

---

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

---

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

If you have sold or transferred all your shares in CITIC Securities Company Limited, you should at once hand this circular together with the enclosed proxy form for the EGM to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

---



*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*  
(Stock Code: 6030)

**(1) PROPOSED APPOINTMENTS OF DIRECTORS  
OF THE EIGHTH SESSION OF THE BOARD**  
**(2) PROPOSED APPOINTMENTS OF  
NON-EMPLOYEE REPRESENTATIVE SUPERVISORS OF  
THE EIGHTH SESSION OF THE SUPERVISORY COMMITTEE**  
**(3) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS  
AND**  
**(4) NOTICE OF 2022 SECOND EXTRAORDINARY GENERAL MEETING**

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



---

A letter from the Board is set out on pages 4 to 49 of this circular. A letter from Somerley containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 52 to 79 of this circular and a letter from the Independent Board Committee is set out on pages 50 to 51 of this circular.

A notice convening the EGM of the Company to be held at the Conference Room of the Company at CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing, the PRC on Friday, 30 December 2022 at 9:30 a.m. is set out on pages 84 to 87 of this circular.

Whether or not you are able to attend the EGM, you are requested to read the notice of EGM carefully and complete the enclosed proxy form in accordance with the instructions printed thereon and return it as soon as possible. H Shareholders are required to return the proxy form to the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited; while A Shareholders are required to return the proxy form to the Board's office, but in any event the proxy form shall be returned in person or by mail not less than 24 hours before the time appointed for the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the EGM or any adjournment thereof in person if you so wish.

8 December 2022

---

## CONTENTS

---

	<i>Page</i>
<b>DEFINITIONS</b> .....	1
<b>LETTER FROM THE BOARD</b> .....	4
<b>LETTER FROM THE INDEPENDENT BOARD COMMITTEE</b> .....	50
<b>LETTER FROM SOMERLEY</b> .....	52
<b>APPENDIX — GENERAL INFORMATION</b> .....	80
<b>NOTICE OF 2022 SECOND EXTRAORDINARY GENERAL MEETING</b> .....	84

---

## DEFINITIONS

---

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

“A Share(s)”	the domestic share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange (stock code: 600030)
“A Shareholder(s)”	holder(s) of A Shares
“Articles of Association”	the articles of association of the Company
“associate(s)”	has the meaning ascribed to it in the Hong Kong Listing Rules
“Board”	the board of Directors of the Company
“CITIC Bank”	China CITIC Bank Corporation Limited (中信銀行股份有限公司)
“CITIC Futures”	CITIC Futures Company Limited (中信期貨有限公司)
“CITIC Group”	CITIC Group Corporation (中國中信集團有限公司)
“CITIC Securities (Shandong)”	CITIC Securities (Shandong) Co., Ltd. (中信證券(山東)有限責任公司)
“CITIC Securities Investment”	CITIC Securities Investment Limited (中信證券投資有限公司)
“Company”	CITIC Securities Company Limited (中信證券股份有限公司), a joint stock company incorporated in the PRC with limited liability, whose H shares and A shares are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange respectively
“CSDC”	China Securities Depository and Clearing Corporation Limited
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“EGM”	the 2022 second extraordinary general meeting of the Company to be held at the Conference Room of the Company at CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing, the PRC on Friday, 30 December 2022 at 9:30 a.m.
“GoldStone Investment”	GoldStone Investment Co., Ltd. (金石投資有限公司)
“Group”	the Company and its subsidiaries
“H Share(s)”	the overseas listed foreign share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange (stock code: 6030)

---

## DEFINITIONS

---

“H Shareholder(s)”	holder(s) of H Shares
“HIBOR”	Hong Kong Interbank Offered Rate
“HKFRS(s)”	Hong Kong Financial Reporting Standard(s) issued by the Hong Kong Institute of Certified Public Accountants from time to time
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely, Mr. ZHOU Zhonghui, Mr. LI Qing and Mr. SHI Qingchun, which was established to advise the Independent Shareholders in relation to the Securities and Financial Products Transactions and Services Framework Agreement proposed to be renewed, as well as the proposed annual caps and maximum daily balances for the continuing connected transactions contemplated thereunder
“Independent Shareholders”	Shareholders (other than CITIC Corporation Limited (中國中信有限公司) and CITIC Limited (中國中信股份有限公司)) who are not required to abstain from voting on the resolution to be proposed at the extraordinary general meeting in relation to the renewal of the Securities and Financial Products Transactions and Services Framework Agreement and the proposed annual caps and maximum daily balances for the continuing connected transactions contemplated thereunder
“Latest Practicable Date”	30 November 2022, being the latest practicable date of ascertaining certain information contained in this circular prior to its publication
“NEEQ”	the National Equities Exchange and Quotations
“PBOC”	The People’s Bank of China
“PRC” or “China”	the People’s Republic of China, which for the purpose of this circular only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

---

## DEFINITIONS

---

“Securities and Financial Products Transactions and Services Framework Agreement”	the Securities and Financial Products Transactions and Services Framework Agreement entered into between the Company and CITIC Group on 23 September 2011 and subsequently renewed by the parties on 31 December 2013, 14 February 2017 and 31 December 2019, respectively, which, subject to the approval of the Independent Shareholders, is proposed to be further renewed by the parties for another term of three financial years expiring on 31 December 2025
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	the ordinary share(s) of the Company with a nominal value of RMB1.00 each, including A Share(s) and H Share(s)
“Shareholder(s)”	shareholders of the Company
“SHIBOR”	Shanghai Interbank Offered Rate
“SOFR”	Secured Overnight Financing Rate
“Somerley”	Somerley Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, is the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the non-exempted continuing connected transactions contemplated under the Securities and Financial Products Transactions and Services Framework Agreement and the proposed annual caps and maximum daily balances thereof
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“Wind Info”	Wind Information Co., Ltd., a company with limited liability incorporated in the PRC in 1994 and an integrated service provider of financial data, information and software
“%”	per cent



**中信证券股份有限公司**  
**CITIC Securities Company Limited**

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 6030)**

**Directors:**

Mr. ZHANG Youjun (*Executive Director, Chairman*)  
Mr. YANG Minghui (*Executive Director*)

Mr. SONG Kangle (*Non-executive Director*)  
Ms. FU Linfang (*Non-executive Director*)  
Mr. ZHAO Xianxin (*Non-executive Director*)  
Mr. WANG Shuhui (*Non-executive Director*)

Mr. ZHOU Zhonghui (*Independent Non-executive Director*)  
Mr. LI Qing (*Independent Non-executive Director*)  
Mr. SHI Qingchun (*Independent Non-executive Director*)

**Registered office:**

North Tower, Excellence Times Plaza II  
No. 8 Zhong Xin San Road  
Futian District  
Shenzhen, Guangdong Province  
the PRC

**Principal place of business in  
Hong Kong:**

26th Floor, CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

8 December 2022

*To the H Shareholders,*

**(1) PROPOSED APPOINTMENTS OF DIRECTORS  
OF THE EIGHTH SESSION OF THE BOARD**  
**(2) PROPOSED APPOINTMENTS OF  
NON-EMPLOYEE REPRESENTATIVE SUPERVISORS OF  
THE EIGHTH SESSION OF THE SUPERVISORY COMMITTEE**  
**(3) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS  
AND**  
**(4) NOTICE OF 2022 SECOND EXTRAORDINARY GENERAL MEETING**

**I. INTRODUCTION**

The purpose of this circular is to provide you with detailed information regarding, among others, (i) proposed appointments of Directors of the Eighth Session of the Board; (ii) proposed appointments of non-employee representative Supervisors of the Eighth Session of the Supervisory Committee; (iii) the proposed renewal of the Securities and Financial Products Transactions and Services Framework Agreement; and (iv) a notice convening the EGM, so as to enable you to make informed decisions on whether to vote for or against the relevant resolutions to be proposed at the EGM.

