual Caps for the three years ending 31 December 2024 to be fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Shareholders should note that as the COSCO Financial Services Annual Caps for the three years ending 31 December 2024 are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2024, and they do not represent forecasts of revenue/income/cost to be incurred from the securities and financial products and transactions. Consequently, we express no opinion as to how closely the actual revenue/income/cost to be incurred from the securities and financial products and transactions will correspond with the COSCO Financial Services Annual Caps.

Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Hong Kong Listing Rules pursuant to which (i) the values of the transactions under the 2022 CMG Framework Agreement and the 2022 COSCO Framework Agreement must be restricted by the Proposed Annual Caps for the period concerned under the 2022 CMG Framework Agreement and the 2022 COSCO Framework Agreement; (ii) the terms of the transactions under the 2022 CMG Framework Agreement and the 2022 COSCO Framework Agreement must be reviewed by the independent non-executive Directors annually; and (iii) details of independent non-executive Directors' annual review on the terms of the transactions contemplated under the 2022 CMG Framework Agreement and the 2022 COSCO Framework Agreement must be included in the Company's subsequent published annual reports and financial accounts.

Furthermore, it is also required by the Hong Kong Listing Rules that the auditors of the Company must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the transactions contemplated under the 2022 CMG Framework Agreement and the 2022 COSCO Framework Agreement (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the listed issuer's group if the transactions involve the provision of goods or services by the listed issuer's group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the annual caps.

In the event that the total amounts of the transactions contemplated under the 2022 CMG Framework Agreement and the 2022 COSCO Framework Agreement are anticipated to exceed the annual caps, or that there are any proposed material amendment to the terms of the 2022 CMG Framework Agreement and the 2022 COSCO Framework Agreement, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Hong Kong Listing Rules governing continuing connected transactions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the 2022 CMG Framework Agreement and the 2022 COSCO Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the transactions contemplated under the 2022 CMG Framework Agreement and the 2022 COSCO Framework Agreement are in the interests of the Company and the Shareholders as a whole and conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM to approve the 2022 CMG Framework Agreement and the 2022 COSCO Framework Agreement and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Joshua Liu
Managing Director

Mr. Joshua Liu is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). He has over 20 years of experience in the securities and investment banking industries.

1. RESPONSIBILITY STATEMENT

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

2. INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND THE CHIEF EXECUTIVE OF THE COMPANY IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at the Latest Practicable Date, the interests and short positions of the Directors, Supervisors and chief executives of the Company in the shares, underlying shares or debentures of the Company or its associated corporations which would be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or interests or short positions which would be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange were as follows:

Directors/ Supervisors	Position	Class of shares	Nature of interest	Number of shares held	Percentage of total number of issued shares of the Company (%)	Percentage of total number of issued A Shares of the Company (%)	Long positions/ short positions/ shares available for lending
HUO Da (霍達)	Chairman of the Board, executive Director	A Shares	Beneficial owner	531,210	0.006	0.007	Long position
ZHOU Linda Lei (周諾蕾)	Chairman of the Supervisory Committee	A Shares	Beneficial owner	429,054	0.005	0.006	Long position
YIN Hongyan (尹虹艷)	Employee representative Supervisor	A Shares	Beneficial owner	204,311	0.002	0.003	Long position
HE Min (何敏)	Employee representative Supervisor	A Shares	Beneficial owner	102,156	0.001	0.001	Long position

3. CONSENT AND QUALIFICATION OF EXPERT

The qualification of the expert providing opinions or advices in this circular is set out below:

Name of Expert	Qualification
Lego Corporate Finance Limited	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO

As of the Latest Practicable Date, the above expert has given and has not withdrawn its consent letter to the issuance of this circular with the inclusion of and/or references to its report or letter in the form and context in which they are included.

As of the Latest Practicable Date, the above expert did not own any equity interest in any member of the Group, or any right (whether legally enforceable or not) to subscribe or nominate others to subscribe for the securities of any member of the Group.

As of the Latest Practicable Date, the above expert did not have interest in any assets which have been acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group since December 31, 2021, being the date to which the latest published audited consolidated accounts of the Company were made up.

4. MATERIAL ADVERSE CHANGE

There was no material adverse change in the financial or trading positions of the Group since December 31, 2021, being the date to which the latest published audited consolidated accounts of the Company were made up.

5. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

6. DIRECTORS' AND SUPERVISORS' INTERESTS IN ASSETS AND/OR CONTRACTS

As at the Latest Practicable Date, none of the Directors or Supervisors had interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or have been proposed to be acquired or disposed of by or leased to any member of the Group since December 31, 2021, being the date to which the latest published audited consolidated accounts of the Company were made up.

As at the Latest Practicable Date, none of the Directors, Supervisors or their respective associates was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

7. DIRECTORS' AND SUPERVISORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDERS

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

Name of Director or Supervisor	Name of Shareholder	Position held
LIU Weiwu	China Merchants Group	Head of the Finance Department (Property Rights Department)
DENG Weidong	China Merchants Group	Head of the Strategy and Development Department/Technological Innovation Department
SU Min	China Merchants Financial Holding Co., Ltd.	Deputy general manager
GAO Hong	China Merchants Financial Holding Co., Ltd.	Deputy general manager
HUANG Jian	China COSCO Shipping Corporation Limited	General manager of Capital Operation Department
LI Xiaofei	China Merchants Group	Deputy general manager of the Human Resources Department
WANG Zhangwei	China Merchants Financial Holding Co., Ltd.	Chief Audit Executive (Head of Audit Department)
	Shenzhen Jisheng Investment Development Co., Ltd.	Director
	Shenzhen Chu Yuan Investment and Development Co., Ltd.	Director
	Shenzhen Yan Qing Investment and Development Co. Ltd.	Director

As of the Latest Practicable Date, the interests in the shares of the Company owned by China Merchants Group, China Merchants Financial Holding Co., Ltd., Shenzhen Jisheng Investment Development Co., Ltd., China COSCO Shipping Corporation Limited, COSCO SHIPPING Investment Holdings Co., Limited, PICC Life Insurance Company Limited and Hebei Port Group Co., Ltd., which are required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, have been recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

8. INTERESTS OF DIRECTORS IN COMPETING BUSINESS

As of the Latest Practicable Date, none of the Directors or their respective close associates had interests in any business which constitutes direct or indirect competition or may constitute competition with the business of the Group.

9. MATERIAL LITIGATION

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

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.cmschina.com>) from the date of this circular up to and including the date of the EGM:

- (1) the 2019 CMG Framework Agreement;
- (2) the 2020 COSCO Framework Agreement;
- (3) the 2022 CMG Framework Agreement;
- (4) the 2022 COSCO Framework Agreement;
- (5) the Letter from the Independent Board Committee;
- (6) the Letter from the Independent Financial Adviser; and
- (7) the Letter of consent from the expert referred to in the paragraph headed “Consent and Qualification of Expert” in this Appendix.

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
<p>Article 1 China Merchants Securities Co., Ltd. (the “Company”) formulated these Rules in accordance with laws, regulations, rules and normative documents such as the Company Law of the People’s Republic of China, the Guiding Opinions on the Establishment of Rules for Independent Directors in Listed Companies (the “Guiding Opinions”), the Rules for Governance of Listed Companies, the Rules for Governance of Securities Companies (the “Rules for Governance”), the Regulatory Measures for Professional Qualifications of Directors, Supervisors and Senior Executives of Securities Companies (the “Regulatory Measures”) and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Listing Rules”), as well as the Articles of Association of China Merchants Securities Co., Ltd. (the “Articles of Association”), and in line with the actual situation of the Company, for the purpose of facilitating its standardized operation, regulating the behavior of its independent directors, safeguarding its interests as a whole, and protecting the legitimate rights and interests of all shareholders, especially minority shareholders.</p>	<p>Article 1 China Merchants Securities Co., Ltd. (the “Company”) formulated these Rules in accordance with laws, regulations, rules and normative documents such as the Company Law of the People’s Republic of China, the Measures for the Supervision and Administration of the Directors, Supervisors, Senior Executives and Practitioners of Institutions Engaged in Securities and Funds Operations (the “Supervision Measures”), the Rules for the Independent Directors of Listed Companies (the “Rules for Independent Directors”), the Rules for Governance of Listed Companies, the Rules for Governance of Securities Companies (the “Rules for Governance”), the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (the “SSE Listing Rules”), the Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation (the “Guidelines for Standardized Operation”) and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Hong Kong Listing Rules”), as well as the Articles of Association of China Merchants Securities Co., Ltd. (the “Articles of Association”), and in line with the actual situation of the Company, for the purpose of facilitating its standardized operation, regulating the behavior of its independent directors, safeguarding its interests as a whole, and protecting the legitimate rights and interests of all shareholders, especially minority shareholders.</p>	<p>Adjustment of legal basis according to actual circumstances, and uniform adjustment of names of relevant rules to be referenced below.</p> <p>Amendment of punctuations.</p>

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
<p>Article 2 Definitions</p> <p>Unless otherwise specified, the following terms shall have the following meanings in these Rules:</p> <p>“Independent director”: a director who does not take up any position in the Company other than serving as a director, and is not related to the Company and its substantial shareholders in a way that may prevent him/her from exercising independent and objective judgments. An independent director must possess the independence as required under Rule 3.13 of the Hong Kong Listing Rules.</p> <p>“CSRC”: the China Securities Regulatory Commission.</p> <p>“Accounting professional”: a person who holds a senior title or the qualification of a certified public accountant.</p> <p>“Major social relations”: siblings, parents-in-law, daughters-in-law, sons-in-law, siblings’ spouse, spouse’s siblings, etc.</p> <p>“Immediate family member”: spouse, parents, children, etc.</p>	<p>Article 2 Definitions</p> <p>Unless otherwise specified, the following terms shall have the following meanings in these Rules:</p> <p>“Independent director”: a director who does not take up any position in the Company other than serving as a director, and is not related to the Company and its substantial shareholders in a way that may prevent him/her from exercising independent and objective judgments.</p> <p>“CSRC”: the China Securities Regulatory Commission.</p> <p>“Accounting professional”: a person who holds the qualification of a certified public accountant; or holds a senior title, an associate professor title or above or a doctoral degree in accounting, auditing or financial management; or holds a senior title in economic management with more than five years of full-time work experience in professional positions such as accounting, auditing or financial management.</p> <p>“Major social relations”: siblings, spouse’s parents, children’s spouse, siblings’ spouse, spouse’s siblings, etc.</p> <p>“Immediate family member”: spouse, parents, children, etc.</p>	<p>Independent directors should meet the independence requirements stipulated under the relevant rules of the CSRC, the Shanghai Stock Exchange and the Hong Kong Stock Exchange. For details, please refer to Article 10 of the new Rules. The text of “An independent director must possess the independence as required under Rule 3.13 of the Hong Kong Listing Rules” is deleted herein.</p> <p>The Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation: 3.5.7 A candidate for independent director nominated by virtue of being an accounting professional should have relatively abundant professional accounting knowledge and experience and at least meet one of the following requirements:</p> <p>(1) holds the qualification of a certified public accountant; (2) holds a senior title, an associate professor title or above or a doctoral degree in accounting, auditing or financial management; or (3) holds a senior title in economic management with more than five years of full-time work experience in professional positions such as accounting, auditing or financial management.</p> <p>Article 7 of the Rules for the Independent Directors of Listed Companies: The following persons may not hold the position of independent director:</p> <p>(1) a person who holds position in the listed company or its subsidiaries, and his/her immediate family members and major social relations (immediate family members refer to spouse, parents, children, etc.; and major social relations refer to siblings, spouse’s parents, children’s spouse, siblings’ spouse, spouse’s siblings, etc.);</p>

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
<p>“Material related party transaction”: a related party transaction to be entered into between the Company and its related party in an amount of more than RMB3 million (inclusive), and representing more than 0.5% (inclusive) of the absolute value of the latest audited net assets of the Company.</p>	<p>“Material related party transaction”: a related party transaction to be entered into between the Company and its related party in an amount higher than RMB3 million, or higher than 5% of the absolute value of the latest audited net assets of the Company.</p> <p>“Material business transaction”: a matter that is required to be submitted to the shareholders’ general meeting for consideration pursuant to the Shanghai Listing Rules or the Articles of Association, or any other material matter determined by exchanges.</p>	<p>Article 22 of the Rules for the Independent Directors of Listed Companies: In order to give full play to the role of independent directors, in addition to the powers conferred to directors by the Company Law and other relevant laws and regulations, independent directors shall also have the following special powers:</p> <p>(1) a material related party transaction (i.e. a related party transaction to be entered into between the listed company and its related party in an amount higher than RMB3 million, or higher than 5% of the latest audited net assets of the listed company) shall be approved in advance by independent directors. Prior to decision-making, independent directors may engage intermediaries to issue an independent financial advisor report as the basis for their decision;</p> <p>The Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation: 3.5.4</p> <p>“Material business transaction” refers to a matter that is required to be submitted to the shareholders’ general meeting for consideration pursuant to the Shanghai Listing Rules or the articles of association, or any other material matter determined by our exchange;</p>
<p>Article 6 The Company shall appoint five independent directors, who shall represent not less than one-third (inclusive) of the total number of directors of the Company. Independent directors should include at least one financial management or accounting professional and meet the requirements of Rule 3.10(2) of the Hong Kong Listing Rules.</p>	<p>Article 6 The Company shall appoint five independent directors, who shall represent not less than one-third (inclusive) of the total number of directors of the Company. Independent directors should include at least one accounting professional and meet the requirements of Rule 3.10(2) of the Hong Kong Listing Rules.</p>	<p>Article 10 of the Rules for the Independent Directors of Listed Companies: A listed company should specify in its articles of association that appropriate persons should be appointed as independent directors, including at least one accounting professional.</p>

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
<p>Article 9 Independent directors should meet the following basic requirements:</p> <p>(1) having the qualifications to hold the position of director in the Company in accordance with the requirements of laws, regulations, rules, normative documents and exchanges where the shares of the Company are listed, as well as other relevant requirements;</p>	<p>Article 9 Independent directors should meet the following basic requirements:</p> <p>(1) having the qualifications to hold the position of director in a listed securities company in accordance with the requirements of laws, regulations, normative documents and securities regulatory authorities and exchanges where the shares of the Company are listed, as well as other relevant requirements;</p> <p>(2) complying with the following provisions: the provisions of the Civil Servant Law of the People's Republic of China on civil servants serving concurrent positions (if applicable); the provisions of the Notice on Regulating Central Management Officers from Serving as Independent Directors and Independent Supervisors of Listed Companies and Fund Management Companies After Resignation or Retirement promulgated by the Central Commission for Discipline Inspection and the Organization Department of the Chinese Communist Party (if applicable); the provisions of the Opinions on Further Regulating Party and Government Senior Officers from Concurrently Serving in Companies promulgated by the Organization Department of the Chinese Communist Party (if applicable); and the provisions of the Opinions on Strengthening the Establishment of Anti-corruption and Integrity in Colleges and Universities promulgated by the Central Commission for Discipline Inspection, the Ministry of Education and the Ministry of Supervision (if applicable);</p>	<p>Adjustment of wordings.</p> <p>The Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation: 3.5.2 Candidates for independent directors should meet the requirements of the following laws and regulations: (1) the provisions of the Company Law on the appointment of directors; (2) the provisions of the Civil Servant Law of the People's Republic of China on civil servants serving concurrent positions (if applicable); (3) the relevant provisions of the Rules for the Independent Directors of Listed Companies promulgated by the CSRC; (4) the provisions of the Notice on Regulating Central Management Officers from Serving as Independent Directors and Independent Supervisors of Listed Companies and Fund Management Companies After Resignation or Retirement promulgated by the Central Commission for Discipline Inspection and the Organization Department of the Chinese Communist Party (if applicable); (5) the provisions of the Opinions on Further Regulating Party and Government Senior Officers from Concurrently Serving in Companies promulgated by the Organization Department of the Chinese Communist Party (if applicable); and (6) the provisions of the Opinions on Strengthening the Establishment of Anti-corruption and Integrity in Colleges and Universities promulgated by the Central Commission for Discipline Inspection, the Ministry of Education and the Ministry of Supervision (if applicable);</p>

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
<p>(2) demonstrating the independence as required by the Guiding Opinions, the Rules for Governance, the Regulatory Measures and the Hong Kong Listing Rules;</p> <p>(3) having an undergraduate degree or above, and a bachelor's degree or above;</p> <p>(4) being familiar with securities laws, administrative regulations, rules and other normative documents, and possessing the operation and management capabilities necessary for performing their duties;</p> <p>(5) engaging in the securities, finance, law or accounting industry for more than five years, with the work experience necessary for performing the duties of an independent director; and</p> <p>(6) other requirements as stipulated by the Articles of Association.</p>	<p>(3) demonstrating the independence as required by the Rules for Independent Directors, the Supervision Measures, the Guidelines for Standardized Operation and the Hong Kong Listing Rules;</p> <p>(Deleted according to the Supervision Measures)</p> <p>(4) possessing basic knowledge in the operation of a listed company and being familiar with laws, administrative regulations, rules and requirements in relation to listed companies and securities companies;</p> <p>(5) possessing more than five years of work experience in the securities, finance, law or accounting industry or other areas necessary for performing the duties of an independent director; and</p> <p>(6) other requirements as stipulated by laws, regulations, normative documents, securities regulatory authorities and exchanges where the shares of the Company are listed and the Articles of Association.</p>	<p>3.5.3 Candidates for independent directors shall possess basic knowledge in the operation of a listed company, be familiar with laws and regulations and the relevant requirements of our exchange, and possess more than five years of work experience in the legal, economic, accounting, financial or management industry or other areas necessary for performing the duties of an independent director.</p> <p>Article 6 of the Measures for the Supervision and Administration of the Directors, Supervisors, Senior Executives and Practitioners of Institutions Engaged in Securities and Funds Operations:</p> <p>(1) demonstrating integrity, honesty and good conduct;</p> <p>(2) being familiar with laws and regulations in relation to securities and funds and the requirements of the CSRC;</p> <p>(3) possessing more than three years of work experience in the securities, fund, finance, law, accounting or information technology industry in relation to the position to be held;</p>

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
		<p>Article 9 of the Rules for the Independent Directors of Listed Companies: Independent directors should meet the following basic requirements:</p> <ul style="list-style-type: none"> (1) having the qualifications to hold the position of director in a listed company in accordance with laws, administrative regulations and other relevant requirements; (2) demonstrating the independence as required by these Rules; (3) possessing basic knowledge in the operation of a listed company and being familiar with relevant laws, administrative regulations, rules and requirements; (4) possessing more than five years of work experience in the legal or economic industry or other areas necessary for performing the duties of an independent director; and (5) other requirements as stipulated by laws, regulations and the articles of association.

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
<p>Article 10 Independent directors must be independent. The following persons may not hold the position of independent director:</p> <p>(1) a person who holds position in the Company or its subsidiaries and related parties, and his/her immediate family members, major social relations and core connected persons as defined under the Hong Kong Listing Rules;</p> <p>(2) a natural person shareholder who directly or indirectly holds more than 1% of the shares in issue of the Company, or is among the top ten shareholders of the Company, and his/her immediate family members;</p>	<p>Article 10 Independent directors must be independent. The following persons may not hold the position of independent director:</p> <p>(1) a person who held position in the Company and its related parties in the past three years;</p> <p>(2) a person whose immediate family member or major social relations hold position in the Company and its related parties;</p> <p>(3) a person who has a relationship of interest with any senior management officer, other director, supervisor and other key personnel of the Company and its related parties;</p> <p>(4) a person who holds position in any institution that has business transactions or a relationship of interest with the Company;</p> <p>(5) a person who holds position other than independent director in other institution(s) engaged in securities and funds operations;</p> <p>(6) a person who holds position in the Company or its subsidiaries, and his/her immediate family members and major social relations;</p> <p>(7) a natural person shareholder who directly or indirectly holds more than 1% of the shares in issue of the Company, or is among the top ten shareholders of the Company, and his/her immediate family members;</p>	<p>Article 9 of the Measures for the Supervision and Administration of the Directors, Supervisors, Senior Executives and Practitioners of Institutions Engaged in Securities and Funds Operations: A person to serve as an independent director of an institution engaged in securities and funds operations shall not hold any position outside the board of directors of such institution engaged in securities and funds operations, and shall not be any of the following persons:</p> <p>(1) a person who held position in such institution engaged in securities and funds operations and its related parties in the past three years; (2) a person whose immediate family member or major social relations hold position in institution(s) engaged in securities and funds operations and its related parties; (3) a person who has a relationship of interest with any senior management officer, other director, supervisor and other key personnel of such institution engaged in securities and funds operations and its related parties; (4) a person who holds position in any institution that has business transactions or a relationship of interest with such institution engaged in securities and funds operations; (5) a person who holds position other than independent director in other institution engaged in securities and funds operations; or (6) other persons who may be prejudiced from making independent and objective judgments.</p>

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
<p>(3) a person who holds position in a shareholder that directly or indirectly holds more than 5% of the shares in issue of the Company, or holds position in one of the top five shareholders of the Company, and his/her immediate family members;</p> <p>(4) a person who provides financial, legal, consultancy and other services for the Company or its subsidiaries, and his/her immediate family members and major social relations;</p> <p>(5) a person who falls under any of the circumstances listed in the preceding four items in the past year;</p> <p>(6) a person who holds position other than independent director in other securities company;</p>	<p>(8) a person who holds position in a shareholder that directly or indirectly holds more than 5% of the shares in issue of the Company, or holds position in one of the top five shareholders of the Company, and his/her immediate family members;</p> <p>(9) a person who holds position in the de facto controller of the Company and the subsidiaries of the de facto controller of the Company;</p> <p>(10) a person who provides financial, legal, consultancy and other services for the Company, the controlling shareholder of the Company or their respective subsidiaries, including all project team members of any intermediary which provides services, reviewers at all levels, personnel who sign reports, partners and person-in-charge;</p> <p>(11) a person who serves as director, supervisor or senior management officer in an entity that has material business transactions with the Company and its controlling shareholder or their respective subsidiaries, or serves as director, supervisor or senior management officer in the controlling shareholder of such entity;</p> <p>(12) a person who falls under any of the circumstances listed in items (6) to (11) of this article in the past twelve months;</p> <p>(13) a person who is regarded by The Stock Exchange of Hong Kong Limited to be failing to meet the independence requirements in accordance with Rule 3.13 of the Hong Kong Listing Rules; or</p>	<p>The Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation: 3.5.4 A candidate for independent director shall be independent and shall not be any of the following persons:</p> <p>(1) a person who holds position in the listed company or its subsidiaries, and his/her immediate family members and major social relations; (2) a natural person shareholder who directly or indirectly holds more than 1% of the shares in issue of the listed company, or is among the top ten shareholders of the listed company, and his/her immediate family members; (3) a person who holds position in a shareholder that directly or indirectly holds more than 5% of the shares in issue of the listed company, or holds position in one of the top five shareholders of the listed company, and his/her immediate family members; (4) a person who holds position in the de facto controller of the listed company and the subsidiaries of the de facto controller of the listed company; (5) a person who provides financial, legal, consultancy and other services for the listed company and its controlling shareholder or their respective subsidiaries, including all project team members of any intermediary which provides services, reviewers at all levels, personnel who sign reports, partners and person-in-charge; (6) a person who serves as director, supervisor or senior management officer in an entity that has material business transactions with the listed company and its controlling shareholder or their respective subsidiaries, or serves as director, supervisor or senior management officer in the controlling shareholder of such entity; (7) a person who falls under any of the circumstances listed in the preceding six items in the past twelve months; or (8) other persons who is regarded by our exchange to be non-independent.</p>