---

## LETTER FROM THE BOARD

---

### II. PROPOSED APPOINTMENTS OF DIRECTORS OF THE EIGHTH SESSION OF THE BOARD

Reference is made to the announcement of the Company dated 30 November 2022 in relation to the proposed appointments of Directors of the Eighth Session of the Board.

The term of office of the Seventh Session of the Board of the Company will be expired on 31 December 2022. In accordance with relevant provision of the Company Law of the People's Republic of China and the Articles of Association, the Company has carried out the election of new session of the Board as follows:

On the 47th meeting of the Seventh Session of the Board convened on 30 November 2022, resolutions on propose (i) to re-elect Mr. ZHANG Youjun and Mr. YANG Minghui as executive Directors of the Eighth Session of the Board, (ii) to re-elect Ms. FU Linfang, Mr. ZHAO Xianxin, Mr. WANG Shuhui as non-executive Directors of the Eighth Session of the Board, (iii) to re-elect Mr. LI Qing and Mr. SHI Qingchun as independent non-executive Directors of the Eighth Session of the Board, (iv) to appoint Mr. ZHANG Lin as a new non-executive Director of the Eighth Session of the Board and (v) to appoint Mr. ZHANG Jianhua as a new independent non-executive Director of the Eighth Session of the Board were considered and approved.

Mr. SONG Kangle, a non-executive Director of the Seventh Session of the Board and Mr. ZHOU Zhonghui, an independent non-executive Director of the Seventh Session of the Board will retire after the conclusion of the EGM.

Each of Mr. SONG Kangle and Mr. ZHOU Zhonghui has confirmed that he has no disagreement with the Board and there is no matter relating to his retirement that needs to be brought to the attention of the Shareholders. The Board would like to express its sincere gratitude to Mr. SONG Kangle and Mr. ZHOU Zhonghui for their long-term contribution to the Company and expects their continued attention and support to the development of the Company.

Biography details of each of the Director candidates of the Eighth Session of the Board are set out as follows:

#### Candidates for executive Directors

Mr. ZHANG Youjun, aged 57, serves as secretary to the Communist Party Committee of the Company, an executive Director and Chairman of the Company. Mr. ZHANG joined the Company at the time of the establishment of the Company in 1995, and was appointed as an executive Director of the Company on 19 January 2016. During the same term, he was elected as the Chairman of the Company. Mr. ZHANG also serves as assistant to the general manager of each of CITIC Group, CITIC Limited and CITIC Corporation Limited, the director of China CITIC Financial Holdings Co., Ltd., the chairman of each of Goldstone Investment Co., Ltd. and CITIC Securities Investment Limited. Mr. ZHANG had worked as a general manager of the trading department, an assistant manager and a deputy general manager of the Company since 1995, and was appointed as a Director of the Company from September 1999 to June 2012 and the general manager of the Company from May 2002 to October 2005. Mr. ZHANG previously worked as the general manager of Changsheng Fund Management Co., Ltd. from 1998 to 2001 and successively served as the general manager and the chairman of CSC Financial Co., Ltd. from 2005 to 2011, a director of the board office of CITIC Group from December 2011 to December 2015, a director of Zhongzheng International Company Limited from April to December 2020, and successively served as the chairman of CITIC Securities International Co., Ltd. and CLSA (i.e. CLSA B.V. and its subsidiaries) and a director of

---

## LETTER FROM THE BOARD

---

CLSA Limited and Sailing Capital Management Co., Ltd. from January 2016 to September 2022, etc.. Mr. ZHANG obtained a bachelor degree in economics (majoring in money and banking) in 1987 from Renmin University of China and a master degree in economics (majoring in money and banking) in 1990 from Central University of Finance and Economics.

As at the Latest Practicable Date, Mr. ZHANG Youjun holds 430 A Shares of the Company, representing approximately 0.000003% of the total issued Shares of the Company.

Mr. YANG Minghui, aged 58, serves as deputy secretary to the Communist Party Committee of the Company, an executive Director, the President and member of the Executive Committee of the Company. Mr. YANG joined the Company at the time of the establishment of the Company in 1995 and was appointed as a Director of the Company on 19 January 2016. Mr. YANG also concurrently serves as the chairman of China Asset Management Company Limited. Mr. YANG successively served as a Director, an assistant manager and a deputy general manager of the Company; a director and executive vice-president of CITIC Holdings Limited and a director of CITIC Trust Co., Ltd. from May 2002 to August 2005; the chairman of CITIC-Prudential Fund Management Co., Ltd. from July 2005 to January 2007; and an executive director and the president of China Jianyin Investment Securities Company Limited from August 2005 to October 2011. Mr. YANG was granted the title of senior economist by China International Trust and Investment Corporation, the predecessor of CITIC Group, in October 1996. Mr. YANG obtained a bachelor degree in engineering (majoring in mechanical manufacturing technology and equipment) from the Department of Mechanical Engineering of East China Institute of Textile Science and Technology in 1982 and a master degree in engineering (majoring in textile machinery) from the Department of Mechanical Engineering of East China Institute of Textile Science and Technology in 1985.

### **Candidates for non-executive Directors**

Mr. ZHANG Lin, aged 57, is currently a non-executive director of CITIC Group Corporation, CITIC Limited and CITIC Corporation Limited, and a director of China CITIC Financial Holdings Co., Ltd. Mr. ZHANG successively served in the Ministry of Finance as the senior staff member at China Enterprise Division of Finance Department of Gansu Province, the senior staff member, principal staff member, deputy director of the Executive Office of Gansu Supervision & Inspection Office, a member of the leading Party members group and the assistant inspector of Gansu Supervision & Inspection Office, a member of the leading Party members group, the deputy inspector and leader of Discipline Inspection and Supervision Group of Ningxia Supervision & Inspection Office, the secretary of the leading Party members group and chief inspector of Shaanxi Supervision & Inspection Office, the secretary of the leading Party members group and director of Shaanxi Supervision Bureau from 1987 to 2021. Mr. ZHANG graduated from Lanzhou University with a bachelor degree in Business Administration in 2002.

Ms. FU Linfang, aged 47, serves as a non-executive Director of the Company. Ms. FU was appointed as a non-executive Director of the Company on 13 April 2022. Ms. FU is currently the deputy general manager of the Strategic Development Department of CITIC Group, a director of CITICS Industrial Investment Group Corp., Ltd. and a director of CITIC Finance Company Limited. Ms. FU successively served as deputy head, project manager, senior project manager and director of Business Division II of the Integrated Planning Department of CITIC Corporation (中信公司) (later renamed as the Strategy and Planning Department and Strategic Development Department of CITIC Group) and division head of the Secretariat of the Strategic Investment Committee from 2000 to 2017. From 2017 to 2020, she was the assistant to the general manager of the Strategic Development Department and concurrently the head of the Secretariat of the Strategic Investment Committee of CITIC Group. Ms. FU obtained a bachelor degree in economics from Tianjin University of Commerce in 1997, majoring in real estate business management, a master degree in management from Nankai University in 2000, majoring in business management, and



---

## LETTER FROM THE BOARD

---

a master degree in business administration (MBA) from the University of Bath in the United Kingdom in 2006.

Mr. ZHAO Xianxin, aged 53, serves as a non-executive Director of the Company. Mr. ZHAO was appointed as a non-executive Director of the Company on 13 April 2022. Mr. ZHAO is also the deputy general manager of the Legal Compliance Department of CITIC Group and the general manager of the Risk Compliance Department of China CITIC Financial Holdings Co., Ltd. Mr. ZHAO has served as a staff member in the Fujian Branch of Industrial and Commercial Bank of China from 1995 to 1997, and served as the deputy director and director of the Asset & Liability Management Department at the Head Office of the Bank of China from 2000 to 2007. He served as general manager of the Risk Policy Management Department and director of the Basel Accords Office of Shanghai Pudong Development Bank from 2007 to 2018, and successively served as deputy director-general of the Monetary Policy Department II and the Macprudential Policy Bureau of the People's Bank of China from 2018 to 2021. Mr. ZHAO obtained a bachelor degree in science from Nanjing University in 1992, majoring in urban planning, a master degree in regional economics from Renmin University of China in 1995, and a doctoral degree in western economics from Peking University in 2000.

Mr. WANG Shuhui, aged 51, serves as a non-executive Director of the Company. Mr. WANG was appointed as a non-executive Director of the Company on 23 June 2020. Mr. WANG currently serves as the chairman of each of Guangzhou Yuexiu Financial Holdings Group Co., Ltd., Guangzhou Yuexiu Capital Holdings Group Co., Ltd., Guangzhou Yuexiu Financial Holdings Capital Management Co., Ltd. and Guangzhou Yuexiu Industrial Investment Fund Management Co., Ltd.. Mr. WANG successively served as the business manager of the securities issuance consultancy department, the deputy manager of the research and development department, secretary to the board of directors and vice president of CITIC Securities South China Company Limited (formerly known as “Guangzhou Securities Company Limited” (廣州證券股份有限公司)) from 1994 to 2006; successively served as the office general manager and general manager of the development department of Guangzhou Yue Xiu Holdings Limited (廣州越秀集團股份有限公司) from 2006 to 2010; and successively served as an assistant to general manager, director and deputy general manager of Guangzhou Yue Xiu Holdings Limited and Yuexiu Enterprises (Holdings) Limited (越秀企業(集團)有限公司) from 2010 to 2016. Mr. WANG obtained a bachelor degree in economics from Southwestern University of Finance and Economics in 1993 and a master degree in economics from Jinan University in 2000.

### **Candidates for independent non-executive Directors**

Mr. LI Qing, aged 60, serves as an independent non-executive Director of the Company. Mr. LI was appointed as an independent non-executive Director of the Company on 29 June 2021. Mr. LI has served as a Chair Professor and the Department Head of the Department of Computing of the Hong Kong Polytechnic University since December 2018. Mr. LI successively served as an assistant professor, associate professor and full professor of the City University of Hong Kong from 1998 to 2018. From 2013 to 2018, Mr. LI served as the Founding Director of the Multimedia-software Engineering Research Center (MERC) of the City University of Hong Kong. From 2003 to 2005, Mr. LI set up and served as manager of the Mobile Information Management Division at the CityU R&D Center in Zhuhai. From 2005 to 2012, Mr. LI established and served as the general manager and the chairman of Zhuhai Faster Software Technology Ltd. Mr. LI obtained a bachelor degree from Hunan University in 1982, a master degree in computer science and a doctoral degree in computer science from the University of Southern California in the United States of America in 1985 and 1988, respectively.

---

## LETTER FROM THE BOARD

---

Mr. SHI Qingchun, aged 49, serves as an independent non-executive Director of the Company. Mr. SHI was appointed as an independent non-executive Director of the Company on 13 April 2022. Mr. SHI joined the School of Management of Lanzhou University in April 2012 and has served as an associate professor of the School of Management of Lanzhou University from May 2016. Mr. SHI graduated from Lanzhou University of Finance and Economics in 2002, majoring in Accounting, obtained a master degree in Management from Lanzhou University in 2006, majoring in Business Management, and a doctoral degree in Management from Xi'an Jiaotong University in 2011, majoring in Business Administration (Accounting).

Mr. ZHANG Jianhua, aged 57, an expert who enjoys the government special allowance of the State Council, currently serves as the researcher, adjunct professor and doctoral supervisor of the Tsinghua University PBC School of Finance and the director of Research Center for Financial Development and Regtech of the Institute for Fintech Research, Tsinghua University, as well as the editor-in-chief of the Tsinghua Financial Review. From 1989 to 2015, Mr. ZHANG successively served as the senior staff member and principal staff member of the Trust Company Management Division of the Financial Management Department of the People's Bank of China, principal staff member, deputy director and director of the Financial Lease Company Supervision Division of the Non-bank Financial Institutions Supervision Department of the People's Bank of China, director of the Supervision Division III of the Non-bank Financial Institutions Supervision Department of the People's Bank of China, director of the Fiscal and Taxation Research Division of the Research Bureau of the People's Bank of China, deputy director-general of the Financial Stability Bureau of the People's Bank of China, director-general of the Research Bureau of the People's Bank of China, secretary to the Communist Party Committee and president of the Hangzhou Central Sub-branch of the People's Bank of China and concurrently director-general of the State Administration of Foreign Exchange Zhejiang Branch; he served as the deputy secretary to the Communist Party Committee, director and president of Beijing Rural Commercial Bank Co., Ltd. from 2015 to 2016, and served as deputy secretary to the Communist Party Committee, director and president of Hua Xia Bank Co., Limited from January 2017 to February 2022. Mr. ZHANG obtained a bachelor degree in engineering from the Department of Management Information Systems of Tsinghua University in 1987, graduated from the monetary banking of Graduate School of the Financial Research Institute of the People's Bank of China in 1989, and graduated from the technical economy and management of Tsinghua University and obtained a doctoral degree in management in 2003.

Each of the Director candidates of the Eighth Session of the Board has confirmed that, saved as disclosed above: (i) he/she does not hold any other position with the Company or any of its subsidiaries and has not been a director in any other listed companies during the past three years; (ii) he/she has no relationship with any other directors, senior management or substantial shareholders of the Company or any of its subsidiaries; and (iii) as at the Latest Practicable Date, he/she does not have any interest in the Shares of the Company within the meaning of Part XV of the SFO.

Each of the Director candidates of the Eighth Session of the Board has also confirmed that there is no other information in relation to his/her re-election or appointment that needs to be disclosed pursuant to the requirements of Rules 13.51(2)(h) to (v) of the Hong Kong Listing Rules, and there is no other matter in relation to his/her re-election or appointment that needs to be brought to the attention of the Shareholders.

---

## LETTER FROM THE BOARD

---

The term of office of the Eighth Session of the Board shall be three years, commencing from the date when the relevant resolutions are approved at the EGM, except that the term of office of Mr. ZHANG Jianhua shall commence from the date of approval by the EGM and the regulatory authority on his qualification, whichever the later. If appointed, the remuneration of each executive Director of the Eighth Session of the Board will be determined according to the Remuneration Management System of the Company, which may include basic annual salary, annual salary linked to performance, special awards and insurance benefits, the non-executive Directors will not receive any remuneration from the Company for serving as non-executive Directors of the Company, and the independent non-executive Directors will be entitled to an allowance of RMB300,000 per year (tax inclusive), and will be provided with relevant subsidies for attending on-site meetings of the specialized committees under the Board, which is determined in accordance with the Remuneration Management System of the Company and has been approved by the Shareholders at the first extraordinary general meeting of 2021 of the Company. After the appointment of each of the Directors of the Eighth Session of the Board enters into effect, the Company will enter into service contract with each of them.

In accordance with the requirements of relevant laws, regulations and the Articles of Association, the above-mentioned proposed appointments of the Directors of the Eighth Session of the Board are still subject to the approval by the Shareholders at the EGM. In addition, the proposed appointment of Mr. ZHANG Jianhua as a new independent non-executive Director of the Eighth Session of the Board is also subject to the approval by the securities regulatory authorities on his qualification for serving as a director of a securities company.

### **III. PROPOSED APPOINTMENTS OF NON-EMPLOYEE REPRESENTATIVE SUPERVISORS OF THE EIGHTH SESSION OF THE SUPERVISORY COMMITTEE**

Reference is made to the announcement of the Company dated 30 November 2022 in relation to the proposed appointments of non-employee representative Supervisors of the Eighth Session of the Supervisory Committee.

The term of office of the Seventh Session of the Supervisory Committee of the Company will be expired on 31 December 2022. In accordance with relevant provision of the Company Law of the People's Republic of China and the Articles of Association, the Company has carried out the election of new session of the Supervisory Committee as follows:

On the 18th meeting of the Seventh Session of the Supervisory Committee convened on 30 November 2022, resolutions on the proposal of the re-election of Mr. ZHANG Changyi, Mr. GUO Zhao and Mr. RAO Geping as non-employee representative Supervisors of the Eighth Session of the Supervisory Committee were considered and approved.