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
<p>(7) other persons as required by the Articles of Association; or</p> <p>(8) other persons as identified by securities regulatory authorities and other relevant regulatory authorities where the shares of the Company are listed.</p>	<p>(14) other persons as required by laws, regulations, normative documents, securities regulatory authorities and exchanges where the shares of the Company are listed and the Articles of Association, or who may be prejudiced from making independent and objective judgments.</p>	<p>Rules 3.13 of the Hong Kong Listing Rules: In assessing the independence of a non-executive director, the Exchange will take into account the following factors, none of which is necessarily conclusive. Independence is more likely to be questioned if the director: (Due to the length of this rule, details are not set forth herein.)</p>
<p>Newly added article, and the subsequent article numbers are adjusted accordingly.</p>	<p>Article 11 A candidate for independent director shall have no bad records as follows:</p> <p>(1) being imposed administrative punishment by the CSRC in the past thirty-six months;</p> <p>(2) being in the period that is publicly regarded by exchanges as not appropriate for serving as a director of a listed company;</p> <p>(3) being publicly censured or criticized in two or more circulars by exchanges in the past thirty-six months;</p> <p>(4) failing to attend board meetings for two consecutive times or failing to attend over one-third of the board meetings in a year in person during his/her service as an independent director;</p> <p>(5) issuing independent opinion that is obviously inconsistent with the facts during his/her service as an independent director; and</p> <p>(6) other circumstances as stipulated or determined by securities regulatory authorities and exchanges where the shares of the Company are listed.</p>	<p>The Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation: 3.5.5 A candidate for independent director shall have no bad records as follows:</p> <p>(1) being imposed administrative punishment by the CSRC in the past thirty-six months;</p> <p>(2) being in the period that is publicly regarded by the exchange as not appropriate for serving as a director of a listed company;</p> <p>(3) being publicly censured or criticized in two or more circulars by the exchange in the past thirty-six months;</p> <p>(4) failing to attend board meetings for two consecutive times or failing to attend over one-third of the board meetings in a year in person during his/her service as an independent director;</p> <p>(5) issuing independent opinion that is obviously inconsistent with the facts during his/her service as an independent director; and</p> <p>(6) other circumstances as determined by our exchange.</p>

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
Newly added article, and the subsequent article numbers are adjusted accordingly.	Article 12 The nomination, election and replacement of independent directors should comply with laws and regulations.	Article 12 of the Rules for the Independent Directors of Listed Companies: The nomination, election and replacement of independent directors should comply with laws and regulations.
Article 12 The nominator of independent director should obtain the consent of the nominee prior to nomination. The nominator should fully understand the occupation, education, title, detailed work experience and all other work information of the nominee, and should also opine on the qualification of the candidate to be an independent director and his/her independence. The nominee should make a public statement that he/she does not have any relationship with the Company which will affect his/her independent and objective judgments. 	Article 14 The nominator of independent director should obtain the consent of the nominee prior to nomination. The nominator should fully understand the occupation, education, title, detailed work experience and all other work information of the nominee, and should also opine on the qualification of the candidate to be an independent director and his/her independence. The nominee should make a public statement that he/she meets the requirements for appointment and does not have any relationship with the Company which will affect his/her independent and objective judgments. 	The Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation: 3.5.9 A candidate for independent director should make a statement on whether he/she complies with laws and regulations and the relevant provisions of our exchange regarding the requirements for appointment and independence of an independent director.
Newly added article, and the subsequent article numbers are adjusted accordingly.	Article 15 When the Company appoints an independent director, it shall require the candidate to provide a statement of independence and submit the same to the relevant CSRC office as a filing material. The statement should focus on whether the candidate falls under any of the circumstances listed in Article 10 of these Rules.	Article 12 of the Measures for the Supervision and Administration of the Directors, Supervisors, Senior Executives and Practitioners of Institutions Engaged in Securities and Funds Operations: When a securities and fund institution appoints an independent director, it shall require the candidate to provide a statement of independence, and submit the same to the relevant CSRC office as a filing material. The statement should focus on whether the candidate falls under any of the circumstances listed in Article 9 of these Measures.

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
<p>Article 13 Prior to the shareholders' general meeting for election of independent directors, the Company shall submit the relevant materials of all nominees to the CSRC, the CSRC office where the Company is located and exchanges where the shares of the Company are listed at the same time. If the board of directors of the Company has any objection to the relevant information of the nominees, the written opinion of the board of directors shall also be submitted at the same time.</p> <p>Nominees who are objected by the CSRC may be candidates for directors but may not be candidates for independent directors of the Company.</p> <p>In the shareholders' general meeting for election of independent directors, the board of directors of the Company shall explain whether any candidate for independent director is objected by the CSRC.</p> <p>Article 14 The voting method for the election of independent directors shall be the same as that of other directors of the Company.</p>	<p>Article 16 Prior to the shareholders' general meeting for election of independent directors, the Company shall submit the relevant materials of all nominees to the Shanghai Stock Exchange at the same time. If the board of directors of the Company has any objection to the relevant information of the nominees, the written opinion of the board of directors shall also be submitted at the same time.</p> <p>In the shareholders' general meeting for election of independent directors, the board of directors of the Company shall explain whether any candidate for independent director is objected by the Shanghai Stock Exchange. For independent director candidates objected by the Shanghai Stock Exchange, the Company may not submit them to the shareholders' general meeting for voting.</p> <p>The voting method for the election of independent directors shall be the same as that of other directors of the Company.</p>	<p>Article 14 of the Rules for the Independent Directors of Listed Companies: Prior to the shareholders' general meeting for election of independent directors, the board of directors of the listed company shall announce the relevant information in accordance with Article 13 of these Rules, and submit the relevant materials of all nominees to the exchange. If the board of directors of the listed company has any objection to the relevant information of the nominees, the written opinion of the board of directors shall also be submitted at the same time.</p> <p>The Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation: 3.5.11 In the shareholders' general meeting for election of independent directors, the board of directors of the listed company shall explain whether any candidate for independent director is objected by our exchange.</p> <p>For independent director candidates objected by our exchange, the company may not submit them to the shareholders' general meeting for voting, and shall, in accordance with the Rules for the Shareholders' General Meeting of Listed Companies promulgated by the CSRC, postpone or cancel the shareholders' general meeting, or cancel the relevant proposals of the shareholders' general meeting.</p> <p>According to the logical relationship, the original Article 14 is merged into this article.</p>

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
<p>Article 16 If an independent director has not personally attended board meetings for three consecutive times, the board of directors shall recommend in the shareholders' general meeting to remove such independent director.</p> <p>Except for the above circumstances and the circumstances under which a person may not serve as a director as stipulated in Article 10 of these Rules and the Company Law, an independent director may not be removed for no reason prior to the expiration of his/her term of office. In case of early removal, the Company shall disclose the same as a special disclosure. If the independent director so removed believes that the reason for such removal is inappropriate, he/she may make a public statement.</p>	<p>Article 18 In the following circumstances, an independent director shall immediately cease his/her duties and be removed by the Company in accordance with relevant requirements:</p> <p>(1) he/she may not serve as a director under the Company Law;</p> <p>(2) he/she is banned from the market as a director of a listed company by the CSRC, and the period of banning has not expired; or</p> <p>(3) he/she fails to meet the independence requirements.</p> <p>If an independent director, during his/her term of office, is prohibited from serving as a director or an independent director under the requirements of other laws and regulations and the Shanghai Stock Exchange, the Company should remove him/her from his/her position within one month from the date of occurrence of the above.</p> <p>If an independent director has not personally attended board meetings for three consecutive times, the board of directors shall recommend in the shareholders' general meeting to remove such independent director.</p> <p>If an independent director should be removed but has not been removed, and participates in any board meeting and votes thereat, his/her vote(s) shall be invalid and he/she shall not be counted in the quorum of the meeting.</p>	<p>The Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation: 3.2.9 If, during his/her term of office, a director, supervisor or senior management officer falls under any of the circumstances listed in items (1) and (2) of the first paragraph of Article 3.2.2 of these Guidelines, or an independent director fails to meet the independence requirements, such director, supervisor or senior management officer shall immediately cease his/her duties and be removed by the company in accordance with relevant requirements. If, during his/her term of office, a director, supervisor or senior management officer is prohibited from serving as a director, supervisor or senior management officer under the requirements of other laws and regulations and our exchange, the company should remove him/her from his/her position within one month from the date of occurrence of the above.</p> <p>If such director or supervisor should be removed but has not been removed, and participates in any board meeting or meeting of the supervisory committee and votes thereat, his/her vote(s) shall be invalid and he/she shall not be counted in the quorum of the meeting.</p>

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
Newly added article, and the subsequent article numbers are adjusted accordingly.	Article 19 If an independent director is removed by the Company prior to the expiration of his/her term of office, the Company shall disclose the same as a special disclosure, and the Company and such independent director shall submit written explanations to the relevant CSRC office and the shareholders' general meeting respectively within 20 business days.	<p>Article 17 of the Rules for the Independent Directors of Listed Companies: Prior to the expiration of term of office of an independent director, the listed company may remove him/her from his/her position through statutory procedures. In case of early removal, the listed company shall disclose the same as a special disclosure.</p> <p>Article 42 of the Measures for the Supervision and Administration of the Directors, Supervisors, Senior Executives and Practitioners of Institutions Engaged in Securities and Funds Operations: If an independent director is removed by an institution engaged in securities and funds operations prior to the expiration of his/her term of office, such institution engaged in securities and funds operations and such independent director shall submit written explanations to the relevant CSRC office and the shareholders' general meeting respectively within 20 business days.</p>

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
<p>Article 17 An independent director may resign prior to the expiration of his/her term of office. In resigning his/her duties, an independent director shall tender a written resignation letter to the board of directors and specify any matter which is related to his/her resignation or which he/she considers necessary to bring to the attention of the shareholders and creditors of the Company.</p> <p>If, due to the resignation of any independent director, the proportion of independent directors in the board of directors of the Company falls below the minimum requirements stipulated in the Guiding Opinions, the resignation letter of such independent director shall become effective upon the filling of vacancy by a succeeding independent director.</p>	<p>Article 20 An independent director may resign prior to the expiration of his/her term of office. In resigning his/her duties, an independent director shall tender a written resignation letter to the board of directors and specify any matter which is related to his/her resignation or which he/she considers necessary to bring to the attention of the shareholders and creditors of the Company. The Company and such independent director shall submit written explanations to the relevant CSRC office and the shareholders' general meeting respectively on such resignation.</p> <p>If, due to the resignation of any independent director, the proportion of independent directors in the board of directors of the Company falls below the minimum requirements stipulated in the Rules for Independent Directors, the resignation letter of such independent director shall become effective upon the filling of vacancy by a succeeding independent director.</p>	<p>Article 32 of the Rules for Governance of Securities Companies: If an independent director resigns or is removed during his/her term of office, such independent director and the securities company shall submit written explanations to the CSRC office where the company is domiciled and the shareholders' general meeting respectively.</p> <p>Adjustment according to actual circumstances.</p>

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
<p>Newly added article, and the subsequent article numbers are adjusted accordingly.</p>	<p>Article 21 Independent directors shall attend board meetings on time in accordance with the requirements of laws, regulations, normative documents, securities regulatory authorities and exchanges where the shares of the Company are listed and the Articles of Association, in order to understand the activities and operations of the Company, take the initiative to enquire about and obtain knowledge and information necessary for decision-making, express clear opinions on the matters considered, and assume corresponding responsibilities for the resolutions of the board of directors in accordance with the law.</p> <p>Independent directors shall actively perform their duties in aspects such as corporate governance, internal control, information disclosure and financial supervision.</p> <p>Independent directors shall perform their duties independently and impartially in accordance with the law without being influenced by any shareholder or de facto controller of the Company or any other entity or individual which or who has a relationship of interest with the Company and shall safeguard the interests of the Company as a whole as well as the legitimate rights and interests of investors. If the independence of any independent director is found to be jeopardized by any matter considered, such independent director should declare the same to the Company and abstain from voting thereon. If the independence of any independent director is materially jeopardized during his/her tenure, he/she should notify the Company in a timely manner and propose corresponding solutions, and if necessary, tender a resignation.</p>	<p>Article 21 of the Rules for the Independent Directors of Listed Companies: Independent directors shall attend board meetings on time, in order to understand the activities and operations of the listed company and take the initiative to enquire about and obtain knowledge and information necessary for decision-making.</p> <p>Independent directors shall submit an annual work report to the shareholders' general meeting of the company to explain their performance of duties.</p> <p>Article 23 of the Measures for the Supervision and Administration of the Directors, Supervisors, Senior Executives and Practitioners of Institutions Engaged in Securities and Funds Operations: Directors of an institution engaged in securities and funds operations shall attend board meetings in accordance with the requirements of laws, regulations, the CSRC and the articles of association, in order to express clear opinions on the matters considered, and assume corresponding responsibilities for the resolutions of the board of directors in accordance with the law.</p> <p>Independent directors of an institution engaged in securities and funds operations shall perform the duties of directors independently in accordance with the law without being influenced by any shareholder or de facto controller of the company or any other entity or individual which or who has a relationship of interest with the company, and shall safeguard the interests of the company as a whole as well as the legitimate rights and interests of investors.</p>

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
		<p>The Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation: 3.5.12 Independent directors shall actively perform their duties in aspects such as corporate governance, internal control, information disclosure and financial supervision.</p> <p>Independent directors shall perform their duties independently and impartially without being influenced by any substantial shareholder or de facto controller of the listed company or any other entity or individual which or who has a relationship of interest with the company. If the independence of any independent director is found to be jeopardized by any matter considered, such independent director should declare the same to the company and abstain from voting thereon. If the independence of any independent director is materially jeopardized during his/her tenure, he/she should notify the company in a timely manner and propose corresponding solutions, and if necessary, tender a resignation.</p>

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
<p>Article 18 In addition to the powers conferred to directors by the Company Law and other relevant laws and regulations, independent directors shall also have the following special powers:</p> <p>(1) a material related party transaction shall be approved by independent directors before it can be submitted to the board of directors for consideration. Prior to decision-making, independent directors may engage intermediaries to issue an independent financial advisor report as the basis for their decision.</p> <p>(2) to propose to the board of directors for the appointment or dismissal of accountants' firm;</p> <p>(3) to propose to the board of directors for convening an extraordinary general meeting, and if the board of directors refuses, to propose to the supervisory committee for convening an extraordinary general meeting;</p> <p>(4) to propose the convening of a board meeting;</p> <p>(5) to independently engage external auditors and advisors; and</p> <p>(6) to openly solicit voting rights from shareholders before the convening of a shareholders' general meeting.</p>	<p>Article 22 In addition to the powers conferred to directors by the Company Law and other relevant laws and regulations, independent directors shall also have the following special powers:</p> <p>(1) a material related party transaction shall be approved by independent directors before it can be submitted to the board of directors for consideration. Prior to decision-making, independent directors may engage intermediaries to issue a special report, such as an independent financial advisor report, as the basis for their decision.</p> <p>(2) to propose to the board of directors for the appointment or dismissal of accountants' firm;</p> <p>(3) to propose to the board of directors for convening an extraordinary general meeting, and if the board of directors refuses, to propose to the supervisory committee for convening an extraordinary general meeting;</p> <p>(4) to propose the convening of a board meeting;</p> <p>(5) to openly solicit voting rights from shareholders before the convening of a shareholders' general meeting;</p> <p>(6) to independently engage an intermediary for audits, verifications or issuing professional opinions; and</p> <p>(7) other powers stipulated by laws, regulations, normative documents, securities regulatory authorities and exchanges where the shares of the Company are listed and the Articles of Association.</p>	<p>Article 22 of the Rules for the Independent Directors of Listed Companies: In order to give full play to the role of independent directors, in addition to the powers conferred to directors by the Company Law and other relevant laws and regulations, independent directors shall also have the following special powers:</p> <p>(1) a material related party transaction shall be approved in advance by independent directors. Prior to decision-making, independent directors may engage intermediaries to issue an independent financial advisor report as the basis for their decision; (2) to propose to the board of directors for the appointment or dismissal of accountants' firm; (3) to propose to the board of directors for convening an extraordinary general meeting; (4) to propose the convening of a board meeting; (5) to openly solicit voting rights from shareholders before the convening of a shareholders' general meeting; (6) to independently engage external auditors and advisors for audits and consultancy on specific matters of the company;</p> <p>Independent director(s) shall obtain the consent of more than half of all independent directors before exercising the powers listed in items (1) to (5) of the preceding paragraph, and shall obtain the consent of all independent directors before exercising the powers listed in item (6) of the preceding paragraph.</p> <p>Items (1) and (2) shall be submitted to the board of directors for consideration only upon approval by more than half of the independent directors.</p>

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
<p>Article 19 Independent director(s) shall obtain the consent of more than half of all independent directors before exercising the above powers. If the above proposal is not adopted or if the above powers cannot be exercised normally, the Company shall disclose the relevant situation.</p>	<p>Independent director(s) shall obtain the consent of more than half of all independent directors before exercising the powers listed in items (1) to (5) of the preceding paragraph, and shall obtain the consent of all independent directors before exercising the powers listed in item (6) of the preceding paragraph.</p> <p>Items (1) and (2) of the first paragraph of this article shall be submitted to the board of directors for consideration only upon approval by more than half of the independent directors.</p> <p>If the above proposal is not adopted or if the above powers cannot be exercised normally, the Company shall disclose the relevant situation.</p>	<p>If the proposal listed in the first paragraph of this article is not adopted or if the above powers cannot be exercised normally, the listed company shall disclose the relevant situation.</p> <p>Where otherwise provided by laws, administrative regulations and the CSRC, such provisions shall prevail.</p> <p>The Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation: 3.5.13 Independent directors shall actively exercise the following special powers:</p> <p>(1) a related party transaction that is required to be submitted to the shareholders’ general meeting for consideration shall be approved by independent directors before it can be submitted to the board of directors for consideration. Prior to decision-making, independent directors may engage intermediaries to issue a special report;</p> <p>.....</p> <p>(6) to independently engage an intermediary for audits, verifications or issuing professional opinions;</p>

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
<p>Article 21 Independent directors shall express independent opinions on the following matters to the board of directors or the shareholders' general meeting:</p> <p>(1) the nomination, appointment and removal of directors;</p> <p>(2) the appointment or dismissal of senior management officers;</p> <p>(3) the remuneration scheme and incentive scheme for directors and senior management officers of the Company;</p> <p>(4) capital transactions entered into between the Company and its shareholders, de facto controller and associated companies, and whether the Company takes effective measures to recover the debts;</p> <p>(5) matters that the independent directors consider may be detrimental to the rights and interests of minority shareholders; and</p>	<p>Article 24 Independent directors shall express independent opinions on the following matters to the board of directors or the shareholders' general meeting:</p> <p>(1) the nomination, appointment and removal of directors;</p> <p>(2) the appointment and dismissal of senior management officers;</p> <p>(3) the remuneration of directors and senior management officers;</p> <p>(4) existing or new capital transactions in a total amount higher than RMB3 million, or higher than 5% of the latest audited net assets of the Company, entered into between the Company and its shareholders, de facto controller and associated companies, and whether the Company takes effective measures to recover the debts;</p> <p>(5) matters that the independent directors consider may be detrimental to the legitimate rights and interests of minority shareholders;</p> <p>(6) the appointment and dismissal of accountants' firm;</p> <p>(7) changes in accounting policies and accounting estimates or corrections of major accounting errors due to reasons other than changes in accounting standards;</p> <p>(8) the Company's financial report and internal control being issued a non-standard unqualified audit opinion by the accountants' firm;</p>	<p>Article 23 of the Rules for the Independent Directors of Listed Companies: Independent directors shall express independent opinions on the following matters to the board of directors or the shareholders' general meeting:</p> <p>(1) the nomination, appointment and removal of directors;</p> <p>(2) the appointment or dismissal of senior management officers;</p> <p>(3) the remuneration of directors and senior management officers of the company;</p> <p>(4) existing or new borrowings or other capital transactions in a total amount higher than RMB3 million, or higher than 5% of the latest audited net assets of the listed company, entered into between the listed company and its shareholders, de facto controller and associated companies, and whether the company takes effective measures to recover the debts;</p> <p>(5) matters that the independent directors consider may be detrimental to the rights and interests of minority shareholders; and</p> <p>(6) other matters stipulated by laws, administrative regulations, the CSRC and the articles of association.</p> <p>Independent directors shall give one of the following opinions in relation to the matters listed in the preceding paragraph: (i) agree; (ii) qualified opinion and reasons therefor; (iii) oppose and reasons therefor; and (iv) unable to form an opinion and the impediments to doing so.</p>

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
<p>(6) other matters stipulated by relevant laws, administrative regulations, departmental rules, normative documents, exchange rules, these Rules and the Articles of Association.</p>	<p>(9) the internal control evaluation report;</p> <p>(10) the proposal of relevant parties to change their commitments;</p> <p>(11) the impact of issuance of preferred shares on the rights and interests of each class of shareholders of the Company;</p> <p>(12) the formulation of profit distribution policy, profit distribution proposal and cash dividend distribution proposal;</p> <p>(13) material matters that need to be disclosed, such as related party transactions, provision of guarantees (excluding guarantees for subsidiaries within the scope of consolidated statements), entrusted wealth management, provision of financial assistance, use of proceeds, and investment in stocks and their derivatives;</p> <p>(14) major asset restructuring proposal, management buyouts, equity incentive scheme, employee stock ownership scheme, share repurchase proposal, and proposal for debt repayment by related parties of the Company;</p> <p>(15) the Company intending to decide that its shares will no longer be traded on the Shanghai Stock Exchange; and</p> <p>(16) other matters stipulated by laws, regulations, normative documents, securities regulatory authorities and exchanges where the shares of the Company are listed and the Articles of Association.</p>	<p>If the matter listed in the first paragraph of this article is a matter requiring disclosure, the listed company shall announce the opinions of the independent directors. If the independent directors are divided and are unable to form a unanimous opinion, the board of directors shall separately disclose the opinions of each independent director.</p> <p>The Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation: 3.5.14 Independent directors shall express independent opinions on the following material matters of the listed company:</p> <p>(1) the nomination, appointment and removal of directors; (2) the appointment and dismissal of senior management officers; (3) the remuneration of directors and senior management officers; (4) the appointment and dismissal of accountants' firm; (5) changes in accounting policies and accounting estimates or corrections of major accounting errors due to reasons other than changes in accounting standards; (6) the company's financial report and internal control being issued a non-standard unqualified audit opinion by the accountants' firm; (7) the internal control evaluation report; (8) the proposal of relevant parties to change their commitments; (9) the impact of issuance of preferred shares on the rights and interests of each class of shareholders of the company; (10) the formulation of profit distribution policy, profit distribution proposal and cash dividend</p>

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
<p>Article 22 Independent directors shall give one of the following opinions in relation to the above matters: (i) agree; (ii) qualified opinion and reasons therefor; (iii) oppose and reasons therefor; and (iv) unable to form an opinion and the impediments to doing so.</p> <p>Article 23 If the matter is a matter requiring disclosure, the Company shall announce the opinions of the independent directors. If the independent directors are divided and are unable to form a unanimous opinion, the board of directors shall separately disclose the opinions of each independent director.</p>	<p>Independent directors shall give one of the following opinions in relation to the above matters: (i) agree; (ii) qualified opinion and reasons therefor; (iii) oppose and reasons therefor; and (iv) unable to form an opinion and the impediments to doing so. If the matter is a matter requiring disclosure, the Company shall announce the opinions of the independent directors. If the independent directors are divided and are unable to form a unanimous opinion, the board of directors shall separately disclose the opinions of each independent director.</p>	<p>distribution proposal; (11) material matters that need to be disclosed, such as related party transactions, provision of guarantees (excluding guarantees for subsidiaries within the scope of consolidated statements), entrusted wealth management, provision of financial assistance, use of proceeds, and investment in stocks and their derivatives; (12) major asset restructuring proposal, management buyouts, equity incentive scheme, employee stock ownership scheme, share repurchase proposal, and proposal for debt repayment by related parties of the listed company; (13) the company intending to decide that its shares will no longer be traded on our exchange; (14) matters that the independent directors consider may be detrimental to the legitimate rights and interests of minority shareholders; and (15) other matters stipulated by laws, regulations and relevant requirements of our exchange.</p> <p>.....</p> <p>The original Articles 21 to 23 are merged.</p>

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
Newly added article, and the subsequent article numbers are adjusted accordingly.	<p>Article 25 The independent opinions on material matters issued by independent directors shall at least include the following:</p> <p>(1) the basic information of material matters;</p> <p>(2) the basis of the issued opinions, including procedures followed, documents verified and details of on-site inspections;</p> <p>(3) the legality and compliance of material matters;</p> <p>(4) the impact on the rights and interests of the Company and minority shareholders, potential risks and effectiveness of the measures taken; and</p> <p>(5) conclusive statement issued: if independent directors give a qualified opinion, oppose or are unable to form an opinion on material matters, they shall clearly explain the reasons therefor and the impediments for being unable to form an opinion.</p> <p>The independent opinions issued shall be signed by the independent directors for confirmation and promptly reported to the board of directors, and shall be disclosed simultaneously with the corresponding announcement of the Company.</p>	<p>The Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation: 3.5.15 The independent opinions on material matters issued by independent directors shall at least include the following:</p> <p>(1) the basic information of material matters;</p> <p>(2) the basis of the issued opinions, including procedures followed, documents verified and details of on-site inspections; (3) the legality and compliance of material matters; (4) the impact on the rights and interests of the listed company and minority shareholders, potential risks and effectiveness of the measures taken; and (5) conclusive statement issued. If independent directors give a qualified opinion, oppose or are unable to form an opinion on material matters, they shall clearly explain the reasons therefor and the impediments for being unable to form an opinion.</p> <p>The independent opinions issued shall be signed by the independent directors for confirmation and promptly reported to the board of directors, and shall be disclosed simultaneously with the corresponding announcement of the company.</p>

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
Newly added article, and the subsequent article numbers are adjusted accordingly.	<p>Article 26 Independent directors shall take the initiative to perform their obligation of due diligence, report to the Shanghai Stock Exchange in a timely manner and engage intermediary to conduct special investigation when necessary in the following circumstances:</p> <p>(1) failure to submit material matter for consideration as required;</p> <p>(2) failure to perform the obligation of information disclosure in a timely manner;</p> <p>(3) false record and misleading statement or material omission in information disclosure; or</p> <p>(4) other circumstances that may constitute suspected violation of laws and regulations or undermine the legitimate rights and interests of minority shareholders.</p>	<p>The Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation: 3.5.16 Independent directors shall take the initiative to perform their obligation of due diligence, report to our exchange in a timely manner and engage intermediary to conduct special investigation when necessary in the following circumstances:</p> <p>(1) failure to submit material matter for consideration as required;</p> <p>(2) failure to perform the obligation of information disclosure in a timely manner;</p> <p>(3) false record and misleading statement or material omission in information disclosure; or</p> <p>(4) other circumstances that may constitute suspected violation of laws and regulations or undermine the legitimate rights and interests of minority shareholders.</p>

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
Newly added article, and the subsequent article numbers are adjusted accordingly.	Article 27 In addition to attending board meetings, independent directors shall ensure that reasonable time is arranged to conduct on-site inspections on the establishment and implementation of systems for the operation, management and internal control of the Company as well as the implementation of resolutions of the board of directors. In the event of abnormality found in the course of on-site inspections, independent directors should promptly report to the board of directors of the Company and the Shanghai Stock Exchange.	The Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation: 3.5.17 In addition to attending board meetings, independent directors shall ensure that reasonable time is arranged to conduct on-site inspections on the establishment and implementation of systems for the operation, management and internal control of the listed company as well as the implementation of resolutions of the board of directors. In the event of abnormality found in the course of on-site inspections, independent directors should promptly report to the board of directors of the company and our exchange.
Newly added article, and the subsequent article numbers are adjusted accordingly.	Article 28 In the event of a conflict among the shareholders or directors of the Company, resulting in a significant impact on the operation and management of the Company, the independent directors shall take the initiative to perform their duties, in order to safeguard the interests of the Company as a whole.	The Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation: 3.5.18 In the event of a conflict among the shareholders or directors of the company, resulting in a significant impact on the operation and management of the company, the independent directors shall take the initiative to perform their duties, in order to safeguard the interests of the company as a whole.

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
Newly added article, and the subsequent article numbers are adjusted accordingly.	<p>Article 29 An independent director shall promptly report to the Shanghai Stock Exchange upon occurrence of any of the following circumstances:</p> <p>(1) he/she is removed by the Company and believes that the reason for such removal is inappropriate;</p> <p>(2) he/she resigns due to situation in the Company that hinders him/her from exercising his/her powers according to the law;</p> <p>(3) the proposal by two or more independent directors in writing to postpone the convening of a board meeting or postpone the consideration of relevant matters is not adopted in case of incomplete materials or insufficient argumentation for a board meeting;</p> <p>(4) the board of directors fails to take effective measures upon receiving a report on the suspected violation of laws and regulations by the Company or its directors, supervisors and senior management officers; or</p> <p>(5) other circumstances that constitute a material obstruction against the performance of duties by independent directors.</p>	<p>The Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation: 3.5.19 An independent director shall promptly report to our exchange upon occurrence of any of the following circumstances:</p> <p>(1) he/she is removed by the company and believes that the reason for such removal is inappropriate;</p> <p>(2) he/she resigns due to situation in the company that hinders him/her from exercising his/her powers according to the law;</p> <p>(3) the proposal by two or more independent directors in writing to postpone the convening of a board meeting or postpone the consideration of relevant matters is not adopted in case of incomplete materials or insufficient argumentation for a board meeting;</p> <p>(4) the board of directors fails to take effective measures upon receiving a report on the suspected violation of laws and regulations by the company or its directors, supervisors and senior management officers; or</p> <p>(5) other circumstances that constitute a material obstruction against the performance of duties by independent directors.</p>

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
Newly added article, and the subsequent article numbers are adjusted accordingly.	<p>Article 30 A work report shall be submitted to the annual general meeting of the Company and disclosed by the independent directors. Such work report shall set forth the following:</p> <p>(1) the method and frequency of attendance and voting at board meetings, and the frequency of attendance at shareholders' general meetings as non-voting delegates throughout the year;</p> <p>(2) the independent opinions;</p> <p>(3) the on-site inspections;</p> <p>(4) the proposals for convening board meetings, engaging or dismissing accountants' firm, and independently engaging external auditors and advisors; and</p> <p>(5) other measures taken to safeguard the legitimate rights and interests of minority shareholders.</p>	<p>The Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation: 3.5.20 A work report shall be submitted to the annual general meeting of the listed company and disclosed by the independent directors. Such work report shall set forth the following:</p> <p>(1) the method and frequency of attendance and voting at board meetings, and the frequency of attendance at shareholders' general meetings as non-voting delegates throughout the year;</p> <p>(2) the independent opinions;</p> <p>(3) the on-site inspections;</p> <p>(4) the proposals for convening board meetings, engaging or dismissing accountants' firm, and independently engaging external auditors and advisors; and</p> <p>(5) other measures taken to safeguard the legitimate rights and interests of minority shareholders.</p>

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
CHAPTER V WORKING CONDITIONS FOR INDEPENDENT DIRECTORS	CHAPTER V GUARANTEE OF PERFORMANCE OF INDEPENDENT DIRECTORS	Adjustment according to the Rules for the Independent Directors of Listed Companies.
Article 25 The Company shall provide the working conditions necessary for independent directors to perform their duties. The secretary to the board of directors of the Company shall actively provide assistance for independent directors to perform their duties, such as explaining the circumstances and providing materials, regularly reporting on the operations of the Company, and when necessary, organizing on-site inspections for independent directors. If the independent opinions, proposals and written explanations issued by independent directors should be announced, the Company shall assist in the announcement in a timely manner.	Article 31 In order to ensure that independent directors are able to effectively exercise their powers, the Company shall provide the working conditions necessary for them to perform their duties. The secretary to the board of directors of the Company shall actively provide assistance for independent directors to perform their duties, such as explaining the circumstances and providing materials, regularly reporting on the operations of the Company, and when necessary, organizing on-site inspections for independent directors. If the independent opinions, proposals and written explanations issued by independent directors should be announced, the Company shall assist in the announcement in a timely manner.	Article 24 of the Rules for the Independent Directors of Listed Companies: In order to ensure that independent directors are able to effectively exercise their powers, the listed company shall provide the working conditions necessary for them to perform their duties. The secretary to the board of directors of the listed company shall actively provide assistance for independent directors to perform their duties, such as explaining the circumstances and providing materials, regularly reporting on the operations of the company, and when necessary, organizing on-site inspections for independent directors. If the independent opinions, proposals and written explanations issued by independent directors should be announced, the listed company shall assist in the announcement in a timely manner.

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
<p>Article 24 The Company shall ensure that independent directors have the same right to know as other directors. For matters that require decision by the board of directors, the Company must notify the independent directors in advance within the statutory deadline and provide them with sufficient information. If any independent director is of the opinion that the information provided is insufficient, he/she may request for further information. If two or more independent directors are of the opinion that the information provided is insufficient or the argument is unclear, they may jointly propose to the board of directors in writing to postpone the convening of the board meeting or postpone the consideration of relevant matters. The board of directors should accept such a proposal.</p> <p>The information provided to an independent director by the Company shall be kept by the Company and the independent director for a period of at least fifteen years.</p>	<p>Article 32 The Company shall ensure that independent directors have the same right to know as other directors. For matters that require decision by the board of directors, the Company must notify the independent directors in advance within the statutory deadline and provide them with sufficient information. If any independent director is of the opinion that the information provided is insufficient, he/she may request for further information. If two or more independent directors are of the opinion that the information provided is insufficient or the argument is unclear, they may jointly propose to the board of directors in writing to postpone the convening of the board meeting or postpone the consideration of relevant matters. The board of directors should accept such a proposal.</p> <p>The information provided to an independent director by the Company shall be kept by the Company and the independent director for a period of at least five years.</p>	<p>Article 25 of the Rules for the Independent Directors of Listed Companies: The listed company shall ensure that independent directors have the same right to know as other directors. For matters that require decision by the board of directors, the listed company must notify the independent directors in advance within the statutory deadline and provide them with sufficient information. If any independent director is of the opinion that the information provided is insufficient, he/she may request for further information. If two or more independent directors are of the opinion that the information provided is insufficient or the argument is unclear, they may jointly propose to the board of directors in writing to postpone the convening of the board meeting or postpone the consideration of relevant matters. The board of directors should accept such a proposal.</p> <p>The information provided to an independent director by the listed company shall be kept by the listed company and the independent director for a period of at least five years.</p>
<p>Article 31 The interpretation and amendment of these Rules shall be vested in the board of directors of the Company.</p>	<p>Article 38 The interpretation of these Rules shall be vested in the board of directors of the Company.</p>	<p>These Rules shall be revised by the shareholders' general meeting of the Company.</p>
<p>Article 32 These Rules have been passed by resolution at the shareholders' general meeting and shall become effective upon the day on which the overseas listed foreign shares (H shares) issued by the Company are listed on the Hong Kong Stock Exchange. From the effective date of these Rules, the original "Rules for Independent Directors of China Merchants Securities Co., Ltd." shall automatically become invalid.</p>	<p>Article 39 These Rules shall become effective upon the day on which the relevant resolution is passed at the shareholders' general meeting. From the effective date of these Rules, the original "Rules for Independent Directors of China Merchants Securities Co., Ltd." considered and approved at the 2015 fifth extraordinary general meeting of the Company held on August 12, 2015 shall automatically become invalid.</p>	<p>Amendment of the effective date, and adjustment of the text regarding the abolition of the original Rules.</p>

APPENDIX III	COMPARISON TABLE OF AMENDMENTS TO THE ADMINISTRATIVE MEASURES ON THE PROCEEDS RAISED BY THE COMPANY
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Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
Article 1 In order to strengthen and standardize the utilization and management of proceeds by China Merchants Securities Co., Ltd. (the "Company"), improve the efficiency of utilization of proceeds, and earnestly safeguard the legitimate rights and interests of investors, these Measures are formulated in accordance with the Company Law of the People's Republic of China, Securities Law of the People's Republic of China, Administrative Measures for the Issuance of Securities by Listed Companies, Guidelines for the Supervision of Listed Companies No. 2 – Regulatory Requirements for the Management and Use of Proceeds Raised by Listed Companies, Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (the "SSE Listing Rules"), Administrative Measures on the Proceeds Raised by Listed Companies of the Shanghai Stock Exchange (2013 Revision) , Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules", together with the SSE Listing Rules, the "Listing Rules"), Articles of Association of China Merchants Securities Co., Ltd. (the "Articles of Association") and other relevant regulations and requirements, as well as the actual situation of the Company..	Article 1 In order to strengthen and standardize the utilization and management of proceeds by China Merchants Securities Co., Ltd. (the "Company"), improve the efficiency of utilization of proceeds, and earnestly safeguard the legitimate rights and interests of investors, these Measures are formulated in accordance with the Company Law of the People's Republic of China, Securities Law of the People's Republic of China, Administrative Measures for the Issuance of Securities by Listed Companies, Guidelines for the Supervision of Listed Companies No. 2 – Regulatory Requirements for the Management and Use of Proceeds Raised by Listed Companies, Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (the "SSE Listing Rules"), Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation (the "Guidelines for Standardized Operation") , Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (together with the SSE Listing Rules, the "Listing Rules"), Articles of Association of China Merchants Securities Co., Ltd. (the "Articles of Association") and other relevant regulations and requirements, as well as the actual situation of the Company.	Adjusting the basis of regulations according to the actual circumstances, and uniformly adjusting the names of relevant rules referenced below. Amending the punctuations.

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Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
Article 2 The term “proceeds” as used herein refers to proceeds raised by the Company from investors through public issuance of securities (including initial public offering of stocks, rights issue, placement, issuance of convertible corporate bonds, and issuance of convertible corporate bonds cum warrants, etc.) and non-public issuance of securities, but excluding proceeds raised from the equity incentive scheme of the Company.	Article 2 The term “proceeds” as used herein refers to proceeds raised by the Company from investors for specific purposes through issuance of stocks and their derivatives. The term “surplus proceeds” as used herein refers to the excess of the actual net proceeds over the amount of proceeds planned to be raised.	Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation, 6.3.1: The term “proceeds” as used herein refers to proceeds raised by the listed company from investors for specific purposes through issuance of stocks and their derivatives. The term “surplus proceeds” as used herein refers to the excess of the actual net proceeds over the amount of proceeds planned to be raised.
Article 5 The Company shall go through the formalities for capital verification after the proceeds have been received in a timely manner, and a capital verification report shall be issued by an accounting firm with securities practice qualifications.	Article 5 The Company shall go through the formalities for capital verification after the proceeds have been received in a timely manner, and a capital verification report shall be issued by an accounting firm.	The Securities Law of the People’s Republic of China (2019 Revision) no longer requires accounting firms engaged in securities services to be approved by the securities’ regulatory authority under the State Council and the relevant competent authorities. Instead, filings shall be made to the securities’ regulatory authority under the State Council and the relevant competent authorities of the State Council.
Article 6 The use of proceeds shall be based on the principles of standardization and transparency, and in strict accordance with the purposes approved by the shareholders’ general meeting.	Article 6 The use of proceeds shall be based on the principles of standardization, transparency and prudence , and in accordance with the commitments set forth in the issuance application documents. The investment purposes of proceeds shall not be changed at will.	Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation, 6.3.2: The listed company shall use the proceeds in a prudent manner, and ensure that the use of proceeds is consistent with the commitments set forth in the issuance application documents. The investment purposes of proceeds shall not be changed at will.

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Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
Article 7 In case of any loss (including economic loss and reputational loss) caused to the Company due to the violation of these Measures, the relevant person(s) in charge shall be punished in accordance with the relevant requirements of the Company based on the specific circumstances. If necessary, the relevant person(s) in charge shall bear corresponding civil compensation liabilities .	Article 7 In case of any loss (including economic loss and reputational loss) caused to the Company due to the violation of these Measures, the relevant person(s) in charge shall be held accountable in accordance with the relevant requirements of the Company based on the specific circumstances. If necessary, the relevant person(s) in charge shall bear compensation liabilities .	Adjusting the relevant expressions in accordance with the Administrative Regulations on Accountability of Cadres and Employees of China Merchants Securities Co., Ltd.
Article 8 The proceeds shall be deposited in a special account opened with the approval of the board of directors (the “special account for proceeds”) for centralized management. The special account(s) for proceeds shall not be used to maintain any funds other than the proceeds, nor for any other purposes. Upon approval by the board of directors of the Company, the Company may open a special account for proceeds in one or more commercial banks.	Article 8 The proceeds shall be deposited in a special account opened with the approval of the board of directors (the “special account for proceeds”) for centralized management. The Company shall prudently select a commercial bank for depositing the proceeds (the “commercial bank”) and open a special account for proceeds. The special account(s) for proceeds shall not be used to maintain any funds other than the proceeds, nor for any other purposes. Upon approval by the board of directors of the Company, the Company may open a special account for proceeds in one or more commercial banks. If the Company has undertaken two or more fund raising activities, it shall open a special account for proceeds separately for each activity. The surplus proceeds shall also be deposited in the special account(s) for proceeds for management.	Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation, 6.3.6: The listed company shall prudently select a commercial bank and open a special account for proceeds (the “special account”). The proceeds shall be deposited in a special account opened with the approval of the board of directors for centralized management. The special account(s) shall not be used to maintain any funds other than the proceeds, nor for any other purposes. If the company has undertaken two or more fund raising activities, it shall open a special account for proceeds separately for each activity. The surplus proceeds shall also be deposited in the special account(s) for proceeds for management.