The employee representative Supervisors of the Eighth Session of the Supervisory Committee will be elected by the employee representatives' general meeting of the Company and are not subject to the Shareholders' approval.

Biography details of each of the non-employee representative Supervisors candidates of the Eighth Session of the Supervisory Committee are set out as follows:

Mr. ZHANG Changyi, aged 55, currently serves as deputy secretary to the Communist Party Committee, chairman of the Supervisory Committee and chairman of the labor union of the Company. Mr. ZHANG joined the Company in 2018, and was appointed as the chairman of the Supervisory Committee of

---

## LETTER FROM THE BOARD

---

the Company on 23 June 2020. Mr. ZHANG successively served as an officer, staff and associate principal staff of the education department of the Ministry of Construction from August 1989 to November 1995, and successively served as principal staff and assistant consultant of the general office of the Ministry of Construction from November 1995 to June 1997, the second secretary (deputy-division-head level), deputy division head, the first secretary and deputy division head (division-head level) of the second secretary bureau of the General Office of the State Council from June 1997 to April 2001 and secretary of division-head level, secretary of deputy bureau level, secretary of bureau-head level in the General Office of the State Council from April 2001 to August 2018. Mr. ZHANG also serves as the chairman of GoldStone ZeXin Investment Management Co., Ltd.. Mr. ZHANG obtained a bachelor degree in engineering (majoring in industrial and civil architecture) from the Architectural Engineering Department of Northwest Institute of Construction Engineering in 1989 and a master degree in engineering (majoring in management engineering) from Harbin University of Civil Engineering and Architecture in 1999.

Mr. GUO Zhao, aged 65, serves as a Supervisor of the Company. Mr. GUO joined the Company in 1999 and was appointed as a Supervisor of the Company on 26 September 1999. Mr. GUO previously worked as the deputy chief accountant of Nanjing International Container Handling Co., Ltd. from 1988 to 1992; as the secretary to the board of directors of Nanjing Xingang High-Tech Co., Ltd. from 1992 to 2002; as director of Nanjing Xingang High-Tech Co., Ltd. from January 2001 to January 2013; as vice president of Nanjing Gaoke Co., Ltd. from June 2003 to December 2016; and as director and general manager of Nanjing Chengong Pharmaceuticals Co., Ltd. from January 2001 to January 2017. Mr. GUO obtained the accountant certificate in September 1993, which was granted by the Committee for Assessment of Academic Qualifications of the PRC Ministry of Transport. Mr. GUO obtained a college diploma in water transport finance and accounting in 1988 from Wuhan River Transportation College.

Mr. RAO Geping, aged 74, serves as a Supervisor of the Company. Mr. RAO joined the Company in 2011 and was appointed as a Supervisor of the Company on 19 January 2016 and formally took office on 23 March 2016. Mr. RAO is also a professor of Peking University Law School, honorary chairman of the Academy of Hong Kong and Macao Studies in Peking University and concurrently, the head of the Institute of Hong Kong and Macao Affairs of the Development Research Centre of the State Council, the deputy chairman of Chinese Judicial Studies Association (中國司法研究會) and chairman member of the Law Specialty Committee on National Self-taught Higher Education Examinations. Mr. RAO previously served as a member of 12th CPPCC National Committee, a member of the Hong Kong Special Administrative Region Basic Law Committee of the Standing Committee of the NPC, an independent supervisor of TravelSky Technology Limited, an independent non-executive Director of the Company and an independent non-executive director of Yangguang Xinye Real Estate Co., Ltd. Mr. RAO obtained a master degree in law in 1982 from Peking University and was a visiting scholar at the University of Washington, New York University, and Max Planck Institute of International Law.

Each of the non-employee representative Supervisor candidate of the Eighth Session of the Supervisory Committee has confirmed that, saved as disclosed above: (i) he does not hold any other position with the Company or any of its subsidiaries and has not been a director in any other listed companies during the past three years; (ii) he has no relationship with any directors, senior management or substantial shareholders of the Company or any of its subsidiaries; and (iii) as at the Latest Practicable Date, he does not have any interest in the Shares of the Company within the meaning of Part XV of the SFO.

Each of the non-employee representative Supervisor candidate of the Eighth Session of the Supervisory Committee has also confirmed that there is no other information in relation to his re-election that needs to be disclosed pursuant to the requirements of Rules 13.51(2)(h) to (v) of the Hong Kong Listing Rules, and there is no other matter in relation to his re-election that needs to be brought to the attention of the Shareholders.

---

## LETTER FROM THE BOARD

---

The term of office of the non-employee representative Supervisors of the Eighth Session of the Supervisory Committee shall be three years, commencing from the date when the relevant resolutions are approved at the EGM. If appointed, the remuneration of Mr. ZHANG Changyi will be determined according to the Remuneration Management System of the Company, which may include basic annual salary, annual salary linked to performance, special awards and insurance benefits; the other non-employee representative Supervisors of the Eighth Session of the Supervisory Committee will be entitled to an allowance of RMB200,000 per year (tax inclusive), which is determined in accordance with the Remuneration Management System of the Company and has been approved by the Shareholders at the first extraordinary general meeting of 2021 of the Company. After the appointment of each of the non-employee representative Supervisor of the Eighth Session of the Supervisory Committee enters into effect, the Company will enter into service contract with each of them.

In accordance with the requirements of relevant laws, regulations and the Articles of Association, the above-mentioned proposed appointments of the non-employee representative Supervisors of the Eighth Session of the Supervisory Committee are still subject to the approval by the Shareholders at the EGM.

#### **IV. PROPOSED RENEWAL OF THE SECURITIES AND FINANCIAL PRODUCTS TRANSACTIONS AND SERVICES FRAMEWORK AGREEMENT**

##### **1 BACKGROUND**

Reference is made to the announcement of the Company dated 30 September 2022 (the “**Announcement**”) in relation to the renewal of certain continuing connected transactions of the Company including, but not limited to, the continuing connected transactions under the Securities and Financial Products Transactions and Services Framework Agreement.

##### **1.1 The existing Securities and Financial Products Transactions and Services Framework Agreement**

As disclosed in the Announcement, the Group has been, in the ordinary and usual course of its businesses, entering into continuing connected transactions with CITIC Group and its associates including securities and financial products transactions and mutual provision of securities and financial services and financing transactions.

As the term of the Securities and Financial Products Transactions and Services Framework Agreement and the relevant annual caps thereunder are due to expire by the end of December 2022, the Company proposed to further renew the Securities and Financial Products Transactions and Services Framework Agreement for a term of three years ending 31 December 2025, and to set the annual caps for the continuing connected transactions thereunder for the three financial years ending 31 December 2025.

---

## LETTER FROM THE BOARD

---

### 1.2 The proposed renewals

In order to continue and regulate the continuing connected transactions under the Securities and Financial Products Transactions and Services Framework Agreement and upon approval by the Independent Shareholders at the extraordinary general meeting to be convened, the Company proposed to:

- (a) renew the Securities and Financial Products Transactions and Services Framework Agreement with CITIC Group and its associates for a further term of three financial years commencing from 1 January 2023 and ending on 31 December 2025;
- (b) in respect of the securities and financial products transactions under the renewed Securities and Financial Products Transactions and Services Framework Agreement, set the annual caps/maximum daily balances for the continuing connected transactions contemplated thereunder, including:
  - (i) the annual caps for the securities and financial products transactions;
  - (ii) the maximum daily balance of non-exempted loans, including without limitation repurchase and margin financing, by CITIC Group and its associates to the Group; and
  - (iii) the maximum daily balance of non-exempted loans, including without limitation reverse repurchase and inter-financial institutions lending, by the Group to CITIC Group and its associates;for the next three financial years ending 31 December 2025;
- (c) in respect of the securities and financial services transactions under the renewed Securities and Financial Products Transactions and Services Framework Agreement, set the annual caps for the securities and financial services transactions for the next three financial years ending 31 December 2025.

In respect of the balance of the Group's proprietary funds and its customers' funds which are deposited with commercial banks in the PRC, the Company had applied for, and was granted by the Hong Kong Stock Exchange on 30 May 2022, a waiver from setting up the maximum daily balance of deposits deposited with the banking subsidiaries of CITIC Group in the PRC and Hong Kong for the next three financial years ending 31 December 2025.

The provision of inter-financial institutions loans by CITIC Group and its associates to the Group and the subscription by CITIC Group and its associates for the beneficiary certificates issued by the Group are exempted from reporting, announcement and Independent Shareholders' approval requirements under the Hong Kong Listing Rules as such transactions constitute financial assistance provided by a connected person for the benefit of the Group upon normal commercial terms with no security given for such financial assistance.



---

## LETTER FROM THE BOARD

---

### 2 THE SECURITIES AND FINANCIAL PRODUCTS TRANSACTIONS AND SERVICES FRAMEWORK AGREEMENT

#### 2.1 The securities and financial products transactions

##### 2.1.1 Introduction

The Group has been entering into securities and financial products transactions with CITIC Group and its associates in the normal course of its business and upon normal commercial terms. Such transactions involve the trading of securities and financial products on the PRC interbank bond market, and the exchanges (including PRC exchange bond market, futures exchanges, etc.), as well as the lending of funds by CITIC Group and/or its associates to the Group and the lending of funds by the Group to CITIC Group and/or its associates in the interbank money market.

The Company proposed to renew the Securities and Financial Products Transactions and Services Framework Agreement on the same terms and conditions for a further term of three financial years ending 31 December 2025, except with the following changes in the scope of securities and financial products transactions, as indicated by the mark-ups:

- (a) *Transactions relating to securities products with fixed income features* — including, but not limited to, bonds, funds, trusts, wealth management products, asset management plans, asset securitized products, bond lending and borrowing, structured products, swaps, futures, forwards, options, debts and other financial products with fixed income features;
- (b) *Transactions relating to fixed income related derivative products* — including, but not limited to, interest rates and credit derivatives;
- (c) *Transactions relating to equity-linked products* — including, but not limited to, trading and/or subscription of equity (including market-making activities on the NEEQ), funds, trusts, wealth management products, asset management products and equity derivatives such as return swaps, futures and options;
- (d) *Transactions relating to financing transactions* — financing transactions among financial institutions with or without guarantees/pledges including, but not limited to, interbank lending and borrowing, repurchase, interbank deposits, usufruct, asset securitization, corporate account overdraft, pledge loans, holding debt certificates for each other such as short-term financing bonds, beneficiary certificates, subordinated debts, corporate bonds; and
- (e) *Transactions relating to other related securities and financial products permitted by the regulatory authority* — including, but not limited to, futures, foreign exchange and commodities trading (commodity derivatives inclusive), etc.

---

## LETTER FROM THE BOARD

---

In the ordinary and normal course of the Group's business, the Group would enter into repurchase transactions (including collateralized securities repurchase and repurchase agreement transactions) with the financial institutions of CITIC Group and its associates. Collateralized securities repurchase involves the pledge of securities of the Group, including bonds and shares as collateral, to obtain financing from the financial institutions of CITIC Group and its associates and the Group agreeing to repay the funds obtained on a future date to release the pledge. Repurchase agreement refers to the sale of securities to the financial institutions of CITIC Group and its associates for trading at an agreed-upon price, and agreement to repurchase the subject securities at another agreed-upon price on a specific date in the future.

In addition, in the ordinary and normal course of the Group's business, the Group may also enter into lending transactions, including reverse repurchase transactions, with or without collateralized securities, with CITIC Group and its associates.

### *2.1.2 Reasons for the changes*

- (a) The deletion of "securities" is to clarify that the products with fixed income features are not limited to securities only.
- (b) In the normal course of business of the Group and CITIC Group and its associates, the Group may purchase debts from and/or sell debts to CITIC Group and its associates from time to time.
- (c) The addition of "commodity derivatives" is to only provide an example of main products of commodities trading. This is not a new product.

### *2.1.3 Pricing basis for securities and financial products transactions*

#### *(a) Securities and financial products transactions*

The securities and financial products transactions are mainly conducted through the PRC interbank bond market and the exchanges (including PRC exchange bond market, futures exchanges, etc.). Such transactions are and will continue to be carried on at the prevailing market prices in the ordinary and usual course of the Group's business and with high frequency. The pricings of such transactions are subject to strict PRC regulatory supervision and requirements of the applicable PRC laws and regulations.

The major types of securities and financial products traded on the PRC interbank bond market and the PRC exchange bond market include a majority of the fixed income products and some repurchase and reverse repurchase transactions. The pricing of transactions conducted on the PRC interbank bond market and the PRC exchange bond market is determined based on the prices quoted in the PRC interbank bond market and the PRC exchange bond market respectively. Such prices are mainly determined with reference to the valuation of the relevant securities and financial products published by China Central Depository & Clearing Co., Ltd. ("CCDC"), as well as the yield curve and the turnover details published by China Foreign Exchange Trade System & National Interbank Funding Center ("NIFC").



---

## LETTER FROM THE BOARD

---

PRC interbank bond market is an open, highly regulated quote-driven market regulated by the PBOC pursuant to the Measures for the Administration of Bond Transactions in the National Interbank Bond Market (《全國銀行間債券市場債券交易管理辦法》). Transactions in the PRC interbank bond market must be reported to NIFC and are supervised by NIFC, CCDC and the National Association of Financial Market Institutional Investors (“NAFMII”).

According to the relevant PRC laws and regulations, prevailing market prices in the PRC interbank bond market are determined with reference to the bid and offer prices quoted on NIFC and all transactions, whether conducted through an authorized intermediate money brokerage firm or a market maker or through over-the-counter negotiations, have to be reported to NIFC and reflected in the price quotations provided by NIFC and CCDC. According to the self-regulatory rules of NAFMII (i.e. the Self-regulatory Rules for Bond Transaction in Interbank Bond Market (《銀行間債券市場債券交易自律規則》)), abnormal pricing may result in disciplinary action by NAFMII, including public criticism. NAFMII is a self-regulatory organization responsible for supervising interbank transactions.

The PRC exchange bond market is an order-driven market governed by the CSRC. Transactions in the PRC exchange bond market have to be conducted in accordance with the prevailing market prices quoted on the relevant PRC stock exchanges.

The major types of securities and financial products traded on exchanges include equities and bonds. The pricing of transactions conducted on the exchanges is determined based on the prevailing market prices in the relevant stock exchanges.

In the ordinary and normal course of the Group’s business, the Group and CITIC Group and its associates may also enter into transactions with each other in securities and financial products over the counter, such as transactions in some fixed income products, such as funds, trusts and wealth management products, fixed income related derivative products, equity-linked products, other related securities and financial products and some repurchase and reverse repurchase transactions. The pricing of transactions in OTC derivatives is determined mainly based on the derivative pricing models, such as Monte Carlo simulation, B-S model, etc. In terms of subscriptions by the Group of the financial products set up by the financial institutions of CITIC Group and subscription by CITIC Group and its associates of the financial products set up by the Group, the subscription price is at the same subscription price as the subscriptions by other investors. Such subscription price is determined by the financial institutions (or by the Group, where the financial product is set up by the Group) which set up the financial products after considering the fundamentals of the assets/businesses to be invested. CITIC Group and its associates are required to satisfy and comply with relevant rules regulating issuance, including pricing determination, of their financial products, such as Measures for the Administration of the Offering and Underwriting of Securities (《證券發行與承銷管理辦法》), Administrative Measures for the Initial Public Offering and Listing of Stocks (《首次公開發行股票並上市管理辦法》), Measures for the Administration of Registration of Securities Offering by Companies Listed on the ChiNext (for Trial Implementation) (《創業板上市公司證券發行註冊管理辦法(試行)》), Implementation Rules for the Non-public Offering of Stocks by Listed Companies (《上市公司非公開發行股票實施細則》), Initial Public Offering of Stocks on the STAR Market (《科創板首次公開發行股》), Detailed Implementation Rules for the Online Issuance of Initial Public Offering Stocks on the Shanghai Stock Market (《上海市場首次公開發行股票網上發行實施細則》), Detailed Implementation Rules for the Offline Placement of Initial Public Offering Stocks on the Shanghai Stock Market (《上海市場首次公開發行股票網下發行實