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Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
<p>Article 9 The Company shall enter into a tripartite supervision agreement(s) in relation to the special account(s) for proceeds deposited with the sponsor(s) and the commercial bank(s) for depositing the proceeds (the “commercial bank(s)”) within one month after receiving the proceeds. The agreement(s) shall at least contain the following:</p> <p>(I) The Company shall deposit the proceeds in the special account(s) for proceeds in a centralized manner;</p> <p>(II) The commercial bank(s) shall issue bank statements of the special account(s) for proceeds to the Company on a monthly basis, with copies of which sent to the sponsor(s);</p> <p>(III) In case the Company draws from the special account for proceeds an aggregate of more than RMB50 million or 20% of the net proceeds of the total proceeds from the issuance after deduction of issuance expenses (the “net proceeds”) in a single time or in any 12 consecutive months, the Company shall notify the sponsor(s) in a timely manner;</p>	<p>Article 9 The Company shall enter into a tripartite supervision agreement(s) in relation to the special account(s) for proceeds deposited with the sponsor(s) or the independent financial advisor(s) and the commercial bank(s) within one month after receiving the proceeds and make an announcement within two trading days. The agreement(s) shall at least contain the following:</p> <p>(I) The Company shall deposit the proceeds in the special account(s) for proceeds in a centralized manner;</p> <p>(II) The account number(s) of the special account(s) for proceeds, the fund-raising project(s) involved and the amount of deposit;</p> <p>(III) The commercial bank(s) shall issue bank statements of the special account(s) for proceeds to the Company on a monthly basis, with copies of which sent to the sponsor(s) or the independent financial advisor(s);</p> <p>(IV) In case the Company draws from the special account for proceeds an aggregate of more than RMB50 million or 20% of the net proceeds of the total proceeds from the issuance after deduction of issuance expenses (the “net proceeds”) in one time or in any 12 consecutive months, the Company shall notify the sponsor(s) or the independent financial advisor(s) in a timely manner;</p>	<p>Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation, 6.3.7:</p> <p>The listed company shall enter into a tripartite supervision agreement(s) in relation to the special account(s) for proceeds deposited with the sponsor(s) or the independent financial advisor(s) and the commercial bank(s) for depositing the proceeds (the “commercial bank(s)”) within one month after receiving the proceeds and make an announcement(s) in a timely manner. The agreement(s) shall at least contain the following:</p> <p>(I) The company shall deposit the proceeds in the special account(s) for proceeds in a centralized manner;</p> <p>(II) The account number(s) of the special account(s) for proceeds, the fund-raising project(s) involved and the amount of deposit;</p> <p>(III) The commercial bank(s) shall issue bank statements of the special account(s) for proceeds to the company on a monthly basis, with copies of which sent to the sponsor(s) or the independent financial advisor(s);</p>

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MEASURES ON THE PROCEEDS RAISED BY THE COMPANY**

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
<p>(IV) The sponsor(s) may inquire the information of the special account(s) for proceeds from the commercial bank(s) at any time;</p> <p>(V) The liabilities of the Company, the commercial bank(s) and the sponsor(s) for breaching the agreement(s).</p> <p>The Company shall, within two trading days after entering into the said agreement(s), report to the Shanghai Stock Exchange (the “SSE”) for filing and make an announcement in accordance with the requirements of the Listing Rules.</p> <p>Where the said agreement(s) is terminated before it expires due to the change in sponsor(s) or commercial bank(s) or other reasons, the Company shall, within two weeks from the date of termination of the agreement(s), enter into a new agreement(s) with the relevant parties, and shall, within two trading days after entering into the new agreement(s), report to the SSE for filing and make an announcement in accordance with the requirements of the Listing Rules.</p>	<p>(V) The sponsor(s) or the independent financial advisor(s) may inquire the information of the special account(s) for proceeds from the commercial bank(s) at any time;</p> <p>(VI) The duties of supervision of the sponsor(s) or the independent financial advisor(s), the duties of notification and cooperation of the commercial bank(s), and the supervision method of the sponsor(s) or the independent financial advisor(s) and the commercial bank(s) on the use of proceeds of the Company;</p> <p>(VII) The liabilities of the Company, the commercial bank(s) and the sponsor(s) or the independent financial advisor(s) for breaching the agreement(s);</p> <p>(VIII) If the commercial bank(s) fails for three times to duly issue bank statements to the sponsor(s) or the independent financial advisor(s), and fails to cooperate with the sponsor(s) or the independent financial advisor(s) in inquiring about and investigating the special account(s), the Company may terminate the agreement(s) and cancel the said special account(s) for proceeds.</p>	<p>(IV) In case the company draws from the special account for proceeds an aggregate of more than RMB50 million or 20% of the net proceeds of the total proceeds from the issuance after deduction of issuance expenses (the “net proceeds”) in one time or in any 12 consecutive months, the company shall notify the sponsor(s) or the independent financial advisor(s) in a timely manner;</p> <p>(V) The sponsor(s) or the independent financial advisor(s) may inquire the information of the special account(s) for proceeds from the commercial bank(s) at any time;</p> <p>(VI) The duties of supervision of the sponsor(s) or the independent financial advisor(s), the duties of notification and cooperation of the commercial bank(s), and the supervision method of the sponsor(s) or the independent financial advisor(s) and the commercial bank(s) on the use of proceeds of the company;</p> <p>(VII) The liabilities of the company, the commercial bank(s) and the sponsor(s) or the independent financial advisor(s) for breaching the agreement(s);</p>

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Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
	Where the said agreement(s) is terminated before it expires, the Company shall, within two weeks from the date of termination of agreement(s), enter into a new agreement(s) with the relevant parties, and shall, within two trading days after entering into the new agreement(s), make an announcement in accordance with the requirements of the Listing Rules.	<p>(VIII) If the commercial bank(s) fails for three times to duly issue bank statements to the sponsor(s) or the independent financial advisor(s), and fails to cooperate with the sponsor(s) or the independent financial advisor(s) in inquiring about and investigating the special account(s), the company may terminate the agreement(s) and cancel the said special account(s) for proceeds.</p> <p>Where the said agreement(s) is terminated before it expires, the company shall, within two weeks from the date of termination of agreement(s), enter into a new agreement(s) with the relevant parties and make an announcement in a timely manner.</p>

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Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
<p>Article 10 The Company shall comply with the following requirements for the use of proceeds:</p> <p>(I) Application, approval authority at different levels and decision-making procedures for the use of proceeds</p> <p>Upon application for the use of proceeds by the departments and subsidiaries of the Company, approval and decisions shall be made at different levels of the Company in accordance with the Articles of Association, Working Rules for the General Manager of China Merchants Securities Co., Ltd. and other relevant regulations in relation to the authority management of the Company, in order to facilitate the completion of investment in the proceeds-financed projects.</p> <p>If the proceeds cannot be used as planned due to unforeseen objective factors, the Company must report the actual situation to the board of directors in a timely manner and explain the reasons therefor in detail. The board of directors shall make a resolution according to the situation and make an announcement.</p> <p>(II) The proceeds shall be used in accordance with the plan for use of proceeds as committed in the issuance application documents.</p>	<p>Article 10 The Company shall comply with the following requirements for the use of proceeds:</p> <p>(I) Application, approval authority at different levels and decision-making procedures for the use of proceeds</p> <p>Upon application for the use of proceeds by the departments and subsidiaries of the Company, approval and decisions shall be made at different levels of the Company in accordance with the Articles of Association, Working Rules for the President of China Merchants Securities Co., Ltd. and other relevant regulations in relation to the authority management of the Company, in order to facilitate the completion of investment in the proceeds-financed projects.</p> <p>If the proceeds cannot be used as planned due to unforeseen objective factors, the Company must report the actual situation to the board of directors in a timely manner and explain the reasons therefor in detail. The board of directors shall make a resolution according to the situation and make an announcement within two trading days.</p> <p>(II) The proceeds shall be used in accordance with the plan for use of proceeds as committed in the issuance application documents.</p>	<p>Amendment according to the actual circumstances.</p>

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Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
<p>(III) In the event of a circumstance that materially affects the normal progress of the plan for use of proceeds, the person in charge of the project shall report to the general manager of the Company in a timely manner, and the Company shall report to the SSE and make an announcement in accordance with the requirements of the Listing Rules in a timely manner.</p> <p>(IV) If any of the following circumstances occurs in a proceeds-financed project, the general manager of the Company shall organize the relevant departments and subsidiaries of the Company to re-examine the feasibility and expected gains of such proceeds-financed project, decide whether to continue the implementation of such project, and disclose the progress of the project, the reasons for the abnormality and the adjusted proceeds-financed project (if any) in the latest periodic report:</p> <ol style="list-style-type: none"> 1. Material changes in the market environment related to the proceeds-financed project; 2. Where the proceeds-financed project has been left idled for more than one year; 3. Where the completion deadline of the investment plan of proceeds has passed but the proceeds used is less than 50% of the relevant planned amount; 4. Any other abnormalities in the proceeds-financed project. 	<p>(III) In the event of a circumstance that materially affects the normal progress of the plan for use of proceeds, the departments and subsidiaries of the Company shall report to the leaders of the Company in accordance with the relevant regulations of the Company in a timely manner, and shall, within two trading days, make an announcement in accordance with the requirements of the Listing Rules.</p>	<p>Adjustment according to the actual circumstances.</p> <p>Item (IV) is listed separately as Article 12 in accordance with the Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation.</p>

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Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
<p>Article 11 The proceeds raised by the Company shall, in principle, be utilized for its principal businesses. The Company shall not use the proceeds for the following purposes:</p> <p>(I) Changing the use of proceeds in disguised form;</p> <p>(II) Providing the proceeds, directly or indirectly, to the controlling shareholder(s), de facto controller(s) or other related parties for use, and facilitate such related parties to obtain illegitimate interests through proceeds-financed projects;</p> <p>(III) Other acts in violation of these Administrative Measures on the Proceeds.</p>	<p>Article 11 The proceeds raised by the Company shall, in principle, be utilized for its principal businesses. The Company shall not use the proceeds for the following purposes:</p> <p>(I) Changing the use of proceeds in disguised form through pledges, entrusted loans or other means;</p> <p>(II) Providing the proceeds, directly or indirectly, to the controlling shareholder(s), de facto controller(s) or other related parties for use, and facilitate such related parties to obtain illegitimate interests through proceeds-financed projects;</p> <p>(III) Competing horizontally with the controlling shareholder(s) or de facto controller(s) or affecting the independence of the production and operation of the Company upon the implementation of investment projects;</p> <p>(IV) Other acts in violation of these Administrative Measures on the Proceeds.</p>	<p>Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation, 6.3.8:</p> <p>The proceeds raised by the listed company shall, in principle, be utilized for its principal businesses. The proceeds shall not be used for the following purposes:</p> <p>.....</p> <p>(II) Changing the use of proceeds in disguised form through pledges, entrusted loans or other means;</p> <p>.....</p> <p>Administrative Measures for the Issuance of Securities by Listed Companies, Article 10:</p> <p>The amount and use of proceeds raised by the listed company shall comply with the following provisions:</p> <p>.....</p> <p>(IV) Not competing horizontally with the controlling shareholder(s) or de facto controller(s) nor affecting the independence of the production and operation of the company upon the implementation of investment projects;</p> <p>.....</p>

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Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
New article, and the subsequent article numbers are adjusted accordingly.	<p>Article 12 If any of the following circumstances occurs in a proceeds-financed project, the Company shall re-examine the feasibility and expected gains of such project, and decide whether to continue the implementation of such project:</p> <p>(I) Material changes in the market environment related to the proceeds-financed project;</p> <p>(II) Where the proceeds-financed project has been left idled for more than one year;</p> <p>(III) Where the completion deadline of the latest investment plan of proceeds has passed but the proceeds used is less than 50% of the relevant planned amount;</p> <p>(IV) Any other abnormalities in the proceeds-financed project.</p> <p>The Company shall disclose the progress of the project and the reasons for the abnormality in the latest periodic report. If adjustment of the investment plan of proceeds is required, the adjusted investment plan of proceeds shall also be disclosed at the same time.</p>	<p>Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation, 6.3.9:</p> <p>If any of the following circumstances occurs in a proceeds-financed project, the listed company shall re-examine the feasibility and expected gains of such project, and decide whether to continue the implementation of such project:</p> <p>(I) Material changes in the market environment related to the proceeds-financed project;</p> <p>(II) Where the proceeds-financed project has been left idled for more than one year;</p> <p>(III) Where the completion deadline of the latest investment plan of proceeds has passed but the proceeds used is less than 50% of the relevant planned amount;</p> <p>(IV) Any other abnormalities in the proceeds-financed project.</p> <p>The company shall disclose the progress of the project and the reasons for the abnormality in the latest periodic report. If adjustment of the investment plan of proceeds is required, the adjusted investment plan of proceeds shall also be disclosed at the same time.</p>

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MEASURES ON THE PROCEEDS RAISED BY THE COMPANY**

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
<p>New article, and the subsequent article numbers are adjusted accordingly.</p>	<p>Article 13 When the Company uses the proceeds for the following purposes, it shall be subject to the deliberation and approval by the board of directors, as well as the explicit consent of the independent directors, the supervisory committee and the sponsor(s) or the independent financial advisor(s):</p> <p>(I) Replacing the self-raised funds that have been invested in the proceeds-financed project(s) with the proceeds;</p> <p>(II) Using temporarily idle proceeds for cash management;</p> <p>(III) Using temporarily idle proceeds to temporarily replenish the working capital;</p> <p>(IV) Changing the use of proceeds;</p> <p>(V) Using the surplus proceeds for projects under construction and new projects.</p> <p>Changes in the use of proceeds by the Company shall be subject to the deliberation and approval by the shareholders' general meeting.</p> <p>If the relevant matters involve related party transactions, acquisition of assets, and external investment, etc., the deliberation procedures and information disclosure obligations shall also be performed in accordance with the relevant provisions of the Listing Rules and other rules.</p>	<p>Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation, 6.3.10:</p> <p>When the listed company uses the proceeds for the following purposes, it shall be subject to the deliberation and approval by the board of directors, as well as the explicit consent of the independent directors, the supervisory committee and the sponsor(s) or the independent financial advisor(s):</p> <p>(I) Replacing the self-raised funds that have been invested in the proceeds-financed projects with the proceeds;</p> <p>(II) Using temporarily idle proceeds for cash management;</p> <p>(III) Using temporarily idle proceeds to temporarily replenish the working capital;</p> <p>(IV) Changing the use of proceeds;</p> <p>(V) Using the surplus proceeds for projects under construction and new projects.</p> <p>Changes in the use of proceeds by the company shall be subject to the deliberation and approval by the shareholders' general meeting.</p> <p>If the relevant matters involve related party transactions, acquisition of assets, and external investment, etc., the deliberation procedures and information disclosure obligations shall also be performed in accordance with the relevant provisions of the Rules Governing the Listing of Stocks on the Exchange and other rules.</p>

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Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
Article 12 In the case where the Company has made investment with its self-raised funds into the proceeds-financed project(s) before receiving the proceeds, such self-raised funds may be replaced with the proceeds within six months after receiving the proceeds.	Article 14 In the case where the Company has made investment with its self-raised funds into the proceeds-financed projects before receiving the proceeds, such self-raised funds may be replaced with the proceeds within six months after receiving the proceeds, and an assurance report shall be issued by an accounting firm.	Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation, 6.3.11: In the case where the listed company has made investment with its self-raised funds into the proceeds-financed projects before receiving the proceeds, such self-raised funds may be replaced with the proceeds within six months after receiving the proceeds, and an assurance report shall be issued by an accounting firm.

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Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
<p>Article 13 The temporarily idle proceeds may be used for cash management, and the products invested shall meet the following conditions:</p> <p>(I) The products invested shall have a high level of security and satisfy the requirement of capital guarantee. The issuer of the products shall be able to provide capital guarantee commitment;</p> <p>(II) The products invested shall have high liquidity and shall not affect the normal progress of the investment plan of proceeds. The products invested shall not be pledged, and the designated settlement account for the products (if applicable) shall not be used to maintain any funds other than the proceeds, nor for any other purposes. When the listed Company opens or cancels a designated settlement account for the products, it shall, within two trading days, report to the SSE for filing and make an announcement in accordance with the requirements of the Listing Rules.</p>	<p>Article 15 The temporarily idle proceeds may be used for cash management, and the products invested shall meet the following conditions:</p> <p>(I) The products invested shall be capital guarantee products with a high level of security such as structured deposits and certificates of deposit;</p> <p>(II) The products invested shall have high liquidity and shall not affect the normal progress of the investment plan of proceeds. The products invested shall not be pledged, and the designated settlement account for the products (if applicable) shall not be used to maintain any funds other than the proceeds, nor for any other purposes. When the Company opens or cancels a designated settlement account for the products, it shall, within two trading days, report to the Shanghai Stock Exchange (the "SSE") for filing and make an announcement in accordance with the requirements of the Listing Rules;</p>	<p>Guidelines for the Supervision of Listed Companies No. 2 – Regulatory Requirements for the Management and Use of Proceeds Raised by Listed Companies (2022 Revision), Article 8:</p> <p>The temporarily idle proceeds may be used for cash management, and the products invested shall meet the following conditions:</p> <p>(I) The products invested shall be capital guarantee products with a high level of security such as structured deposits and certificates of deposit;</p> <p>(II) The products invested shall have high liquidity and shall not affect the normal progress of the investment plan of proceeds. The products invested shall not be pledged, and the designated settlement account for the products (if applicable) shall not be used to maintain any funds other than the proceeds, nor for any other purposes. When the listed company opens or cancels a designated settlement account for the products, it shall report to the stock exchange for filing and make an announcement in a timely manner.</p>

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	(III) The term of the products invested shall not be longer than the term approved by internal resolutions and shall not exceed twelve months. After returning the funds to the special account for proceeds on schedule upon maturity and making an announcement, the Company may carry out cash management again within the approved term and caps.	<p>Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation, 6.3.12:</p> <p>The listed company may use the temporarily idle proceeds for cash management. The term of the products invested shall not be longer than the term approved by internal resolutions and shall not exceed twelve months. After returning the funds to the special account for proceeds on schedule upon maturity of the said products invested and making an announcement, the company may carry out cash management again within the approved term and caps.</p> <p>.....</p>

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Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
<p>Article 14 In the event that the Company uses the idle proceeds to invest in products, it shall require deliberation and approval by the board of directors of the Company, as well as the explicit consent of the independent directors, the supervisory committee and the sponsor(s). The listed Company shall, within two trading days after the board meeting, make an announcement in accordance with the requirements of the Listing Rules, including but not limited to the following:</p> <p>.....</p> <p>(V) Opinions of the independent directors, the supervisory committee and the sponsor(s).</p>	<p>Article 16 In the event that the Company uses the idle proceeds to invest in products, it shall require deliberation and approval by the board of directors of the Company, as well as the explicit consent of the independent directors, the supervisory committee and the sponsor(s) or the independent financial advisor(s). The Company shall, within two trading days after the board meeting, make an announcement in accordance with the requirements of the Listing Rules, including but not limited to the following:</p> <p>.....</p> <p>(V) Opinions of the independent directors, the supervisory committee and the sponsor(s) or the independent financial advisor(s).</p> <p>In case there is any deterioration in the financial position of the issuer of the products, or the products invested are exposed to material risks such as loss, the Company shall, within two trading days, publish a risk alert announcement and explain the risk control measures implemented to ensure the security of its funds.</p>	<p>Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation, 6.3.13:</p> <p>In the event that the idle proceeds are used to invest in products, the following shall be announced upon deliberation by the board of directors in a timely manner:</p> <p>.....</p> <p>(V) Opinions of the independent directors, the supervisory committee and the sponsor(s) or the independent financial advisor(s).</p> <p>In case there is any deterioration in the financial position of the issuer of the products, or the products invested are exposed to material risks such as loss, the company shall publish a risk alert announcement and explain the risk control measures implemented to ensure the security of its funds in a timely manner.</p>

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Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
<p>Article 15 Where the Company uses the idle proceeds to temporarily replenish the working capital, it shall meet the following requirements:</p> <p>(I) It shall not change the use of proceeds in disguised form, and shall not affect the normal progress of the investment plan of proceeds;</p> <p>(II) It shall be used for the operation and management related to the principal businesses only;</p> <p>(III) The duration for replenishing the working capital on an individual basis shall not exceed twelve months;</p> <p>(IV) The proceeds previously used to temporarily replenish the working capital (if applicable) shall have been returned upon expiration of the period.</p>	<p>Article 17 Where the Company uses the idle proceeds to temporarily replenish the working capital, it shall meet the following requirements:</p> <p>(I) It shall not change the use of proceeds in disguised form, and shall not affect the normal progress of the investment plan of proceeds;</p> <p>(II) It shall be used for the operation and management related to the principal businesses only, and shall not be used for the allotment or subscription of new shares, or the trading of stocks and their derivatives, and convertible corporate bonds, etc. through direct or indirect arrangements;</p> <p>(III) The duration for replenishing the working capital on an individual basis shall not exceed twelve months;</p> <p>(IV) The proceeds previously used to temporarily replenish the working capital (if applicable) shall have been returned upon expiration of the period.</p>	<p>Guidelines for the Supervision of Listed Companies No. 2 – Regulatory Requirements for the Management and Use of Proceeds Raised by Listed Companies (2022 Revision), Article 9:</p> <p>The temporarily idle proceeds may be temporarily used to replenish the working capital. The temporary replenishment of working capital shall be used for the production and operation related to the principal businesses only, and shall not be used for the allotment or subscription of new shares, or the trading of stocks and their derivatives, and convertible corporate bonds, etc. through direct or indirect arrangements</p> <p>.....</p> <p>Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation has cancelled the relevant requirements for reporting such matter to the SSE in the original Administrative Measures on the Proceeds Raised by Listed Companies of the Shanghai Stock Exchange (2013 Revision). Instead, only an announcement is required.</p>

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Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
<p>Where the Company uses the idle proceeds to temporarily replenish the working capital, it shall require deliberation and approval by the board of directors of the Company, as well as the explicit consent of the independent directors, the supervisory committee and the sponsor(s). The Company shall, within two trading days after the board meeting, report to the SSE and make an announcement in accordance with the requirements of the Listing Rules.</p> <p>Prior to expiration of the period for replenishing the working capital, the Company shall return such portion of proceeds to the special account(s) for proceeds, and shall, within two trading days after all the proceeds have been returned, report to the SSE and make an announcement in accordance with the requirements of the Listing Rules.</p>	<p>Where the Company uses the idle proceeds to temporarily replenish the working capital, it shall require deliberation and approval by the board of directors of the Company, as well as the explicit consent of the independent directors, the supervisory committee and the sponsor(s) or the independent financial advisor(s). The Company shall, within two trading days after the board meeting, make an announcement in accordance with the requirements of the Listing Rules.</p> <p>Prior to expiration of the period for replenishing the working capital, the Company shall return such portion of the proceeds to the special account(s) for proceeds, and shall, within two trading days after all the proceeds have been returned, make an announcement in accordance with the requirements of the Listing Rules.</p>	

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<p>Article 16 The excess of the actual net proceeds over the amount of proceeds planned to be raised (the “surplus proceeds”) may be used to permanently replenish the working capital or repay bank loans, provided that the cumulative amount utilized within each twelve-month period shall not exceed 30% of the total surplus proceeds, and the Company shall undertake not to make high-risk investments nor provide others with financial assistance within twelve months after replenishing the working capital.</p>	<p>Article 18 The surplus proceeds may be used to permanently replenish the working capital or repay bank loans, provided that the cumulative amount utilized within each twelve-month period shall not exceed 30% of the total surplus proceeds, and the Company shall undertake not to make high-risk investments nor provide parties other than its controlled subsidiaries with financial assistance within twelve months after replenishing the working capital.</p>	<p>Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation, 6.3.23:</p> <p>The excess of the actual net proceeds over the amount of proceeds planned to be raised (the “surplus proceeds”) may be used to permanently replenish the working capital or repay bank loans, provided that the cumulative amount utilized within each twelve-month period shall not exceed 30% of the total surplus proceeds, and the listed company shall undertake not to make high-risk investments nor provide parties other than its controlled subsidiaries with financial assistance within twelve months after replenishing the working capital.</p>
<p>Article 17 Where the surplus proceeds are used to permanently replenish the working capital or repay bank loans, it shall require deliberation and approval by the board of directors and the shareholders’ general meeting of the Company (with online voting means provided to shareholders), as well as the explicit consent of the independent directors, the supervisory committee and the sponsor(s). The Company shall, within two trading days after the board meeting, report to the SSE and make an announcement in accordance with the requirements of the Listing Rules, including but not limited to the following:</p> <p>.....</p> <p>(VI) Opinions of the independent directors, the supervisory committee and the sponsor(s).</p>	<p>Article 19 Where the surplus proceeds are used to permanently replenish the working capital or repay bank loans, it shall require deliberation and approval by the board of directors and the shareholders’ general meeting of the Company (with online voting means provided to shareholders), as well as the explicit consent of the independent directors, the supervisory committee and the sponsor(s) or the independent financial advisor(s). The Company shall, within two trading days after the board meeting, make an announcement in accordance with the requirements of the Listing Rules, including but not limited to the following:</p> <p>.....</p> <p>(VI) Opinions of the independent directors, the supervisory committee and the sponsor(s) or the independent financial advisor(s).</p>	<p>Where the surplus proceeds are used to permanently replenish the working capital or repay bank loans, it shall require deliberation and approval by the board of directors and the shareholders’ general meeting of the company (with online voting means provided to shareholders), as well as the explicit consent of the independent directors, the supervisory committee and the sponsor(s) or the independent financial advisor(s). The company shall, upon deliberation by the board of directors, announce the following in a timely manner:</p> <p>.....</p> <p>(VI) Opinions of the independent directors, the supervisory committee and the sponsor(s) or the independent financial advisor(s).</p>

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Article 18 Where the Company uses the surplus proceeds for projects under construction and new projects (including the acquisition of assets, etc.), the Company shall invest in the principal businesses, and the relevant provisions in Articles 21 to 24 of these Measures shall be applied, mutatis mutandis, to carry out feasibility analysis of investment projects scientifically and prudently, and fulfill the information disclosure obligations in a timely manner.	Article 20 Where the Company uses the surplus proceeds for projects under construction and new projects (including the acquisition of assets, etc.), the Company shall invest in the principal businesses, and the relevant provisions of these Measures regarding the change in proceeds shall be applied, mutatis mutandis, to carry out feasibility analysis of investment projects scientifically and prudently, and fulfill the information disclosure obligations in a timely manner.	Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation, 6.3.22: Where the listed company uses the surplus proceeds for projects under construction and new projects (including the acquisition of assets, etc.), the Company shall invest in the principal businesses, and the relevant provisions of these Guidelines regarding the change in proceeds shall be applied, mutatis mutandis, to carry out feasibility analysis of investment projects scientifically and prudently, and fulfill the information disclosure obligations in a timely manner.

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<p>Article 19 Where the Company uses the residual proceeds (including interest income) of a proceeds-financed project upon completion of such project for the purpose of other proceeds-financed project(s), it shall require deliberation and approval by the board of directors, as well as the explicit consent of the independent directors, the sponsor(s) and the supervisory committee. The Company shall, within two trading days after the board meeting, report to the SSE and make an announcement in accordance with the requirements of the Listing Rules.</p> <p>Where the residual proceeds (including interest income) are less than RMB1 million or 5% of the committed investment amount of proceeds of such project, the procedures mentioned in the preceding paragraph may be exempted, and the use of such proceeds shall be disclosed in the annual report.</p> <p>.....</p>	<p>Article 21 Where the Company uses the residual proceeds (including interest income) of a proceeds-financed project upon completion of such project for the purpose of other proceeds-financed project(s), it shall require deliberation and approval by the board of directors, as well as the explicit consent of the independent directors, the sponsor(s) or the independent financial advisor(s) and the supervisory committee. The Company shall, within two trading days after the board meeting, make an announcement in accordance with the requirements of the Listing Rules.</p> <p>Where the residual proceeds (including interest income) are less than RMB1 million or 5% of the committed investment amount of proceeds of such project, the procedures mentioned in the preceding paragraph may be exempted, and the use of such proceeds shall be disclosed in the annual report.</p> <p>.....</p>	<p>Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation has cancelled the relevant requirements for reporting such matter to the SSE in the original Administrative Measures on the Proceeds Raised by Listed Companies of the Shanghai Stock Exchange (2013 Revision). Instead, only an announcement is required.</p>

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Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
<p>Article 20 Upon completion of all proceeds-financed projects, if the residual proceeds (including interest income) are more than 10% of the net proceeds, the Company may use the residual proceeds upon deliberation and approval by the board of directors and the shareholders' general meeting, and obtaining the explicit consent of the independent directors, the sponsor(s) and the supervisory committee. The Company shall, within two trading days after the board meeting, report to the SSE and make an announcement in accordance with the requirements of the Listing Rules.</p> <p>If the residual proceeds (including interest income) are less than 10% of the net proceeds, the Company may use the residual proceeds upon deliberation and approval by the board of directors, and obtaining the explicit consent of the independent directors, the sponsor(s) and the supervisory committee. The Company shall, within two trading days after the board meeting, report to the SSE and make an announcement in accordance with the requirements of the Listing Rules.</p> <p>If the residual proceeds (including interest income) are less than RMB5 million or 5% of the net proceeds, the procedures mentioned in the preceding paragraph may be exempted, and the use of such proceeds shall be disclosed in the latest periodic report.</p>	<p>Article 22 Upon completion of all proceeds-financed projects, the Company may use the residual proceeds (including interest income) upon deliberation and approval by the board of directors, and obtaining the explicit consent of the independent directors, the sponsor(s) or the independent financial advisor(s) and the supervisory committee. The Company shall, within two trading days upon deliberation by the board of directors, make an announcement in accordance with the requirements of the Listing Rules. If the residual proceeds (including interest income) are more than 10% of the net proceeds, it shall also require deliberation and approval by the shareholders' general meeting.</p> <p>If the residual proceeds (including interest income) are less than RMB5 million or 5% of the net proceeds, the procedures mentioned in the preceding paragraph may be exempted, and the use of such proceeds shall be disclosed in the latest periodic report.</p>	<p>Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation, 6.3.21:</p> <p>Upon completion of all proceeds-financed projects, the listed company may use the residual proceeds (including interest income) upon deliberation and approval by the board of directors, and obtaining the explicit consent of the independent directors, the sponsor(s) and the supervisory committee. The company shall, upon deliberation by the board of directors, make an announcement in a timely manner. If the residual proceeds (including interest income) are more than 10% of the net proceeds, it shall also require deliberation and approval by the shareholders' general meeting.</p> <p>If the residual proceeds (including interest income) are less than RMB5 million or 5% of the net proceeds, the procedures mentioned in the preceding paragraph may be exempted, and the use of such proceeds shall be disclosed in the latest periodic report.</p>

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Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
New article, and the subsequent article numbers are adjusted accordingly.	Article 23 If a proceeds-financed project has not been completed within the original completion period, and is planned to be extended for further implementation, the Company shall disclose the specific reasons for the failure to complete the project on schedule in a timely manner, explain the current deposit and account status of the proceeds, whether there is any circumstance that affects the normal progress of the plan for use of proceeds, the estimated time of completion, and relevant measures to ensure completion on schedule upon extension, etc., and perform the corresponding decision-making procedures for the extension of the proceeds-financed project.	Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation, 6.3.24: If a proceeds-financed project has not been completed within the original completion period, and is planned to be extended for further implementation, the listed company shall disclose the specific reasons for the failure to complete the project on schedule in a timely manner, explain the current deposit and account status of the proceeds, whether there is any circumstance that affects the normal progress of the plan for use of proceeds, the estimated time of completion, and relevant measures to ensure completion on schedule upon extension, etc., and perform the corresponding decision-making procedures for the extension of the proceeds-financed project.

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<p>Article 21 The proceeds raised by the Company shall be used for the purposes stated in the prospectus or the offering circular. Changes to the Company's proceeds-financed project(s) shall require deliberation and approval by the board of directors and the shareholders' general meeting, as well as the explicit consent of the independent directors, the sponsor(s) and the supervisory committee.</p> <p>If changes are only made to the implementation location of the proceeds-financed project, the procedures mentioned in the preceding paragraph may be exempted, provided that it shall be deliberated and approved by the board of directors of the Company, and the Company shall, within two trading days, report to the SSE and announce the reasons for the change and the opinions of the sponsor(s) in accordance with the requirements of the Listing Rules.</p>	<p>Article 24 The following circumstances of the Company shall be deemed as a change in the use of proceeds. Under such circumstances, the Company shall, within two trading days upon deliberation and approval by the board of directors, make an announcement and perform the deliberation procedures of the shareholders' general meeting and the procedures required by Article 13 of these Measures:</p> <p>(I) Cancelling or terminating the original proceeds-financed project and commencing a new project;</p> <p>(II) Changing the entity for implementing the proceeds-financed project;</p> <p>(III) Changing the method for implementing the proceeds-financed project;</p> <p>(IV) Any other circumstances deemed as a change in the use of proceeds.</p> <p>If the implementation entity of the proceeds-financed project is changed from the Company to its wholly-owned subsidiary or vice versa, or if changes are only made to the implementation location of the proceeds-financed project, it shall not be deemed as a change in the use of proceeds, and the procedures of the shareholders' general meeting may be exempted, provided that it shall be deliberated and approved by the board of directors, and the Company shall, within two trading days, announce the reasons for the changes in the implementation entity or location and the opinions of the sponsor(s) or the independent financial advisor(s) in accordance with the requirements of the Listing Rules.</p>	<p>Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation, 6.3.15:</p> <p>The following circumstances of the listed company shall be deemed as a change in the use of proceeds. Under such circumstances, the listed company shall, upon deliberation and approval by the board of directors, make an announcement in a timely manner and perform the deliberation procedures of the shareholders' general meeting:</p> <p>(I) Cancelling or terminating the original proceeds-financed project and commencing a new project;</p> <p>(II) Changing the entity for implementing the proceeds-financed project;</p> <p>(III) Changing the method for implementing the proceeds-financed project;</p> <p>(IV) Any other circumstances deemed by the Exchange as a change in the use of proceeds.</p> <p>If the implementation entity of the proceeds-financed project is changed from the listed company to its wholly-owned subsidiary or vice versa, or if changes are only made to the implementation location of the proceeds-financed project, it shall not be deemed as a change in the use of proceeds, and the procedures of the shareholders' general meeting may be exempted, provided that it shall be deliberated and approved by the board of directors, and the company shall announce the reasons for the changes in the implementation entity or location and the opinions of the sponsor(s) in a timely manner.</p>

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<p>Article 23 If the Company plans to make any change to the proceeds-financed project, it shall, within two trading days upon submission to the board of directors for deliberation, report to the SSE and make an announcement in accordance with the requirements of the Listing Rules, including but not limited to the following:</p> <p>.....</p> <p>(V) Opinions of the independent directors, the supervisory committee and the sponsor(s) on the change to the proceeds-financed project;</p> <p>(VI) A statement with regards to the fact that any change to the proceeds-financed project requires submission to the shareholders' general meeting for deliberation;</p> <p>(VII) Other matters as required by the stock exchange where the shares of the Company are listed.</p> <p>If a new proceeds-financed project involves related party transactions, acquisition of assets, or external investment, it shall also be disclosed in accordance with the provisions of relevant rules.</p> <p>If the Company, from the initial listing date of its overseas-listed foreign shares (H shares) to the balance sheet date with respect to its financial results from the initial listing date to the end of the first full financial year in compliance with Rule 13.46 of the Hong Kong Listing Rules, plans to use the proceeds from the offering of H shares in a manner that is different from that set forth in the relevant listing documents, it shall consult and seek advice (if necessary) from its compliance advisor in a timely manner.</p>	<p>Article 26 If the Company plans to make any change to the proceeds-financed project, it shall, within two trading days upon submission to the board of directors for deliberation, make an announcement in accordance with the requirements of the Listing Rules, including but not limited to the following:</p> <p>.....</p> <p>(V) Opinions of the independent directors, the supervisory committee and the sponsor(s) or the independent financial advisor(s) on the change to the proceeds-financed project;</p> <p>(VI) A statement with regards to the fact that any change to the proceeds-financed project requires submission to the shareholders' general meeting for deliberation;</p> <p>(VII) Other matters as required by the stock exchange where the shares of the Company are listed.</p> <p>If a new proceeds-financed project involves related party transactions, acquisition of assets, or external investment, it shall also be disclosed in accordance with the provisions of relevant rules.</p>	<p>Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation, 6.3.16:</p> <p>If the listed company plans to make any change to the proceeds-financed project, it shall, upon submission to the board of directors for deliberation, make an announcement in regards to the following in a timely manner:</p> <p>.....</p> <p>(V) Opinions of the independent directors, the supervisory committee and the sponsor(s) or the independent financial advisor(s) on the change to the proceeds-financed project;</p> <p>(VI) A statement with regards to the fact that any change to the proceeds-financed project requires submission to the shareholders' general meeting for deliberation;</p> <p>(VII) Other matters as required by the Exchange.</p> <p>If a new proceeds-financed project involves related party transactions, acquisition of assets, or external investment, it shall also be disclosed in accordance with the provisions of relevant rules.</p> <p>The relevant requirements on the initial offering of H shares shall no longer apply.</p>

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<p>Article 25 Where the Company plans to externally transfer or replace a proceeds-financed project (except for those which have completed the entire external transfer or replacement process in a material asset restructuring implemented by the Company), the Company shall, within two trading days upon submission to the board of directors for deliberation, report to the SSE and make an announcement in accordance with the requirements of the Listing Rules, including but not limited to the following:</p> <p>.....</p> <p>(VI) Opinions of the independent directors, the supervisory committee and the sponsor(s) on the transfer or replacement of the proceeds-financed project;</p> <p>(VII) A statement with regards to the fact that the transfer or replacement of the proceeds-financed project requires submission to the shareholders' general meeting for deliberation;</p> <p>(VIII) Other matters as required by the stock exchange where the shares of the Company are listed.</p> <p>The Company shall give due regard to the receipt and use of the consideration of the transfer, and the changes in ownership of the substituting assets and their continuous operation, and fulfill the necessary information disclosure obligations.</p>	<p>Article 28 Where the Company plans to externally transfer or replace a proceeds-financed project (except for those which have completed the entire external transfer or replacement process in a material asset restructuring implemented by the Company), the Company shall, within two trading days upon submission to the board of directors for deliberation, make an announcement in accordance with the requirements of the Listing Rules, including but not limited to the following:</p> <p>.....</p> <p>(VI) Opinions of the independent directors, the supervisory committee and the sponsor(s) or the independent financial advisor(s) on the transfer or replacement of the proceeds-financed project;</p> <p>(VII) A statement with regards to the fact that the transfer or replacement of the proceeds-financed project requires submission to the shareholders' general meeting for deliberation.</p>	<p>Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation, 6.3.19:</p> <p>Where the listed company plans to externally transfer or replace a proceeds-financed project (except for those which have completed the entire external transfer or replacement process in a material asset restructuring implemented by the company), the company shall, upon submission to the board of directors for deliberation, make an announcement in a timely manner with regards to the following:</p> <p>.....</p> <p>(VI) Opinions of the independent directors, the supervisory committee and the sponsor(s) or the independent financial advisor(s) on the transfer or replacement of the proceeds-financed project;</p> <p>(VII) A statement with regards to the fact that the transfer or replacement of the proceeds-financed project requires submission to the shareholders' general meeting for deliberation.</p>

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New article, and the subsequent article numbers are adjusted accordingly.	<p>Article 29 The capital management department of the Company shall set up a ledger for the use of proceeds, and record in detail the expenditure of proceeds and the investment in the proceeds-financed projects.</p> <p>The internal audit department of the Company shall inspect the deposit and use of proceeds at least once every six months, and report the results of inspection to the audit committee in a timely manner.</p> <p>If the audit committee of the Company is of the view that there are non-compliance or material risks in the management of the proceeds by the Company, or the internal audit department has not submitted a report on the results of inspection in accordance with the provisions of the preceding paragraph, it shall report to the board of directors in a timely manner. The board of directors shall, within two business days after receiving the report, report to the SSE and make an announcement.</p>	<p>Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation, 6.3.5:</p> <p>The accounting department of the listed company shall set up a ledger for the use of proceeds, and record in detail the expenditure of proceeds and the investment in the proceeds-financed projects.</p> <p>The internal audit department of the company shall inspect the deposit and use of proceeds at least once every six months, and report the results of inspection to the audit committee in a timely manner.</p> <p>If the audit committee of the company is of the view that there are non-compliance or material risks in the management of the proceeds by the company, or the internal audit department has not submitted a report on the results of inspection in accordance with the provisions of the preceding paragraph, it shall report to the board of directors in a timely manner. The board of directors shall, after receiving the report, report to the Exchange and make an announcement in a timely manner.</p>

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Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
<p>Article 26 The independent directors, the audit committee of the board of directors and the supervisory committee shall continuously keep track of the actual management and use of proceeds. More than one-half of the independent directors, the audit committee of the board of directors or the supervisory committee may engage an accounting firm to issue an assurance report on the deposit and use of proceeds. The Company shall actively cooperate in this regard and bear the necessary expenses thus incurred.</p> <p>The board of directors shall, within two trading days upon receiving the assurance report mentioned in the preceding paragraph, report to the SSE and make an announcement in accordance with the requirements of the Listing Rules. If any non-compliance in the management and use of proceeds by the Company is identified in the assurance report, the board of directors shall also make an announcement in regards to the non-compliance in the deposit and use of proceeds, the consequences that have arisen or may arise and the actions that have been taken or are to be taken.</p>	<p>Article 30 The independent directors, the audit committee of the board of directors and the supervisory committee shall continuously keep track of the actual management and use of proceeds. More than one-half of the independent directors may engage an accounting firm to issue an assurance report on the deposit and use of proceeds. The Company shall actively cooperate in this regard and bear the necessary expenses thus incurred.</p> <p>The board of directors shall, within two trading days upon receiving the assurance report mentioned in the preceding paragraph, make an announcement in accordance with the requirements of the Listing Rules. If any non-compliance in the management and use of proceeds by the Company is identified in the assurance report, the board of directors shall also make an announcement in regards to the non-compliance in the deposit and use of proceeds, the consequences that have arisen or may arise and the actions that have been taken or are to be taken.</p>	<p>Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation, 6.3.27:</p> <p>The independent directors, the audit committee of the board of directors and the supervisory committee shall continuously keep track of the actual management and use of proceeds. More than one-half of the independent directors may engage an accounting firm to issue an assurance report on the deposit and use of proceeds. The listed company shall actively cooperate in this regard and bear the necessary expenses thus incurred.</p> <p>The board of directors shall, upon receiving the assurance report mentioned in the preceding paragraph, make an announcement in a timely manner. If any non-compliance in the management and use of proceeds by the listed company is identified in the assurance report, the board of directors shall also make an announcement with regards to the non-compliance in the deposit and use of proceeds, the consequences that have arisen or may arise and the actions that have been taken or are to be taken.</p>

APPENDIX III	COMPARISON TABLE OF AMENDMENTS TO THE ADMINISTRATIVE MEASURES ON THE PROCEEDS RAISED BY THE COMPANY
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Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
Article 27 The sponsor(s) and its designated sponsor representative(s) (if applicable) shall have the right to supervise and inspect the use of proceeds by the Company. The Company shall actively cooperate with their supervision, proactively inform them of the use of proceeds, authorize them to inquire about the withdrawal of proceeds from relevant banks, and provide them with other necessary cooperation and information.	Article 31 The sponsor(s) or the independent financial advisor(s) shall have the right to supervise and inspect the use of proceeds by the Company. The Company shall actively cooperate with their supervision, proactively inform them of the use of proceeds, authorize them to inquire about the withdrawal of proceeds from relevant banks, and provide them with other necessary cooperation and information.	Amendment according to Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation.
Article 28 The Company shall earnestly perform the information disclosure obligations with regards to the administration of proceeds in strict compliance with the relevant provisions of the Listing Rules, the Articles of Association and the Rules for Information Disclosure of China Merchants Securities Co., Ltd.	Article 32 The Company shall earnestly perform the information disclosure obligations with regards to the administration of proceeds in strict compliance with the relevant provisions of the Listing Rules, the Guidelines for Standardized Operation , the Articles of Association and the Rules for Information Disclosure of China Merchants Securities Co., Ltd. The independent directors should pay attention to whether there is any inconsistency between the actual use of proceeds and the information disclosed by the Company.	Guidelines for the Supervision of Listed Companies No. 2 – Regulatory Requirements for the Management and Use of Proceeds Raised by Listed Companies (2022 Revision), Article 13: The independent directors should pay attention to whether there is any inconsistency between the actual use of proceeds and the information disclosed by the listed company.