---

## LETTER FROM THE BOARD

---

施細則》), Detailed Implementation Rules for the Online Issuance of Initial Public Offering Stocks on the Shenzhen Stock Market (《深圳市場首次公開發行股票網上發行實施細則》), Detailed Implementation Rules for the Offline Placement of Initial Public Offering Stocks on the Shenzhen Stock Market (《深圳市場首次公開發行股票網下發行實施細則》), Implementation Rules on the Securities Offering and Underwriting Business by Companies Listed on the ChiNext of the Shenzhen Stock Exchange (《深圳證券交易所創業板上市公司證券發行與承銷業務實施細則》), Guidelines for Internal Control over Bond Investment and Trading Business of Securities and Fund Operators (《證券基金經營機構債券投資交易業務內控指引》), Administrative Measures for the Issuance and Trading of Corporate Bonds (《公司債券發行與交易管理辦法》), Administrative Measures for Swap Business of Securities Companies (《證券公司互換業務管理辦法》), Administrative Measures for Over-the-Counter Options Business of Securities Companies (《證券公司場外期權業務管理辦法》), Administrative Measures of Income Swap Business of Securities Companies (《證券公司收益互換業務管理辦法》). The relevant rules and measures would normally require information documents to be prepared and disclosed, which would require due diligence, valuation, auditing of financial information, rating, etc. to be conducted or prepared for the purpose of the issuance.

*(b) Inter-financial institutions borrowings, repurchase and loans*

For inter-financial institutions borrowings and lendings, transactions are conducted based on the prevailing interest rates quoted on the interbank money market with reference to SHIBOR, HIBOR and SOFR (as the case may be). The pricings of such transactions are also subject to the applicable Hong Kong laws and strict PRC regulatory supervision and requirements of the applicable PRC laws and regulations (as the case may be). Upon the relaxation of the relevant PRC rules and regulations, the Group has engaged in inter-financial institutions borrowings from the banking institutions of CITIC Group and its associates since 2016. Such borrowings are all conducted at the prevailing interest rates in the interbank money market at the time of the borrowings with no security being given by the Group for such inter-financial institutions borrowings.

The Group also engages in collateralized securities repurchase transactions with the financial institutions of CITIC Group and its associates in the ordinary course of its business at interest rates which are available to independent third party customers of the financial institutions or for better than normal commercial terms. The Group may also enter into repurchase agreements with the financial institutions of CITIC Group and its associates upon the same terms applicable to repurchase transactions by the financial institutions of CITIC Group and its associates to independent third party customers or for better than normal commercial terms.

The Group would ensure that the interest rates of repurchase offered by the financial institutions of CITIC Group and its associates are at the prevailing market rates by ascertaining from time to time that the terms (including the securities to be collateralized and financing period) and interest rates quoted by the financial institutions of CITIC Group and its associates are comparable to those offered to independent third party customers of the financial institutions of CITIC Group and its associates by obtaining terms and interest rates from other major commercial banks to ensure that such terms and interest rates are also comparable to those offered by other comparable financial institutions in the market.

---

## LETTER FROM THE BOARD

---

The loans provided by the Group to CITIC Group and its associates, including reverse repurchase, will be entered into upon normal commercial terms at interest rates and terms of reverse repurchase, as applicable to similar loans or repurchase transactions by the Group to its independent third party customers.

### *2.1.4 Pricing approval and supervision*

The Company has access to the NIFC and CCDC systems and systems of the domestic stock exchanges for transactions in the interbank bond market and PRC exchange bond market. It also reviews various bond market information published by NIFC and CCDC and other agents. For example, NIFC also composes repurchase rate which is one of the key benchmarks for repurchase transactions in the PRC financial market. The Company has also subscribed for information services provided by information service providers, such as Wind Info, and has access to information channels and websites of official and voluntary industry regulatory authorities, such as Asset Management Association of China, Chinamoney.com.cn and Chinabond.com.cn, etc., which publish periodic official and voluntary statistics/information on the industry from time to time.

To ensure the terms of the securities and financial products transactions are on normal commercial terms or on terms no less favourable than terms applicable to independent third parties, the Group has implemented internal approval and monitoring procedures, including the following:

- (a) The Group has established its internal guidelines and policies for conducting of certain types of securities and financial products as well as the internal procedures and systems for approval and supervision such transactions and lending and borrowings. Such policies and guidelines would set out the requirements for pre-trading pricing enquiries, applicable interest rates, the procedures for price determination, approval authority and procedures, record keeping, supervision and review procedures for relevant types of transactions and businesses.
- (b) For example, for products with fixed income features, transactions through the interbank bond market and PRC exchange bond market shall be submitted to the Company's internal system for approval by the relevant department, and for record keeping. The risk management department of the Company will, through the system and daily report issued, monitor and control the transaction process and overall business operations. For capital operations, the Company, in accordance with the PRC rules and regulations, has set up its own internal system for pre-approval of borrowing and lending, collateralized securities repurchase and repurchase agreements, which would require pre-approval by the relevant department to ensure that any such transactions are conducted at market prices.

---

## LETTER FROM THE BOARD

---

- (c) For financing transactions involving loans from and to CITIC Group and its associates, the individual department will control the levels of borrowings, including collateralized securities repurchase and repurchase agreements, and the loans to CITIC Group and its associates to ensure compliance with the maximum daily balances. Each department has an annual plan for borrowings, which will set a limit on the level of borrowings. In addition, each business department has designated contact persons for connected transactions, who have received trainings on the requirements relating to connected transactions. All connected transactions, once identified and conducted, will be recorded by the relevant department, which will check to ensure that all applicable restrictions, including the level of borrowings and the maximum daily balances, are observed and complied with.
- (d) The contact persons for connected transactions of the business departments of the Company are responsible for regularly monitoring whether the actual transaction amounts would exceed the annual caps or the maximum daily balances and make alert when necessary.
- (e) The Board's Office will also collect data from all business lines and review the actual amounts of different types of securities and financial products transactions on a regular basis to ensure that the annual caps and the maximum daily balances would not be exceeded and remind the business departments on the control of such connected transactions. The compliance department will also review relevant agreements and grant approval, where appropriate.
- (f) The performance of continuing connected transactions is also subject to annual review by all independent non-executive Directors and the auditors of the Company. The Connected Transactions Control Committee comprising all independent non-executive Directors is also responsible for monitoring and reviewing major and continuing connected transactions of the Company.
- (g) The Connected Transactions Control Committee will review matters related to major connected transactions and form a written opinion to the Board for review and report the same to the supervisory committee of the Company.
- (h) The Company establishes a specific auditing mechanism for major connected transactions. The Auditing Department of the Company audits the major connected transactions one by one and submits the audit report to the Board for consideration.