APPENDIX III	COMPARISON TABLE OF AMENDMENTS TO THE ADMINISTRATIVE MEASURES ON THE PROCEEDS RAISED BY THE COMPANY
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Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
<p>Article 29 The Company shall conduct a comprehensive inspection of the progress of the proceeds-financed projects every six months, and issue the Special Report on the Deposit and Actual Use of Proceeds of the Company (the “Special Report on Proceeds”) in regards to the deposit and use of proceeds.</p> <p>In case of inconsistency between the actual investment progress and the investment plan for the proceeds-financed projects, the Company shall explain the specific reasons in the Special Report on Proceeds. Where the idle proceeds are used for investment in products in the current period, the Company shall disclose the gains for the reporting period as well as the share of investment, parties, product name, term and other information as at the end of the period in the Special Report on Proceeds.</p> <p>The Special Report on Proceeds shall be deliberated and approved by the board of directors and the supervisory committee, and the Company shall, within two trading days upon submission to the board of directors for deliberation, report to the SSE and make an announcement in accordance with the requirements of the Listing Rules. During the annual audit, the Company shall engage an accounting firm to issue an assurance report on the deposit and use of proceeds, and shall, at the same time when the annual report is disclosed, submit such report to the SSE and disclose such report on the website of the stock exchange where the shares of the Company are listed.</p>	<p>Article 33 The board of directors of the Company shall conduct a comprehensive inspection of the progress of the proceeds-financed projects every six months, and issue the Special Report on the Deposit and Actual Use of Proceeds of the Company (the “Special Report on Proceeds”) in regards to the deposit and use of proceeds.</p> <p>In case of inconsistency between the actual investment progress and the investment plan for the proceeds-financed projects, the Company shall explain the specific reasons in the Special Report on Proceeds. Where the idle proceeds are used for investment in products in the current period, the Company shall disclose the gains for the reporting period as well as the share of investment, parties, product name, term and other information as at the end of the period in the Special Report on Proceeds.</p> <p>The Special Report on Proceeds shall be deliberated and approved by the board of directors and the supervisory committee, and the Company shall, within two trading days upon submission to the board of directors for deliberation, make an announcement in accordance with the requirements of the Listing Rules.</p> <p>During the annual audit, the Company shall engage an accounting firm to issue an assurance report on the deposit and use of proceeds, and shall, at the same time when the annual report is disclosed, disclose such report on the website of the stock exchange where the shares of the Company are listed.</p>	<p>Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation, 6.3.25:</p> <p>The board of directors of the listed company shall conduct a comprehensive inspection of the progress of the proceeds-financed projects every six months, and issue the Special Report on the Deposit and Actual Use of Proceeds of the Company (the “Special Report on Proceeds”) in regards to the deposit and use of proceeds.</p> <p>In case of inconsistency between the actual investment progress and the investment plan for the proceeds-financed projects, the company shall explain the specific reasons in the Special Report on Proceeds. Where the idle proceeds are used for investment in products in the current period, the company shall disclose the gains for the reporting period as well as the share of investment, parties, product name, term and other information as at the end of the period in the Special Report on Proceeds.</p> <p>The Special Report on Proceeds shall be deliberated and approved by the board of directors and the supervisory committee, and the company shall, upon submission to the board of directors for deliberation, make an announcement in a timely manner.</p> <p>During annual audit, the company shall engage an accounting firm to issue an assurance report on the deposit and use of proceeds, and shall, at the same time when the annual report is disclosed, disclose such report on the website of the Exchange.</p>

APPENDIX III	COMPARISON TABLE OF AMENDMENTS TO THE ADMINISTRATIVE MEASURES ON THE PROCEEDS RAISED BY THE COMPANY
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Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
Article 30 After the end of each fiscal year, the board of directors of the Company shall, in the Special Report on Proceeds, disclose the concluding opinions of the sponsor(s)'s special inspection report on the deposit and use of proceeds of the Company for the year and the accounting firm's assurance report.	Article 34 After the end of each fiscal year, the board of directors of the Company shall, in the Special Report on Proceeds, disclose the concluding opinions of the sponsor(s)'s or the independent financial advisor(s)'s special inspection report on the deposit and use of proceeds of the Company for the year and the accounting firm's assurance report.	Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation, 6.3.26: After the end of each fiscal year, the board of directors of the company shall, in the Special Report on Proceeds, disclose the concluding opinions of the sponsor(s)'s or the independent financial advisor(s)'s special inspection report and the accounting firm's assurance report.
Article 32 Matters not covered in these Measures shall be implemented in accordance with the relevant provisions of relevant laws, regulations, other normative documents and the Articles of Association. If these Measures are inconsistent with the relevant provisions of relevant laws, regulations, other normative documents and the Articles of Association , the provisions of relevant laws, regulations, other normative documents and the Articles of Association shall prevail.	Article 36 Matters not covered in these Measures shall be implemented in accordance with the relevant provisions of the laws, administrative regulations, departmental rules, normative documents and self-discipline rules of the place where the shares of the Company are listed as well as the Articles of Association . If these Measures are inconsistent with such provisions, such provisions shall prevail.	Refining the relevant expressions according to the rules of exchanges.
Article 34 These Measures have been deliberated and approved by the shareholders' general meeting, and shall become effective from the date on which the H shares issued by the Company are listed for trading on The Stock Exchange of Hong Kong Limited . From the effective date of these Measures, the original Administrative Measures on the Proceeds Raised by China Merchants Securities Co., Ltd. shall automatically become invalid.	Article 38 These Measures shall become effective upon deliberation and approval by the shareholders' general meeting. From the effective date of these Measures, the original Administrative Measures on the Proceeds Raised by China Merchants Securities Co., Ltd. deliberated and approved at the 2015 fifth extraordinary general meeting of the Company held on August 12, 2015 shall automatically become invalid.	Amending the effective date and adjusting the expressions regarding the abolition of the original rules.

CHAPTER I GENERAL PROVISIONS

Article 1 These Rules are formulated in accordance with the Law of the People's Republic of China on Donations for Public Welfare, Charity Law of the People's Republic of China, Company Law of the People's Republic of China, Notice of the State-owned Assets Supervision and Administration Commission on Matters Concerning the Strengthening of Management of External Donations of Central Enterprises, Notice of the Ministry of Finance Concerning the Strengthening of Financial Management of Corporate External Donations and other laws and regulations, as well as the relevant provisions of the articles of association of China Merchants Securities Co., Ltd. (the "**Company**"), for the purpose of regulating the Company's external donations and strengthening the Company's management of donations, so that the Company can better fulfill its social responsibilities, thoroughly and effectively enhance and promote its brand and corporate image, and safeguard the interests of its shareholders, creditors and employees.

Article 2 The term "**donation(s)**" as used herein refers to public welfare donation(s) or charitable donation(s), i.e. the voluntary and gratuitous donation(s) of legal property that the Company and its domestic wholly-owned subsidiaries have the right to dispose of to a legal recipient for the purpose of public welfare undertakings that are not directly related to production and operation activities.

Article 3 These Rules shall apply to the management of external donations of the Company and its domestic wholly-owned subsidiaries (collectively referred to as the "**Entities**", and each an "**Entity**"), and shall be followed by the domestic holding companies of the Company.

Article 4 As the competent department for the external donations of the Company, the office shall be responsible for managing and coordinating the Company's various donations and public welfare activities. The audit department shall be responsible for the audit and supervision of donations.

CHAPTER II PRINCIPLES AND PURPOSES OF EXTERNAL DONATIONS

Article 5 The Company's external donations shall observe the following principles:

- (I) Principle of centralized management: External donations shall be managed by the Company in a unified manner. The Entities may not make external donations without the authorization or approval of the Company;
- (II) Principle of legality and compliance: External donations shall be made subject to relevant laws and regulations and the rules of the Company, implemented in accordance with the relevant guidelines and policies of China, not in violation of social morality and without damaging public interests and the legitimate rights and interests of other citizens;

- (III) Principle of honesty and trustworthiness: False propaganda and rash promises are strictly prohibited. Donations made to the public or recipients in accordance with these Rules shall be performed honestly;
- (IV) Principle of voluntary and gratuitous donation: Any forced apportionment, disguised apportionment, or donations that involve profit-making activities in the name of charity or public welfare are prohibited. Donations shall not be made in pursuit of unfair competitive advantages or other improper interests in financing, market access, administrative licensing, possession of other resources, etc.;
- (V) Principle of explicit rights and responsibilities: The Company shall enter into a donation agreement or other written agreement with the recipient on the type, quality, quantity, use, rights and obligations of both parties, etc. of the donated property. No personnel of the Company may donate any property owned by the Company in his/her own name. The Company shall have the right to require the recipient to fulfill the Company's legitimate intended purposes for donations, and the recipient may not use the donated property for other purposes;
- (VI) Principle of making donation in line with capability: Before making external donations, the Company should fully consider its operating scale, profitability, level of indebtedness, cash flow and other financial capacity. Where any donation affects the normal operation of the Company, it is generally prohibited to make external donations except in special circumstances.

Article 6 The Company's external donations shall meet the following public welfare purposes:

- (I) activities for social groups and individuals in difficulty, such as disaster relief, poverty relief and assistance to the disabled;
- (II) education, science, culture, healthcare and sports;
- (III) environmental protection and construction of social public facilities;
- (IV) other social public and welfare undertakings that promote social development and progress.

Article 7 There are two forms of external donations, namely direct external donations by the Company, and unified donations by the Shenzhen China Merchants Securities Charitable Foundation (the “**Shenzhen CMS Charitable Foundation**”) initiated and established by the Company according to the laws:

- (I) Direct external donations by the Company: refer to external donations directly made by the Company in accordance with these Rules, including external donations made by the Company within the annual budget, and external donations made upon approval procedures due to special circumstances;
- (II) Unified donations by the Shenzhen CMS Charitable Foundation: refer to external donations made by the Shenzhen CMS Charitable Foundation on behalf of the Entities.

Article 8 The Entities must not make the following donations:

- (I) political donations;
- (II) donations to organizations or individuals that commit crimes or terrorist activities;
- (III) donations designated and apportioned by public officials or persons that have specific relationships with such officials;
- (IV) donations based on illegal purposes such as money laundering and bribery;
- (V) donations to profit-making activities in the name of public welfare donations;
- (VI) donations prohibited by the laws of relevant countries or regions;
- (VII) donations that are detrimental to national interests as well as the interests and reputation of the Company, and that violate the core values of the Company.

Article 9 Except for donations subject to specific requirements, the Entities should make donations through the following channels:

- (I) Shenzhen China Merchants Securities Public Welfare Foundation initiated and established by the Company according to the laws;
- (II) other legally established charitable organizations, other public welfare organizations or government departments accepting donations, or institutions that are allowed to conduct charitable fundraising according to applicable laws.

Article 10 When the Entities and the recipient agree on the purposes and beneficiaries of the donated properties, they shall not designate an interested party of the Entities as a beneficiary.

CHAPTER III REVIEW OF RECIPIENTS

Article 11 The Entities shall review the qualifications of the recipients for accepting donations, and shall not make donations to those who fail to meet the qualifications for accepting donations.

Article 12 Where a recipient needs to perform specific obligations upon accepting the donation, the Entities shall review the recipient's ability in performing such obligations from the aspects of integrity record, background, qualifications, professional experience and social influence, etc.

Article 13 Except for donations to the Shenzhen CMS Charitable Foundation, the Entities shall conduct due diligence on the recipient. The due diligence includes but is not limited to the following matters:

- (I) the basic information, valid registration certificate and corresponding qualification certificate of the recipient;
- (II) explanation on the circumstances that the recipient meets the qualifications for accepting the donation and tax exemption;
- (III) retrieving the credit records of the recipient and its principal person-in-charge through credit inquiry agencies, other relevant charitable organizations or activity management agencies, and public information platforms, etc.;
- (IV) conducting on-site inspection of the recipient's activities and social reflections in its domicile and places of principal activities (if necessary);
- (V) whether the donor and its decision-makers and handlers have a spouse, blood or affinity relationship or other relationship of common interests with the recipient and its principal person-in-charge.

CHAPTER IV BUDGET AND APPROVAL OF EXTERNAL DONATIONS

Article 14 External donations are subject to budget management. External donations by the Entities shall be subject to the consideration and approval procedures in accordance with the articles of association of China Merchants Securities Co., Ltd. and relevant rules and systems and shall be included in annual budget management according to the rules for financial management.

Article 15 The annual budget for external donations shall be submitted to the board of directors and shareholders' general meeting of the Company respectively for consideration and approval according to the amount of donations. External donations include donations of cash and physical assets, of which physical assets are valued at the net book value at the time of donation, and if there are both book value and appraised value, the higher shall prevail.

- (I) If the annual budget for external donations does not exceed 0.2% of the latest audited net profit of the Company, the donations shall be subject to the approval of the board of directors;
- (II) If the annual budget for external donations exceeds 0.2% of the latest audited net profit of the Company, the donations shall be subject to the approval of the shareholders' general meeting.

External donations involving related party transactions shall be subject to corresponding approval procedures in accordance with the relevant rules for related party transactions.

Article 16 Extra-budgetary donations shall be strictly controlled. In the process of budget execution, except for external donations arranged for major natural disasters or emergencies, in principle, no donation beyond the scope and amount of the budget should be arranged. Necessary external donations that exceed the annual budget shall only be made upon re-performing the corresponding decision-making procedures and obtaining the corresponding approval.

Article 17 Direct external donations by the Company may only be implemented upon approval by the president's office of the Company.

Article 18 Unified donations by the Shenzhen CMS Charitable Foundation shall be approved and implemented in accordance with the administrative regulations of the Shenzhen CMS Charitable Foundation.

CHAPTER V SUPERVISION AND MANAGEMENT OF EXTERNAL DONATIONS

Article 19 Upon completion of donations, the entity-in-charge shall pay attention to the follow-up of implementation of external donations and urge the beneficiaries to maximize the benefits from the donated assets.

Article 20 The Company shall conduct supervision and inspection through various channels such as discipline inspection and supervision, internal audit, and audit by intermediary agencies. For those who make donations without following the provisions of these Rules, the relevant person-in-charge shall be held accountable depending on the seriousness of the circumstances.

CHAPTER VI COMPLIANCE MANAGEMENT OF EXTERNAL DONATIONS

Article 21 When making external donations, the Entities shall enter into donation agreements or other written agreements, which shall explicitly stipulate the properties, means and purposes of the donations, the right of the donor to inquire about the use and management of the donated properties, the inspection and audit authority of the donor, the recipients' compliance commitment, and the accountability for breach of agreement, etc. In case of donation of physical assets, the physical handover procedures shall be agreed upon.

Article 22 The Entities shall require the recipients to confirm in the donation agreements or letter of commitments that they shall abide by the compliance obligations of earmarking the fund for its specified purpose only, anti-commercial bribery, acceptance of compliance inspections and audits, and fair procurement, etc.

Article 23 Where a donation is made in currency, the donation shall be paid in a way as agreed in the donation agreement.

Article 24 Where a donation is made in kind, the Entities shall legally own and have the right to dispose of the donated properties. Properties that the Entities have no legal ownership or have no right to dispose of as well as substandard products may not be used for external donation. The donation shall be handed over in a way as agreed in the donation agreement.

Article 25 Entities that donate properties for the construction of public welfare project should enter into a donation agreement with the recipient, stipulating the fund, construction, management and use of the project. The recipient shall complete the project approval procedures in accordance with the relevant national regulations, and arrange for construction and completion acceptance in accordance with the laws. The quality of the project should comply with the national quality standards.

Article 26 For project-type donations with specific objects and purposes, the donor shall track and supervise the progress of the donated projects upon delivering the donated properties to ensure that the donated properties are used for such specific objects and purposes, and that the progress of the donated projects conforms to the donation agreement.

Article 27 The Entities shall track, supervise and manage the donated projects in the following ways:

- (I) To review the information and materials voluntarily announced by the recipient or request the recipient to provide relevant information and materials, inquire about the use and management of the donated properties, and put forward comments and suggestions;
- (II) To inspect the progress of the project through on-site visits, interviews, listening to reports, etc., put forward rectification requirements to the recipient within a time limit based on the inspection results, and supervise the implementation of relevant rectification measures;
- (III) To conduct special audits on the use and management of donated properties in accordance with relevant laws and regulations and the donation agreements, put forward rectification requirements to the recipient within a time limit based on the audit findings, and supervise the implementation of relevant rectification measures;
- (IV) To establish a regular project reporting system to require the recipient to report regularly, and provide relevant project summary reports, financial reports, related project execution materials, and financial records and vouchers.

Article 28 When making external donations, the Entities shall obtain financial vouchers for the donations in accordance with relevant laws and regulations and financial accounting standards, and record them truthfully and accurately, and may enjoy tax incentives in accordance with the laws. The Entities shall require the recipient to issue a legal and valid receipt after receiving the donation.

CHAPTER VII CODE OF CONDUCT OF EMPLOYEES

Article 29 In the process of handling and implementing donation activities, employees shall comply with laws and regulations, be honest and trustworthy, and carry out relevant donation work in compliance with laws and regulations.

Article 30 Employees of the Entities who are invited to participate in donation activities as representatives of donors shall abide by the relevant compliance management regulations on company souvenirs and reception.

Article 31 When participating in and implementing donation activities, where employees have the following conflicts of interest with the recipient, they should take the initiative to truthfully disclose such matter and apply for withdrawal:

- (I) taking a part-time job or any substantive or honorary position in the recipient or its affiliated enterprises (entities);
- (II) having close relative or other specific relationships with the principal or person-in-charge of the recipient or its affiliated enterprises (entities);
- (III) themselves, their close relatives or other specific related persons engaging in profit-making business activities that have business dealings with the recipient and its affiliated enterprises (entities);
- (IV) any other relationship of interest with the recipient which may affect the employees' performance of external donation duties.

Article 32 Employees must not have the following behaviors in external donation activities:

- (I) making external donations for the purpose of bribery;
- (II) committing acts of corruption, unjust enrichment, embezzlement, etc.;
- (III) providing any false or misleading information or documents when participating in and implementing donation activities;
- (IV) failing to disclose conflicts of interest in accordance with the provisions of these Rules;
- (V) paying bribes or providing improper benefits to any organization or individual under the guise of donations;
- (VI) participating in any money laundering or assisting money laundering activities under the guise of donations;
- (VII) making false donations or extracting money by other fraudulent or dishonest means to seek benefits for themselves, their relatives, friends or others;
- (VIII) demanding or accepting any improper benefits provided by the recipient, beneficiary or related personnel, including but not limited to rebates, commissions, information fees, labor fees and other properties;
- (IX) donating the properties owned by the Company in their own names;
- (X) other donation behaviors that violate laws and regulations and the rules and systems of the Company.

CHAPTER VIII HANDLING OF VIOLATIONS

Article 33 If any Entity or employee violates the provisions of these Rules and is involved in illegal and undisciplined acts such as bribery and fraud, abuse of power and misappropriation of properties in the process of external donations, the Company shall have the right to investigate the liability in accordance with relevant rules and regulations. Those suspected of violating laws and disciplines and committing crimes shall be handed over to the discipline inspection and supervision and judicial authorities for handling in accordance with relevant regulations.

Article 34 If the Entities find out that the recipient has violated laws and regulations such as misappropriation or embezzlement of donated properties in the donation activities, such matter shall be dealt with in accordance with relevant laws and regulations and contractual agreements.

CHAPTER IX SUPPLEMENTARY PROVISIONS

Article 35 Matters that are not covered in these Rules shall be implemented in accordance with relevant national laws and regulations and the articles of association of China Merchants Securities Co., Ltd.

Article 36 These Rules shall become effective on the date of adoption at the shareholders' general meeting.

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
Article 67 Shareholders holding or controlling 5% or above voting shares of the Company shall notify the Company promptly after occurrence of any of the following circumstances: 	Article 67 Shareholders holding or controlling 5% or above voting shares of the Company shall notify the Company promptly after occurrence of any of the following circumstances: (IX) <u>There is a material change in their shareholding or control of the Company, or a material change in the actual controller and other entities under its control in respect of their engagement in the same or similar type of business of the Company;</u> (X) <u>The court has ruled that the controlling shareholder is prohibited from transferring the shares it holds, or that more than 5% of the Company's shares held by any shareholder should be frozen, judicially auctioned, kept in custody or in trust or restricted from voting in accordance with the law, or there is a risk of compulsory transfer;</u> (XI) <u>There is a proposed restructuring of material assets, debts or business of the Company;</u>	<u>Measures for the Administration of Information Disclosure by Listed Companies, Article 39:</u> <u>The shareholders and actual controllers of a listed company shall take the initiative to notify the board of directors of the listed company and cooperate with the listed company in fulfilling the obligation of information disclosure upon occurrence of any of the following circumstances:</u> (I) <u>There is a material change in the shareholding or control of the company for shareholders holding or controlling 5% or above of the shares of the company, or a material change in the actual controller and other entities under its control in respect of their engagement in the same or similar type of business of the company;</u> (II) <u>The court has ruled that the controlling shareholder is prohibited from transferring the shares it holds, or that more than 5% of the company's shares held by any shareholder should be pledged, frozen, judicially auctioned, kept in custody or in trust or restricted from voting in accordance with the law, or there is a risk of compulsory transfer;</u>

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
	<p>(XII) <u>There are rumors related to the controlling shareholder or actual controller, which may have a material impact on the trading price of the Company's securities and their derivatives;</u></p> <p>(XIII) <u>The controlling shareholder or actual controller is subject to criminal penalties, or is investigated by the CSRC for suspected violations of laws and regulations, or is subject to administrative penalties by the CSRC, or is subject to major administrative penalties by other competent authorities;</u></p> <p>(XIV) <u>The controlling shareholder or actual controller is suspected of material violations of laws and regulations, or is detained by the discipline inspection and supervision authority due to duty-related crimes, which affects their performance of duties;</u></p> <p>(XV) <u>The controlling shareholder or actual controller is suspected of committing a crime and is subject to compulsory measures;</u></p> <p>(XVI) <u>Other circumstances that may have a material impact on the trading price of the Company's securities and their derivatives.</u></p>	<p>(III) <u>There is a proposed restructuring of material assets or business of the listed company;</u></p> <p>(IV) Other circumstances stipulated by the CSRC.</p> <p>.....</p> <p>Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, 4.5.3:.....</p> <p><u>Upon occurrence of any of the following circumstances, the controlling shareholder or actual controller shall notify the listed company in a timely manner and cooperate with the company in fulfilling the obligation of information disclosure:</u></p> <p>.....</p> <p>(III) There is a proposed restructuring of material assets, <u>debts</u> or business of the company;</p> <p>.....</p> <p>(V) <u>There are rumors related to the controlling shareholder or actual controller, which may have a material impact on the trading price of the company's securities and their derivatives;</u></p>

APPENDIX V

COMPARISON TABLE OF AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
<p><u>In the event of Item (I), (II), (III), (V), (VI) or (VIII) of the preceding paragraph, shareholders having 5% or above voting shares of the Company or the actual controller shall submit a written report to the Company on the same day as the occurrence of such circumstances. In the event of Item (IV) or (VII) of the preceding paragraph, shareholders having 5% or above voting shares of the Company or the actual controller shall submit a written report to the Company within five (5) business days after the occurrence of such circumstances. As required by the local stock exchange in the place where the securities of the Company are listed, the Company shall make a timely announcement.</u></p>	<p><u>If an announcement of any of the above circumstances is</u> required by the local stock exchange in the place where the securities of the Company are listed, the Company shall make a timely announcement.</p>	<p>(VI) <u>The controlling shareholder or actual controller is subject to criminal penalties, or is investigated by the CSRC for suspected violations of laws and regulations, or is subject to administrative penalties by the CSRC, or is subject to major administrative penalties by other competent authorities;</u></p> <p>(VII) <u>The controlling shareholder or actual controller is suspected of material violations of laws and regulations, or is detained by the discipline inspection and supervision authority due to duty-related crimes, which affects their performance of duties;</u></p>
<p>The Company shall report to relevant regulatory authorities, such as the local office of the CSRC of its place of domicile, within five working days after acknowledging the occurrence of the events as stated above <u>(if the shareholder is a recognized clearing house, as defined by relevant laws and regulations, of the place where the securities of the Company are listed, this sub-clause does not apply).</u></p>	<p>The Company shall report to relevant regulatory authorities, such as the local office of the CSRC of its place of domicile, within five working days after acknowledging the occurrence of the events as stated in <u>Items (I) to (VIII)</u> above.</p> <p><u>This sub-clause does not apply to recognized clearing houses as defined by relevant laws and regulations of the place where the securities of the Company are listed.</u></p>	<p>(VIII) <u>The controlling shareholder or actual controller is suspected of committing a crime and is subject to compulsory measures;</u></p> <p>(IX) <u>Other circumstances that may have a material impact on the trading price of the company's securities and their derivatives.</u></p>

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
<p>Article 74 The shareholders' general meeting is the organ of authority in the Company, and shall exercise the following functions and powers in accordance with the law:</p> <p>.....</p>	<p>Article 74 The shareholders' general meeting is the organ of authority in the Company, and shall exercise the following functions and powers in accordance with the law:</p> <p>.....</p> <p><u>(XIII) To consider and approve the provision of financial assistance (including interest-bearing or interest-free borrowings, entrusted loans, etc.) as specified in Article 76;</u></p> <p>.....</p>	<p>Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation, 6.1.2:</p> <p>A listed company shall establish and improve an internal control system for financial assistance, <u>specify in the articles of association or other rules and regulations of the company the approval authority and deliberation procedures of the shareholders' general meeting and the board of directors for the approval of provision of financial assistance, as well as the accountability mechanism for violations of such approval authority and deliberation procedures</u>, and adopt adequate and effective risk prevention measures.</p>
<p>Article 75 The following external guarantee of the Company shall be deliberated and approved by the shareholders' general meeting:</p> <p>.....</p> <p>The external guarantee to be approved by the shareholder's general meeting cannot be submitted to the shareholders' general meeting for approval until being considered and approved by the Board of Directors. <u>For provision of guarantee to related parties by the Company (excluding shareholders and their related parties), in addition to the deliberation and approval by more than half of all non-related directors, it is also subject to deliberation and approval by more than two-thirds of the non-related directors present at the Board meeting, and shall be submitted to the shareholders' general meeting for deliberation.</u></p> <p>.....</p>	<p>Article 75 The following external guarantee of the Company shall be deliberated and approved by the shareholders' general meeting:</p> <p>.....</p> <p>The external guarantee to be approved by the shareholder's general meeting cannot be submitted to the shareholders' general meeting for approval until being considered and approved by the Board of Directors.</p> <p>.....</p>	<p>Moving the second sentence of the second paragraph to the new Article 172</p>

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
Newly added article, and the subsequent serial numbers are adjusted accordingly	<p><u>Article 76 The following financial assistance provided by the Company shall be deliberated and approved by the shareholders' general meeting:</u></p> <p>(I) <u>Where the amount of an individual financial assistance exceeds 10% of the latest audited net assets of the Company;</u></p> <p>(II) <u>Where the financial information of the grantee in the latest period indicates that its gearing ratio exceeds 70%;</u></p> <p>(III) <u>Where the accumulative amount of financial assistance in the last twelve months exceeds 10% of the latest audited net assets of the Company;</u></p> <p>(IV) <u>Other circumstances stipulated by the stock exchanges or in the Articles of Association.</u></p> <p><u>If the grantee is a controlled subsidiary within the scope of consolidated statements of the Company, and the other shareholders of such controlled subsidiary do not include the Company's controlling shareholder or actual controller and their associates, the relevant provisions of the Articles of Association regarding financial assistance may be exempted.</u></p>	<p><u>Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation, 6.1.2:</u></p> <p><u>A listed company shall establish and improve an internal control system for financial assistance, specify in the articles of association or other rules and regulations of the company the approval authority and deliberation procedures of the shareholders' general meeting and the board of directors for the approval of provision of financial assistance, as well as the accountability mechanism for violations of such approval authority and deliberation procedures, and adopt adequate and effective risk prevention measures.</u></p> <p><u>Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, 6.1.9:</u></p> <p><u>For a transaction of "financial assistance" by a listed company, in addition to the deliberation and approval by more than half of all directors, it shall also require deliberation and approval by more than two-thirds of the directors present at the board meeting, and shall be disclosed in a timely manner.</u></p>

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
	<p><u>Provision of financial assistance that requires deliberation and approval by the shareholders' general meeting shall be deliberated and approved by the Board of Directors before it can be submitted to the shareholders' general meeting for deliberation and approval.</u></p> <p><u>Those who fail to provide financial assistance in accordance with the stipulated procedures or within their authority shall be held accountable in accordance with the relevant rules of the Company, and shall bear corresponding legal liabilities.</u></p>	<p><u>If a financial assistance falls under any of the following circumstances, it shall also be submitted to the shareholders' general meeting for deliberation and approval upon deliberation and approval by the board of directors:</u></p> <p>(I) Where the amount of an individual financial assistance exceeds 10% of the latest audited net assets of the listed company;</p> <p>(II) Where the financial information of the grantee in the latest period indicates that its gearing ratio exceeds 70%;</p> <p>(III) Where the accumulative amount of financial assistance in the last twelve months exceeds 10% of the latest audited net assets of the company;</p> <p>(IV) Other circumstances stipulated by our exchange or in the articles of association.</p> <p>If the grantee is a controlled subsidiary within the scope of consolidated statements of the company, and the other shareholders of such controlled subsidiary do not include the listed company's controlling shareholder or actual controller and their associates, the provisions of the preceding three paragraphs may be exempted.</p>

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
<p>Article 147 Directors shall undertake the following fiduciary duties to the Company in accordance with laws, administrative regulations, relevant rules of the securities regulatory authority at the place where the securities of the Company listed, and Articles of Association:</p> <p>.....</p> <p>(VI) <u>Not to take advantage of their positions to seek for themselves or others any business opportunities that are due to the Company, or conduct for themselves or others any businesses similar to those of the Company without the consent of the shareholders' general meeting;</u></p> <p>.....</p>	<p>Article 148 Directors shall undertake the following fiduciary duties to the Company in accordance with laws, administrative regulations, relevant rules of the securities regulatory authority at the place where the securities of the Company listed, and Articles of Association:</p> <p>.....</p> <p>[Deleting this item and stipulating the same in the new Article 232]</p>	<p>Measures for the Supervision and Administration of the Directors, Supervisors, Senior Executives and Practitioners of Securities and Fund Business Institutions, Article 31:</p> <p>The directors, supervisors, senior executives and practitioners of securities and fund business institutions shall ensure that they have sufficient time and energy to perform their duties, and <u>shall not conduct for themselves or others any businesses similar to those of or that have a conflict of interest with the company they work for.</u></p>

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
Article <u>158</u> Independent directors have the following functions and powers: (I) Power to endorse a major connected transaction to be discussed at the Board meeting or engage an intermediary to present an independent financial advisory report as the basis for his/her judgment; (II) Power of recommendation to the Board of Directors for the appointment and removal of auditors; (III) Power to recommend to the Board of Directors for the convening of extraordinary general meetings; (IV) Power to recommend the convening of Board meetings;	Article <u>159</u> Independent directors have the following functions and powers: (I) Power to endorse a major connected transaction to be discussed at the Board meeting or engage an intermediary to present an independent financial advisory report <u>and other special reports</u> as the basis for his/her judgment; (II) Power of recommendation to the Board of Directors for the appointment and removal of auditors; (III) Power to recommend to the Board of Directors for the convening of extraordinary general meetings; (IV) Power to recommend the convening of Board meetings;	Rules for Independent Directors of Listed Companies, Article 22: In order to give full play to the role of independent directors, in addition to the functions and powers conferred on directors by the Company Law and other relevant laws and regulations, independent directors of a listed company shall also be given the following special functions and powers: (I) power to endorse a major connected transaction or engage an intermediary to present an independent financial advisory report as the basis for his/her judgment; (II) power of recommendation to the board of directors for the appointment and removal of auditors;

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
(V) Power to independently engage <u>agencies of external auditors and consultants</u> ;	(V) Power to publicly solicit voting rights from shareholders prior to the convening of shareholders' general meetings;	(III) power to recommend to the board of directors for the convening of extraordinary general meetings;
(VI) Power to publicly solicit voting rights from shareholders prior to the convening of shareholders' general meetings.	(VI) Power to independently engage <u>an intermediary agency to conduct audits or verifications or express professional opinions</u> ;	(IV) power to recommend the convening of board meetings;
	(VII) <u>Other functions and powers stipulated by laws, regulations, normative documents, securities regulatory authorities or stock exchanges where the shares of the Company are listed, and the Articles of Association.</u>	(V) power to publicly solicit voting rights from shareholders prior to the convening of shareholders' general meetings;
		(VI) power to independently engage external auditors and consultants to audit and consult on specific matters of the company;
	
		Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation, 3.5.13:
		Independent directors shall actively exercise the following special functions and powers:
		(I) Connected transactions that require submission to the shareholders' general meeting for deliberation shall be submitted to the board of directors for deliberation with the prior consent of the independent directors. Before making judgments, independent directors may engage an intermediary to <u>present a special report</u> ;
	
		(VI) Independent directors shall have the power to independently engage an intermediary to <u>conduct audits or verifications or express professional opinions</u> ;
	

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
Article 159 An independent director may also express independent opinion to the Board meeting or shareholders' general meeting on the following matters:	Article 160 An independent director may also express independent opinion to the Board meeting or shareholders' general meeting on the following matters:	<u>Rules for Independent Directors of Listed Companies, Article 23:</u> <u>An independent director shall express independent opinion to the board meeting or shareholders' general meeting on the following matters:</u>
(I) Nomination, appointment and removal of directors;	(I) Nomination, appointment and removal of directors;	(I) <u>Nomination, appointment and removal of directors;</u>
(II) Appointment or dismissal of senior officers;	(II) Appointment or dismissal of senior officers;	(II) <u>Appointment or dismissal of senior officers;</u>
(III) Determination of remuneration <u>or incentive plans</u> for directors and senior officers;	(III) Determination of remuneration for directors and senior officers;	(III) <u>Determination of remuneration</u> for directors and senior officers;
(IV) <u>Flow of funds</u> between shareholders of the Company, actual controllers, affiliates and the Company, and whether effective steps are taken by the Company to recover arrears;	(IV) <u>Existing or new capital transactions</u> between shareholders of the Company, actual controllers, affiliates and the Company <u>in a total amount of over RMB3 million or over 5% of the Company's latest audited net assets</u> , and whether effective steps are taken by the Company to recover arrears;	(IV) <u>Existing or new</u> borrowings or other capital transactions between shareholders of the listed company, actual controllers, affiliates and the listed company <u>in a total amount of over RMB3 million or over 5% of the listed company's latest audited net assets</u> , and whether effective steps are taken by the company to recover arrears;
(V) Matters that the independent directors consider would impair the interests of minority shareholders;	(V) Matters that the independent directors consider would impair the <u>legitimate</u> interests of minority shareholders;	(V) Matters that the independent directors consider would impair the interests of minority shareholders;
	(VI) <u>Engagement or removal of accountants' firm;</u>	
	(VII) <u>Changes in accounting policies or accounting estimates, or corrections of major accounting errors, due to reasons other than changes in accounting standards;</u>	(VI) Other matters stipulated by laws, administrative regulations, the CSRC and the articles of association.
	(VIII) <u>The issuance of a non- standard unqualified audit opinion by the accountants' firm on the financial accounting report and internal control of the Company;</u>

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
	(IX) The internal control evaluation report;	<u>Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation, 3.5.14:</u>
	(X) The proposal of relevant parties to change their commitments;	<u>An independent director shall express independent opinion on the following material matters of the listed company:</u>
	(XI) <u>The impact of the issuance of preferred shares on the rights and interests of each class of shareholders of the Company;</u>	(I) <u>nomination, appointment and removal of directors;</u>
	(XII) <u>The formulation of profit distribution policies, profit distribution plans and cash dividend distribution plans;</u>	(II) <u>appointment or dismissal of senior officers;</u>
	(XIII) <u>Material matters that require disclosure, such as related party transactions, provision of guarantees (excluding guarantees for subsidiaries within the scope of consolidated statements), entrusted wealth management, provision of financial assistance, use of proceeds, investment in stocks and their derivatives, etc.;</u>	(III) <u>determination of remuneration for directors and senior officers;</u>
	(XIV) <u>Material asset restructuring proposals, management buyouts, equity incentive schemes, employee stock ownership schemes, share repurchase proposals, and plans for debt repayment by related parties of the Company;</u>	(IV) <u>engagement or removal of accountants' firm;</u>
	(XV) <u>Where the Company has intended to decide that its shares shall no longer be traded on the Shanghai Stock Exchange;</u>	(V) <u>changes in accounting policies or accounting estimates, or corrections of major accounting errors, due to reasons other than changes in accounting standards;</u>
		(VI) <u>the issuance of a non-standard unqualified audit opinion by the accountants' firm on the financial accounting report and internal control of the company;</u>
		(VII) <u>the internal control evaluation report;</u>
		(VIII) <u>the proposal of relevant parties to change their commitments;</u>
		(IX) <u>the impact of the issuance of preferred shares on the rights and interests of each class of shareholders of the company;</u>

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
(VI) Other matters stipulated by laws, <u>administrative</u> regulations, <u>departmental rules</u> , normative documents, <u>operational rules of stock exchange</u> and the Articles of Association.	(XVI) Other matters stipulated by laws, regulations, normative documents, <u>securities regulatory authorities or stock exchanges where the shares of the Company are listed</u> , and the Articles of Association.	<p>(X) <u>the formulation of profit distribution policies, profit distribution plans and cash dividend distribution plans;</u></p> <p>(XI) <u>material matters that require disclosure, such as related party transactions, provision of guarantees (excluding guarantees for subsidiaries within the scope of consolidated statements), entrusted wealth management, provision of financial assistance, use of proceeds, investment in stocks and their derivatives, etc.;</u></p> <p>(XII) <u>material asset restructuring proposals, management buyouts, equity incentive schemes, employee stock ownership schemes, share repurchase proposals, and plans for debt repayment by related parties of the listed company;</u></p> <p>(XIII) <u>where the company has intended to decide that its shares shall no longer be traded on our exchange;</u></p> <p>(XIV) matters that the independent directors consider would impair the legitimate interests of minority shareholders;</p> <p>(XV) other matters stipulated by laws, regulations and relevant provisions of our exchange.</p> <p>.....</p>

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
<p>Article 170 The Board of Directors shall establish strict examination and decision-making procedures by setting the scope of authority for external investment, acquisition and sale of assets, asset mortgage, external guarantee, connected transactions, and external donations, and organize relevant specialists or professional personnel to assess and examine any material investment projects, and report such investment projects to the shareholders' general meeting for approval.</p> <p>The Board of Directors shall have the right to approve the following major items:</p> <p>(I) Matters related to Company's purchase or disposal of major assets within 12 consecutive months with the aggregate transaction amount below 30% of the latest audited total assets of the Company (net of clients' margins);</p> <p>(II) Matters related to Company's external investment within 12 consecutive months with the aggregate transaction amount below 30% of the latest audited total assets of the Company (net of clients' margins);</p> <p>(III) Other guarantees in addition to those as stipulated by Article 75 of these Articles of Association;</p>	<p>Article 171 The Board of Directors shall establish strict examination and decision-making procedures by setting the scope of authority for external investment, acquisition and sale of assets, asset mortgage, external guarantee, <u>provision of financial assistance</u>, connected transactions, and external donations, and organize relevant specialists or professional personnel to assess and examine any material investment projects, and report such investment projects to the shareholders' general meeting for approval.</p> <p>The Board of Directors shall have the right to approve the following major items:</p> <p>(I) Matters related to Company's purchase or disposal of major assets within 12 consecutive months with the aggregate transaction amount below 30% of the latest audited total assets of the Company (net of clients' margins);</p> <p>(II) Matters related to Company's external investment within 12 consecutive months with the aggregate transaction amount below 30% of the latest audited total assets of the Company (net of clients' margins);</p> <p>(III) Other guarantees in addition to those as stipulated by Article 75 of these Articles of Association;</p> <p>(IV) <u>Provision of other financial assistance in addition to those as stipulated by Article 76 of these Articles of Association;</u></p>	<p>Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, 6.1.9:</p> <p>For a transaction of "financial assistance" by a listed company, in addition to the deliberation and approval by more than half of all directors, it shall also require deliberation and approval by more than two-thirds of the directors present at the board meeting, and shall be disclosed in a timely manner.</p> <p>If a financial assistance falls under any of the following circumstances, it shall also be submitted to the shareholders' general meeting for deliberation and approval upon deliberation and approval by the board of directors:</p> <p>.....</p> <p>Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, 6.1.1:</p> <p>The material transactions specified in this chapter include the following types of events that occur <u>in addition to the ordinary business activities of a listed company</u>:</p> <p>(I) Purchase or sale of assets;</p> <p>(II) External investment (including entrusted wealth management, investment in subsidiaries, etc.);</p> <p>(III) Provision of <u>financial assistance (including interest-bearing or interest-free borrowings, entrusted loans, etc.)</u>;</p> <p>.....</p>

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
(IV) To consider and approve the connected transaction which shall be resolved by the Board of Directors as required by the listing rules of the place where the securities of the Company are listed, and other provisions.	(V) To consider and approve the connected transaction which shall be resolved by the Board of Directors as required by the listing rules of the place where the securities of the Company are listed, and other provisions.	
Major events set forth in <u>paragraphs (I) and (II) of this Article</u> exclude transactions arising in the ordinary course of business such as the purchase and sale of computer equipment and software, office facilities, and transportation equipment, proprietary trading in securities, securities underwriting and sponsorship, securities asset management, private equity investment fund business, margin financing and securities lending.	Major events set forth in <u>items (I), (II) and (IV) of the preceding paragraphs</u> exclude transactions related to the ordinary course of business such as the purchase and sale of computer equipment and software, office facilities, and transportation equipment, <u>as well as</u> transactions arising in the ordinary course of business such as proprietary trading in securities, securities underwriting and sponsorship, securities asset management, private equity investment fund business, margin financing and securities lending. <u>The Company shall not provide financial assistance to the connected persons specified under the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, except for the provision of financial assistance to an affiliated company which is not controlled by the controlling shareholder or the actual controller of the Company, provided that other shareholders of such affiliated company shall provide financial assistance on the same conditions in proportion to their capital contributions.</u>	Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, 6.3.10: A listed company shall not provide financial assistance to the connected persons specified under Rule 6.3.3 of these Rules, except for the provision of financial assistance to an affiliated company which is not controlled by the controlling shareholder or the actual controller of the listed company, provided that other shareholders of such affiliated company shall provide financial assistance on the same conditions in proportion to their capital contributions.