## LETTER FROM THE BOARD

### 2.1.5 Historical total net inflow and total net outflow transaction amounts, inter-financial institutions borrowings, repurchase and loans

(a) Historical total net inflow and total net outflow

Set out below are the historical total net inflow and total net outflow transaction amounts in respect of the securities and financial products transactions between the Group and CITIC Group and its associates under the existing Securities and Financial Products Transactions and Services Framework Agreement for each of the two financial years ended 31 December 2021 and the six months ended 30 June 2022:

	<b>Approximate historical transaction amounts ended</b>		
	<b>31 December 2020</b>	<b>31 December 2021</b>	<b>30 June 2022</b>
<b>Securities and Financial Products Transactions</b>	<i>(RMB ten thousand)</i>	<i>(RMB ten thousand)</i>	<i>(RMB ten thousand)</i>
<b>Total net inflow</b>			
Total net cash inflow derived from securities and financial products transactions (net of the amount of inter-financial institutions borrowings, repurchase agreements and beneficiary certificates)			
	3,362,433	4,286,870	3,402,023
Annual caps	7,500,000	8,000,000	N/A <sup>(Note 1)</sup>
Annual cap utilisation	44.8% <sup>(Note 2)</sup>	53.6% <sup>(Note 2)</sup>	N/A
<b>Total net outflow</b>			
Total net cash outflow incurred for securities and financial products transactions (net of the amount of inter-financial institutions lending and reverse repurchase agreements)			
	5,485,064	5,292,828	2,789,792
Annual caps	17,000,000	18,000,000	N/A <sup>(Note 3)</sup>
Annual cap utilisation	32.3% <sup>(Note 4)</sup>	29.4% <sup>(Note 4)</sup>	N/A

*Notes:*

- (1): The annual cap for the year ending 31 December 2022 is RMB90,000 million.
- (2): The relatively low annual cap utilisation rates for the two financial years ended 31 December 2021 were mainly due to the following reasons: (i) the Group purchased fewer than expected financial products from CITIC Group and its associates. As a result, the Group earned less income derived from such products; (ii) the demand from CITIC Group and its associates for certain securities and financial products issued by us was less than expected; and (iii) the fixed income products sold by the Group to CITIC Group and its associates were less than expected.

---

## LETTER FROM THE BOARD

---

- (3): The annual cap for the year ending 31 December 2022 is RMB190,000 million.
- (4): The low annual cap utilisation rates for the two financial years ended 31 December 2021 were mainly due to the following reasons: (i) CITIC Group and its associates purchased fewer than expected bonds and return swaps from the Group. Therefore, the income paid by the Group to CITIC Group and its associates were less than expected; (ii) the Group purchased fewer than expected securities and financial products from CITIC Group and its associates as the terms offered by independent third parties are more favourable; and (iii) some bonds were traded on interbank market on an anonymous basis. The anonymous nature of the transactions gave rise to the high degree of randomness of counterparties to the transactions. The Group purchased less than expected bonds from CITIC Group and its associates on interbank market.

*(b) Inter-financial institutions borrowings and beneficiary certificates issued by the Group*

As the inter-financial institutions borrowings by the Group from CITIC Group and its associates are negotiated between the parties based on the prevailing interest rate in the interbank market without security being given by the Group, such borrowings are exempted continuing connected transactions under Rule 14A.90 of the Hong Kong Listing Rules.

In addition, CITIC Group and its associates subscribed for beneficiary certificates issued by the Group in recent years, and independent third parties have also subscribed for such beneficiary certificates from time to time. No security is given by the Group for the issuance of such beneficiary certificates. The prices of such beneficiary certificates are determined by the Group mainly based on the prevailing interest rate of comparable beneficiary certificates in the market and the liquidity position of the Group. Within the same time period, the prices offered to CITIC Group and its associates for subscription of such beneficiary certificates are not more favourable than these offered to independent third parties. As the subscriptions by CITIC Group and its associates for the beneficiary certificates issued by the Group are conducted on normal commercial terms and no security is given by the Group for such beneficiary certificates, such subscriptions are exempted continuing connected transactions under Rule 14A.90 of the Hong Kong Listing Rules.

---

## LETTER FROM THE BOARD

---

(c) *Non-exempted Loans between the Group and CITIC Group and its associates*

- (i) Historical maximum daily balance (including interests) of repurchase agreements:

*in RMB ten thousand*

	<b>For the year ended 31 December 2020</b>	<b>For the year ended 31 December 2021</b>	<b>For the six months ended 30 June 2022</b>
Annual caps	192,636	249,183	399,947
Annual cap utilisation	2,000,000	2,000,000	N/A <sup>(Note 1)</sup>
	9.6% <sup>(Note 2)</sup>	12.5% <sup>(Note 2)</sup>	N/A

*Notes:*

(1): The annual cap for the year ending 31 December 2022 is RMB20,000 million.

(2): Some products were traded on interbank market on an anonymous basis. The anonymous nature of the transactions gave rise to the high degree of randomness of counterparties to the transactions. Due to the relatively loose condition in the currency market, the Company did not obtain funds through collective placements from connected parties as the available counterparties are relatively scattered.

- (ii) Historical maximum daily balance (including interests) of loans to inter-financial institutions and reverse repurchase agreements:

*in RMB ten thousand*

	<b>For the year ended 31 December 2020</b>	<b>For the year ended 31 December 2021</b>	<b>For the six months ended 30 June 2022</b>
Annual caps	—	—	200,051
Annual cap utilisation	800,000	800,000	N/A <sup>(Note 1)</sup>
	0 <sup>(Note 2)</sup>	0 <sup>(Note 2)</sup>	N/A

*Notes:*

(1): The annual cap for the year ending 31 December 2022 is RMB8,000 million.

(2): Some products were traded on interbank market on an anonymous basis. The anonymous nature of the transactions gave rise to the high degree of randomness of counterparties to the transactions. Due to the ample liquidity in the banking system, the Company conducted less transactions of lending to depository institutions.



---

## LETTER FROM THE BOARD

---

### 2.1.6 The proposed annual caps for the three financial years ending 31 December 2025

(a) Total net inflow and total net outflow

The Company estimates that the total net inflow and total net outflow in respect of the securities and financial products transactions between the Group and CITIC Group and its associates under the Securities and Financial Products Transactions and Services Framework Agreement for each of the three financial years ending 31 December 2025 are as follows:

	<b>Proposed annual caps ending</b>		
	<b>31 December 2023</b>	<b>31 December 2024</b>	<b>31 December 2025</b>
<b>Securities and Financial Products Transactions</b>	<i>(RMB ten thousand)</i>	<i>(RMB ten thousand)</i>	<i>(RMB ten thousand)</i>
<b>Total net inflow</b>			
Total net cash inflow to the Group (net of the amounts of financing transactions)	15,500,000	17,300,000	19,500,000
<b>Total net outflow</b>			
Total net cash outflow from the Group (net of the amounts of financing transactions)	19,000,000	21,000,000	23,500,000

(b) Inter-financial institutions borrowings and beneficiary certificates issued by the Group

Inter-financial institutions borrowings by the Group from the financial institutions of CITIC Group and its associates are on normal commercial terms at the interest rates negotiated on an arms' length basis based on the prevailing interest rates in the interbank market with no security being given over the assets of the Group, and the subscriptions by CITIC Group and its associates for the beneficiary certificates issued by the Group are also conducted on normal commercial terms at issue price determined based on comparable market interest rate after taking into consideration of the liquidity position of the Group with no security being given over the assets of the Group. As such, such borrowings and subscriptions are exempted continuing connected transactions under Rule 14A.90 of the Hong Kong Listing Rules and no cap would be required to be set.



---

## LETTER FROM THE BOARD

---

(c) *Non-exempted loans between the Group and CITIC Group and its associates*

- (i) Non-exempted loans, including without limitation repurchase and margin financing, to the Group

The Company expects that the Group will continue its non-exempted loans with CITIC Group and its associates. Since such loans represent financial assistance and as collaterals are provided for such financial assistance, such loans are non-exempted continuing connected transactions under the Hong Kong Listing Rules. The Company estimates the maximum daily balance of loans, including without limitation repurchase and margin financing, to the Group for the next three financial years ending 31 December 2025 are as follows:

<b>Non-exempted loans, including without limitation repurchase and margin financing, to the Group</b>	<b>Year ending 31 December 2023</b> <i>(RMB ten thousand)</i>	<b>Year ending 31 December 2024</b> <i>(RMB ten thousand)</i>	<b>Year ending 31 December 2025</b> <i>(RMB ten thousand)</i>
Maximum daily balance of non-exempted loans, including without limitation repurchase and margin financing	2,000,000	2,000,000	2,000,000

- (ii) Non-exempted loans, including without limitation reverse repurchase and inter-financial institutions lending, to CITIC Group and its associates

The Company expects that the Group will continue its non-exempted loans with CITIC Group and its associates. Such loans by the Group to CITIC Group and its associates, including without limitation reverse repurchase and inter-financial institutions lending, are non-exempted continuing connected transactions under the Hong Kong Listing Rules. The Company estimates the maximum daily balances of loans, including without limitation reverse repurchase and inter-financial institutions lending, to CITIC Group and its associates, for the next three financial years ending 31 December 2025 are as follows:

<b>Non-exempted loans, including without limitation reverse repurchase and inter-financial institutions lending, to CITIC Group and its associates</b>	<b>Year ending 31 December 2023</b> <i>(RMB ten thousand)</i>	<b>Year ending 31 December 2024</b> <i>(RMB ten thousand)</i>	<b>Year ending 31 December 2025</b> <i>(RMB ten thousand)</i>
Maximum daily balance of non-exempted loans, including without limitation reverse repurchase and inter-financial institutions lending, to CITIC Group and its associates	800,000	800,000	800,000

---

## LETTER FROM THE BOARD

---

### *2.1.7 Basis of determination of the proposed annual caps*

The estimates of proposed annual caps in this circular are estimated only and are based on various assumptions and qualifications. The estimates should not be treated as any indication of the levels of revenue or profits of the Company.