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
<p>Article <u>171</u> The matters related to external guarantees by the Board of Directors must be approved <u>and resolved</u> by two thirds or above of directors who attend the meeting.</p>	<p>Article <u>172</u> The matters related to external guarantees <u>and provision of financial assistance that require deliberation</u> by the Board of Directors must be <u>deliberated and approved by more than half of all directors, and must also be deliberated and</u> approved by two-thirds or above of directors who attend the <u>Board</u> meeting. <u>For provision of guarantee to related parties (excluding shareholders and their related parties) and provision of financial assistance to affiliated companies by the Company, in addition to the deliberation and approval by more than half of all non-related directors, it is also subject to deliberation and approval by more than two-thirds of the non-related directors present at the Board meeting, and shall be submitted to the shareholders' general meeting for deliberation.</u></p>	<p>Rules Governing the Listing of Stocks on the Shanghai Stock Exchange:</p> <p>6.1.9 For a transaction of “<u>financial assistance</u>” by a listed company, <u>in addition to the deliberation and approval by more than half of all directors, it shall also require deliberation and approval by more than two-thirds of the directors present at the board meeting</u>, and shall be disclosed in a timely manner.</p> <p>.....</p> <p>6.1.10 For a transaction of “<u>provision of guarantee</u>” by a listed company, <u>in addition to the deliberation and approval by more than half of all directors, it shall also require deliberation and approval by more than two-thirds of the directors present at the board meeting</u>, and shall be disclosed in a timely manner.</p> <p>Moving the second sentence of the second paragraph of the original Article 75 to this Article, and incorporating matters in relation to financial assistance.</p> <p>Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, 6.3.10, paragraph 2:</p> <p><u>For provision of financial assistance to affiliated companies specified in the preceding paragraph by the company, in addition to the deliberation and approval by more than half of all non-related directors, it is also subject to deliberation and approval by more than two-thirds of the non-related directors present at the board meeting, and shall be submitted to the shareholders' general meeting for deliberation.</u></p>

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
Newly added article, and the subsequent serial numbers are adjusted accordingly	<p><u>Article 229 The directors, supervisors and senior officers of the Company shall meet the following basic requirements:</u></p> <p>(I) <u>Acting with integrity, honesty and good conduct;</u></p> <p>(II) <u>Being familiar with the laws and regulations in relation to securities and funds, and the requirements of the CSRC;</u></p> <p>(III) <u>Possessing more than three years of work experience in securities, funds, finance, law, accounting, information technology, etc. that commensurate with the position they hold;</u></p> <p>(IV) <u>Possessing the management experience and management ability that commensurate with the position they hold;</u></p> <p>(V) <u>(For senior officers) previously holding a position superior to the departmental head of a securities and fund business institution for not less than two years, or previously holding a position superior to the departmental head of a financial institution for not less than four years, or having management experience in an equivalent position;</u></p> <p>(VI) <u>Other requirements stipulated by laws, regulations and the CSRC.</u></p>	<p><u>Measures for the Supervision and Administration of the Directors, Supervisors, Senior Executives and Practitioners of Securities and Fund Business Institutions, Article 6:</u></p> <p><u>Persons to be appointed as directors, supervisors and senior officers of a securities and fund business institution shall meet the following basic requirements:</u></p> <p>(I) <u>Acting with integrity, honesty and good conduct;</u></p> <p>(II) <u>Being familiar with the laws and regulations in relation to securities and funds, and the requirements of the CSRC;</u></p> <p>(III) <u>Possessing more than three years of work experience in securities, funds, finance, law, accounting, information technology, etc. that commensurate with the position to be held;</u></p> <p>(IV) <u>Possessing the management experience and management ability that commensurate with the position to be held;</u></p>

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
	<p><u>The chairman and senior officers of the Company shall also meet the requirements for securities practitioners.</u></p> <p><u>The person-in-charge of compliance, person-in-charge of risk control and person-in-charge of information technology of the Company shall also meet other requirements stipulated by the CSRC.</u></p>	<p>(V) (For persons to be appointed as senior officers of the securities and fund business institution) previously holding a position superior to the departmental head of a securities and fund business institution for not less than two years, or previously holding a position superior to the departmental head of a financial institution for not less than four years, or having management experience in an equivalent position;</p> <p>(VI) Other requirements stipulated by laws, regulations and the CSRC.</p> <p>The chairman, senior officers and other persons responsible for business management to be appointed by the securities and fund business institution shall also meet the requirements for securities practitioners.</p> <p>The person-in-charge of compliance, person-in-charge of risk control and person-in-charge of information technology to be appointed by the securities and fund business institution shall also meet other requirements stipulated by the CSRC.</p>

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
<p>Article 228 None of the following persons shall serve as a director, supervisor, general manager or other senior officer of the Company:</p> <p>(I) <u>a person who has no or limited capacity for civil conduct;</u></p> <p>(II) <u>a person who was sentenced to criminal punishment for corruption, bribery, embezzlement, misappropriation of property or for sabotage of the socialist market economy order, where less than five years have elapsed after the expiration of the period of execution; or a person who was deprived of his political rights for the commission of a crime, where no more than five years have elapsed since the expiration of the period of execution;</u></p> <p>(III) <u>a person who was a director or factory manager or general manager of a company or enterprise that went into bankruptcy liquidation due to bad management and assumed personal liabilities for the bankrupt company (enterprise), where no more than three years have elapsed since the completion of bankruptcy liquidation of such company or enterprise;</u></p>	<p>Article 230 None of the following persons shall serve as a director, supervisor, general manager or other senior officer of the Company:</p> <p>(I) <u>a person who is involved in any circumstance specified in Article 146 of the Company Law, paragraph 2 of Article 124 and paragraphs 2 and 3 of Article 125 of the Securities Law, and Article 15 of the Law of the People's Republic of China on Securities Investment Funds;</u></p> <p>(II) <u>a person who was sentenced to criminal punishment for endangering national security, terrorism, corruption, bribery, embezzlement, misappropriation of property, crime of a gangland nature or disrupting social and economic order, or a person who was deprived of his political rights for the commission of a crime;</u></p> <p>(III) <u>a person who carried any administrative penalty imposed by the financial regulatory department or was banned from the securities market by the CSRC due to his/her material violation of laws or regulations, where no more than five years have elapsed since the maturity of enforcement period;</u></p>	<p>Measures for the Supervision and Administration of the Directors, Supervisors, Senior Executives and Practitioners of Securities and Fund Business Institutions, Article 7:</p> <p>None of the following persons shall serve as a director, supervisor or senior officer of a securities and fund business institution:</p> <p>(I) a person who is involved in any circumstance specified in Article 146 of the Company Law, paragraph 2 of Article 124 and paragraphs 2 and 3 of Article 125 of the Securities Law, and Article 15 of the Law on Securities Investment Funds;</p> <p>(II) a person who was sentenced to criminal punishment for endangering national security, terrorism, corruption, bribery, embezzlement, misappropriation of property, crime of a gangland nature or disrupting social and economic order, or a person who was deprived of his political rights for the commission of a crime;</p> <p>(III) a person whose fund practitioner qualification has been revoked by the CSRC or whose fund practitioner qualification has been removed by the fund industry association in the past five years;</p>

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
<p>(IV) <u>a person who was the legal representative of a company or enterprise of which the business license was revoked due to the violation of law and which was ordered to close down, and was personally liable for the above, where no more than three years have elapsed since the date of revocation of the business license of such company or enterprise;</u></p> <p>(V) <u>a person who fails to discharge personal debts of a relatively large amount when they are due;</u></p> <p>(VI) <u>a person who has been ordered by CSRC not to enter the securities market for a period which has not been expired yet;</u></p>	<p>(IV) <u>a person whose fund practitioner qualification has been revoked by the CSRC or whose fund practitioner qualification has been removed by the fund industry association in the past five years;</u></p> <p>(V) <u>a person who served as the legal representative or principal person-in-charge of operation and management of an institution that was taken over, deregistered, declared bankrupt or had its business licence revoked, where no more than five years have elapsed since such company was taken over, deregistered, declared bankrupt or had its business licence revoked, unless it can be proved that such person was not personally liable for such company being taken over, deregistered, declared bankrupt or having its business licence revoked;</u></p> <p>(VI) <u>a person who has been banned from the market by the CSRC by prohibiting him/her from serving as a director, supervisor or senior officer of any listed company, or has been identified as an inappropriate candidate, or has been subject to disciplinary actions by the industry association that determined him/her as inappropriate for engaging in the relevant business, where the term of enforcement has not expired;</u></p>	<p>(IV) a person whose fund practitioner qualification has been revoked by the CSRC or whose fund practitioner qualification has been removed by the fund industry association in the past five years;</p> <p>(V) a person who served as the legal representative or principal person-in-charge of operation and management of an institution that was taken over, deregistered, declared bankrupt or had its business licence revoked, where no more than five years have elapsed since such company was taken over, deregistered, declared bankrupt or had its business licence revoked, unless it can be proved that such person was not personally liable for such company being taken over, deregistered, declared bankrupt or having its business licence revoked;</p> <p>(VI) a person who has been identified as an inappropriate candidate by the CSRC, or has been subject to disciplinary actions by the industry association that determined him/her as inappropriate for engaging in the relevant business, where the term of enforcement has not expired;</p> <p>(VII) a person who is under investigation by an administrative authority or a judicial authority on suspicion of any violation of law or any crime, and no final handling opinion has been formed;</p> <p>(VIII) Other circumstances as determined by the CSRC in accordance with the law.</p>

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
<p>(VII) <u>a person in charge of a securities exchange or securities registration and clearing institution or a director, supervisor or senior officer of a securities company who was removed from office due to his/her violation of law or discipline, where no more than five years have elapsed since the date of such removal;</u></p> <p>(VIII) <u>a person who was judged by the relevant authority to have violated relevant securities regulations and committed any fraud or dishonest conduct, where no more than five years have elapsed since the date of such judgment;</u></p> <p>(IX) <u>any lawyer or certified public accountant or any professional of an investment consultation institution, financial consultation institution, credit rating institution, assets assessment institution or certification institution who was disqualified due to his/her violation of law or discipline, where no more than five years have elapsed since the date of such disqualification;</u></p> <p>(X) <u>any working personnel of a state organ and other personnel who are prohibited by laws, administrative regulations or relevant rules of the securities regulatory authority in the place where securities of the Company are listed from taking part-time jobs in the Company;</u></p>	<p>(VII) <u>a person who is under investigation by an administrative authority or a judicial authority on suspicion of any violation of law or any crime, and no final handling opinion has been formed;</u></p>	<p>Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation, 3.2.2:</p> <p>A candidate for director, supervisor or senior officer who falls under any of the following circumstances shall not be nominated as a director, supervisor or senior officer of any listed company:</p> <p>(I) a person who is prohibited from serving as a director, supervisor or senior officer under the Company Law;</p> <p>(II) a person who has been banned from the market by the CSRC by prohibiting him/her from serving as a director, supervisor or senior officer of any listed company, where the term of enforcement has not expired;</p> <p>(III) <u>a person who has been publicly identified by the stock exchange as being unsuitable to serve as a director, supervisor or senior officer of a listed company, where the term of enforcement has not expired;</u></p> <p>(IV) <u>a person who has been subject to administrative penalty by the CSRC within the past thirty-six months;</u></p> <p>(V) <u>a person who has been publicly censured or criticized twice or more by the stock exchange within the past thirty-six months;</u></p> <p>(VI) Other circumstances stipulated by laws, regulations and our exchange.</p>

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
<p>(XI) <u>a person who carried any administrative penalty imposed by the financial regulatory department due to his/her material violation of law or discipline, where no more than three years have elapsed since the maturity of enforcement period;</u></p> <p>(XII) <u>a person who had his/her job qualification revoked by the CSRC, where no more than three years have elapsed since the date of such revocation;</u></p> <p>(XIII) <u>a person who was determined to be inappropriate by the CSRC, where no more than two years have elapsed since the date of such determination;</u></p> <p>(XIV) a person who cannot be the leader of an enterprise in accordance with laws and administrative regulations;</p> <p>(XV) a non-natural person;</p> <p>(XVI) <u>a person who is investigated by a judicial body due to his/her violation of criminal law, with the case not closed yet;</u></p>	<p>(VIII) a person who cannot be the leader of an enterprise in accordance with laws and administrative regulations;</p> <p>(IX) a non-natural person;</p> <p>(X) <u>a person who has been publicly identified by the stock exchange as being unsuitable to serve as a director, supervisor or senior officer of a listed company, where the term of enforcement has not expired;</u></p>	<p>The last day of the aforementioned period shall be the day on which the resolution for the appointment of candidate for director, supervisor or senior officer has been considered and approved by the competent body of the company.</p>

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
<p>(XVII) <u>a person who is involved in any other circumstance determined by the CSRC; and</u></p> <p>(XVIII) a person who is involved in any other circumstance specified by laws, <u>administrative</u> regulations, <u>relevant rules of</u> the securities regulatory authority in the place where securities of the Company are listed <u>or departmental rules.</u></p> <p>No election, appointment or engagement of any director, supervisor, general manager or other senior officer in contravention of this Article shall be valid. Where, during his/her term of office, a director, supervisor, general manager or other senior officer is found to be such a person as specified above in this Article, the Company shall remove him/her from office.</p>	<p>(XI) <u>a person who has been subject to administrative penalty by the CSRC within the past thirty-six months, or has been publicly censured or criticized twice or more by the stock exchange within the past thirty-six months;</u></p> <p>(XII) a person who is involved in any other circumstance specified by laws, regulations, <u>normative documents</u>, the securities regulatory authority <u>and stock exchange</u> in the place where securities of the Company are listed.</p> <p>No election, appointment or engagement of any director, supervisor, general manager or other senior officer in contravention of <u>paragraph 1 of</u> this Article shall be valid. Where, during his/her term of office, a director, supervisor, general manager or other senior officer is found to be such a person as specified above in this Article, the Company shall remove him/her from office.</p>	

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
	<p><u>If an incumbent director, supervisor or senior officer of the Company is involved in the circumstance specified in item (XI) of paragraph 1 of this Article, and should the Board of Directors and the supervisory committee consider that his/her continuance to serve as a director, supervisor or senior officer plays an important role in the operation of the Company, he/she may be nominated as a candidate for the following term, and the reasons for such nomination should be fully disclosed. The resolution for the nomination of the aforementioned director or supervisor shall be passed by more than half of the shares held by the shareholders attending the shareholders' general meeting, and also by more than half of the shares held by the minority shareholders attending the shareholders' general meeting. The resolution for the nomination of the aforementioned senior officer shall be passed by more than two-thirds of all directors of the Board.</u></p> <p><u>If such director or supervisor should be dismissed from his/her position but has not been dismissed, and if he/she attends the Board meeting or the supervisory committee meeting and votes thereat, his/her vote(s) shall be deemed invalid and he/she shall not be counted in the quorum.</u></p>	<p>Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation, 3.2.3:</p> <p>If an incumbent director, supervisor or senior officer of the listed company is involved in any of the circumstance specified in items (IV) and (V) of paragraph 1 of Article 3.2.2 of these Guidelines, and should the board of directors and the supervisory committee consider that his/her continuance to serve as a director, supervisor or senior officer plays an important role in the operation of the company, he/she may be nominated as a candidate for the following term, and the reasons for such nomination should be fully disclosed.</p> <p>The resolution for the nomination of the aforementioned director or supervisor shall be passed by more than half of the shares held by the shareholders attending the shareholders' general meeting, and also by more than half of the shares held by the minority shareholders attending the shareholders' general meeting. The resolution for the nomination of the aforementioned senior officer shall be passed by more than two-thirds of all directors at the board meeting.</p>

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
		<p>The term “minority shareholders” as mentioned in the preceding paragraph refers to shareholders other than the company’s directors, supervisors and senior officers and shareholders who individually or collectively hold more than 5% of the shares of the company.</p> <p>Shanghai Stock Exchange Self-regulatory Guidelines for Listed Companies No. 1 – Standardized Operation, 3.2.9:</p> <p>..... If such director or supervisor should be dismissed from his/her position but has not been dismissed, and if he/she attends the board meeting or the supervisory committee meeting and votes thereat, his/her vote(s) shall be deemed invalid and he/she shall not be counted in the quorum.</p>
Newly added article, and the subsequent serial numbers are adjusted accordingly	<p><u>Article 232 The directors, supervisors and senior officers of the Company shall ensure that they have sufficient time and energy to perform their duties, and shall not conduct for themselves or others any businesses similar to those of or that have a conflict of interest with the Company.</u></p>	<p>Measures for the Supervision and Administration of the Directors, Supervisors, Senior Executives and Practitioners of Securities and Fund Business Institutions, Article 31:</p> <p>The directors, supervisors, senior officers and practitioners of securities and fund business institutions shall ensure that they have sufficient time and energy to perform their duties, and shall not conduct for themselves or others any businesses similar to those of or that have a conflict of interest with the company they work for.</p> <p>.....</p>

Serial number and content of original articles	Serial number and content of new articles	Reasons for amendments
Newly added article, and the subsequent serial numbers are adjusted accordingly	<p><u>Article 233 The directors, supervisors and senior officers of the Company shall not authorize any personnel who does not meet the requirements for their positions to perform their duties on their behalf. Where laws and regulations and the CSRC provide otherwise, such provisions shall prevail.</u></p> <p><u>If the chairman, general manager or compliance officer of the Company fails to perform their duties for any reason, the Company shall, in accordance with the Company Law and the Articles of Association, decide within 15 working days to appoint a person who meets the requirements to perform their duties on their behalf. Personnel performing duties on their behalf shall act in a prudent, diligent and responsible manner, and such period shall not exceed six months. Where the CSRC provides otherwise, such provisions shall prevail.</u></p>	<p>Measures for the Supervision and Administration of the Directors, Supervisors, Senior Executives and Practitioners of Securities and Fund Business Institutions, Article 34:</p> <p>The directors, supervisors, senior officers and practitioners of a securities and fund business institution shall not authorize any personnel who does not meet the requirements for their positions or employment to perform their duties on their behalf. Where laws and regulations and the CSRC provide otherwise, such provisions shall prevail.</p> <p>If the chairman, general manager, compliance officer or branch manager of a securities and fund business institution fails to perform their duties for any reason, the securities and fund business institution shall, in accordance with the Company Law and the articles of association, decide within 15 working days to appoint a person who meets the requirements to perform their duties on their behalf. Personnel performing duties on their behalf shall act in a prudent, diligent and responsible manner, and such period shall not exceed six months. Where the CSRC provides otherwise, such provisions shall prevail.</p>

NOTICE OF EGM



招商证券股份有限公司
China Merchants Securities Co., Ltd.

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 6099)

NOTICE OF THE 2022 SECOND EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2022 second extraordinary general meeting (the “EGM”) of China Merchants Securities Co., Ltd. (the “**Company**”) will be held at China Merchants Securities Building, No. 111 Fuhua Yi Road, Futian Street, Futian District, Shenzhen, Guangdong Province, the PRC on Tuesday, November 29, 2022 at 10 a.m. to consider and approve the following resolutions:

ORDINARY RESOLUTIONS

1. To consider and approve the resolution in relation to the renewal of continuing connected transaction with China Merchants Group Limited:
 - (a) to approve the securities and financial products, transactions and services framework agreement (the “**2022 CMG Framework Agreement**”) dated May 27, 2022 entered into between the Company and China Merchants Group Limited;
 - (b) to approve the proposed annual caps for the transactions contemplated under the 2022 CMG Framework Agreement for the three years ending December 31, 2024; and
 - (c) to authorize any director of the Company (excluding any director who is connected to China Merchants Group Limited) to make amendments, adjustments, supplements to the 2022 CMG Framework Agreement or handle other related matters, according to the provisions in domestic and foreign laws and regulations, requirements and advices from the relevant domestic and foreign governmental authorities and regulatory institutions (if any).
2. To consider and approve the resolution in relation to the renewal of continuing connected transaction with China COSCO Shipping Corporation Limited:
 - (a) to approve the securities and financial products, transactions and services framework agreement (the “**2022 COSCO Framework Agreement**”) dated May 27, 2022 entered into between the Company and China COSCO Shipping Corporation Limited;
 - (b) to approve the proposed annual caps for the transactions contemplated under the 2022 COSCO Framework Agreement for the three years ending December 31, 2024; and

NOTICE OF EGM

- (c) to authorize any director of the Company (excluding any director who is connected to China COSCO Shipping Corporation Limited) to make amendments, adjustments, supplements to the 2022 COSCO Framework Agreement or handle other related matters, according to the provisions in domestic and foreign laws and regulations, requirements and advices from the relevant domestic and foreign governmental authorities and regulatory institutions (if any).
- 3. To consider and approve the resolution on the election of Mr. LIU Chong as non-executive Director.
- 4. To consider and approve the resolution on the election of Mr. FENG Jinhua as independent non-executive Director.
- 5. To consider and approve the resolution on the proposed amendments to the Rules for Independent Directors of the Company.
- 6. To consider and approve the resolution on the proposed amendments to the Administrative Measures on the Proceeds Raised by the Company.
- 7. To consider and approve the resolution on the proposed formulation of the Administrative Measures on the External Donations of the Company.

SPECIAL RESOLUTION

- 8. To consider and approve the resolution on the proposed amendments to the Articles of Association.

By order of the Board
China Merchants Securities Co., Ltd.
HUO Da
Chairman

Shenzhen, the PRC
November 9, 2022

NOTICE OF EGM

Notes:

1. Eligibility for attending the EGM and date of registration of members

- (1) The register of members of H shares of the Company will be closed from Thursday, November 24, 2022 to Tuesday, November 29, 2022 (both days inclusive), during which period no transfer of H Shares will be registered. All transfer documents accompanied by the relevant share certificates, shall be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, November 23, 2022. Purchasers of Shares who have submitted their transfer documents to the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, and registered as Shareholders on the register of members of H Shares of the Company before 4:30 p.m. on Wednesday, November 23, 2022 are entitled to attend and vote in respect of all resolutions to be proposed at the EGM.
- (2) Further announcement will be made by the Company in the PRC regarding the record date and arrangements for holders of A Shares of the Company who are entitled to attend the EGM.

2. Proxy

- (1) A Shareholder who is entitled to attend and vote at the EGM may appoint one or more proxy(ies) to attend and vote on his/her behalf. A proxy need not be a Shareholder of the Company. A proxy of a Shareholder who has appointed more than one proxy may only vote by poll.
- (2) If a Shareholder wishes to appoint his/her proxy(ies) to attend the EGM, the instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorized in writing, or if the appointor is a legal entity, either under seal or signed by a director or duly authorized attorney. If the instrument is signed by an attorney of the appointor, the power of attorney authorizing the attorney to sign or other document of authorization shall be notarized.
- (3) In order to be valid, for holders of H Shares, the notarized power of attorney or other document of authorization and the form of proxy shall be delivered to Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 24 hours before the time appointed for the EGM.

3. Registration procedures for attending the EGM

- (1) A Shareholder attending in person should present valid proof of identity or stock account card when attending the EGM. In the case of attendance by proxy, the proxy should present valid proof of identity and the proxy form(s) of the Shareholder.
- (2) If a Shareholder is a legal person, its legal representative should present his/her proof of identity and valid proof of its capacity as a legal representative. In the case of attendance by proxy of the legal representative, the proxy should present his/her proof of identity and a written letter of authorization duly issued by such legal representative when attending the EGM.

4. Voting by poll

According to Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, any vote of shareholders at a shareholders' general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the chairman of the EGM will demand a poll in relation to the proposed resolutions at the EGM in accordance with Article 128 of the Articles of Association of the Company.

NOTICE OF EGM

5. Miscellaneous

- (1) Shareholders who attend the EGM in person or by proxy shall bear their own travelling and accommodation expenses.

- (2) The contact details of the EGM are as follows:

Computershare Hong Kong Investor Services Limited

Address: Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Telephone: (852) 2862 8555

Fax: (852) 2865 0990

The Company

Contact address: No. 111, Fuhuay Road, Futian Street, Futian District, Shenzhen, Guangdong Province, the PRC
General office of China Merchants Securities Co., Ltd.

Contact person: SHANG Zhe, SUN Ya

Contact number: (86) 755-8308 1596, (86) 755-8308 1580

Fax: (86) 755-8294 4669

IR email: IR@cmschina.com.cn

- (3) For details of the resolutions to be submitted for consideration and approval at the EGM, please refer to the circular of the Company dated November 9, 2022.

As at the date of this notice, the executive directors of the Company are Mr. HUO Da and Mr. WU Zongmin; the non-executive directors of the Company are Mr. LIU Weiwu, Mr. DENG Weidong, Ms. SU Min, Ms. PENG Lei, Mr. GAO Hong, Mr. HUANG Jian and Mr. WANG Wen; and the independent non-executive directors of the Company are Mr. XIANG Hua, Mr. XIAO Houfa, Mr. XIONG Wei, Mr. HU Honggao and Mr. WONG Ti.