#### *(a) Total net inflow and total net outflow*

When estimating the proposed annual caps for the total net inflow and total net outflow of the securities and financial products transactions (referred to in paragraph 2.1.6(a) above), the Company has made reference to the above historical transaction amounts, and also considered, among other things, the following key factors:

- (i) When estimating the annual caps for total net inflow and total net outflow, the Company has considered the historical transactions in respect of a particular type of securities and financial products with certain percentage of annual increase (where applicable). The increasing rate varies based on the types of securities and financial products and whether the securities and financial products being expected to have normal growth or whether the products being business focus and major product development of the Group in the next three financial years. Where there are historical transactions with CITIC Group and its associates, the Company will calculate the percentage of historical transaction value to the historical total transaction value of that particular product and use the percentage value to calculate the projected transaction value for the next three financial years. The percentage value will be adjusted based on the volatility of the product. Where there are no historical transactions with CITIC Group and its associates, the Company will consider the historical total transaction value of that particular product, estimate a percentage of transaction with CITIC Group and its associates based on the volatility of the product, and use the percentage value to estimate the projected transaction value for the next three financial years. When estimating the annual caps, the Company has also considered the randomness of counterparties to the transactions in respect of the products traded on interbank market.
- (ii) The Company expects a significant growth in transactions relating to securities and financial products. The growth trend mainly lies in products with fixed income features. It is estimated that the transactions in relation to products with fixed income features (including without limitation, the bonds, the asset backed securities (“**ABS**”), commercial paper and wealth management products) for the next three financial years would contribute approximately 90% to the total net cash inflow and the total net cash outflow of the securities and financial products transactions.
  - a. *Rapid Development of Fixed Income Product Market.* The fixed income product market experienced rapid development in recent years. According to Bond Connect, the average annual increasing rate for the transaction volume on Bond Connect market is approximately 40%. Based on the market data available from Wind Info, the total transaction volume on China’s ABS market increased

---

## LETTER FROM THE BOARD

---

by approximately 100% in 2021 as compared to that in 2020. It is expected that the fixed income product market would keep its growth momentum in the next three financial years. Since (i) the Group and CITIC Group and its associates are essential market participants for trading of financial and securities products with fixed income features; and (ii) the Group is the market makers for most of the fixed income products, the rapid development of fixed income product market as a whole is expected to bring more cooperation opportunities between the Group and CITIC Group and/or its associates.

- b. *Launch of Southbound Trading under Mutual Bond Market Access Between Mainland China and Hong Kong in 2022.* The Group commenced its southbound trading in 2022 after the launch of Southbound Trading under Mutual Bond Market Access Between Mainland China and Hong Kong. Due to the limited number of market makers for southbound trading and taking into account that both the Group and CITIC Group and its associates are market makers for such trading, it is anticipated that the net cash inflow and net cash outflow derived from southbound trading between the Group and CITIC Group and its associates would increase significantly in the next three financial years.
- c. *New Business Opportunities from a New Subsidiary.* The Group is in the process of establishing a new asset management subsidiary. After its establishment, the asset management subsidiary is expected to hold proprietary capital of approximately RMB3 billion to RMB8 billion which may be used to purchase bank wealth management products and conduct trust products transaction.

Based on the above, the net cash inflow of the products with fixed income feature is estimated to be approximately RMB138 billion in 2023, RMB155 billion in 2024 and RMB173 billion in 2025, and the net cash outflow of such products is estimated to be approximately RMB172 billion in 2023, RMB191 billion in 2024 and RMB212 billion in 2025.

---

## LETTER FROM THE BOARD

---

- (iii) The Company will continue its equity-linked product transactions with CITIC Group and its associates and expects to maintain a steady growth rate of approximately 12% to 17% in general.
- a. It is expected that the possible equity-linked return swap transactions with CITIC Group and its associates would contribute a significant portion to the net cash inflow and the net cash outflow incurred from the equity-linked products. The Company estimates the net cash inflow (margin to be received by the Group) and the net cash outflow (return to be paid by the Group) arising from equity-linked return swap transactions to be conducted with CITIC Group and its associates in the next three financial years would increase steadily. It is estimated that the net cash inflow from equity-linked return swap transactions with CITIC Group and its associates would be approximately RMB7.2 billion to RMB8.7 billion and the net cash outflow from such transactions would be approximately RMB7.2 billion to RMB8.7 billion, respectively, for the next three financial years.
  - b. Among the equity-linked products, the Company conducted OTC option transactions with CITIC Group and its associates. In recent years, the transaction volume of OTC options increases steadily and is expected to maintain its annual growth rate of 10%. It is estimated that the net cash inflow from OTC option transactions would be approximately RMB1.2 billion to RMB1.5 billion and the net cash outflow from such transactions would be approximately RMB4.2 billion to RMB5.1 billion, respectively, for the next three financial years.
  - c. The Futures and Derivatives Law of China promulgated by the Standing Committee of the National People's Congress in April 2022 has come into effect on 1 August 2022, which confirms the legal standing of derivatives and perfects the legal system for derivatives. It is expected that the derivatives market would develop further with support of a comprehensive legal system.

Based on the above, the net cash inflow from equity-linked products is estimated to be approximately RMB12 billion in 2023, RMB13 billion in 2024 and RMB15 billion in 2025, and the net cash outflow from equity-linked products is estimated to be approximately RMB13 billion in 2023, RMB15 billion in 2024 and RMB17 billion in 2025.

---

## LETTER FROM THE BOARD

---

(iv) The Company has also considered the following factors when determining the proposed annual caps for the total net inflow and total net outflow of the securities and financial products transactions.

- a. Adequate buffer to prevent undue restriction on the future business operations of the Group

Considering the inherent nature of the securities and financial products, for example their market-sensitivity, and the Group's limited control over the counterparties in the transactions in relation to certain securities and financial products, as well as the volatility and unpredictability of the financial market in general, an adequate buffer should be provided to cope with the changes to the products and transactions brought about due to the market factors to prevent undue restriction on the future business operations of the Group.

- b. Continuous growth of the PRC financial market and introduction of new securities and financial products

Innovative bond products have been introduced into the market from time to time, and the OTC derivatives market also recorded considerable growth, leading to the emergence of green financial bonds, beneficiary certificates, OTC options and many trading varieties and the size of business grows continuously. As the PRC financial market has continued to grow substantially and as new securities and financial products have constantly been launched, the Company expects that total net inflow and total net outflow from securities and financial products transactions between CITIC Group and its associates and the Group will continue to grow substantially.

- c. Increasing co-operation between securities companies and banks and investments in each other's financial products

Liberalization of interest rates in China has led the banking institutions in China to turn to wealth management products to attract deposits from customers. While banks in China have good customer networks, they still lack the expertise and experience of PRC securities companies have in research, investment and settlement management, product design and assets management. In addition, asset management products and funds of securities companies therefore provide excellent investment channels to commercial banks in China, including investing indirectly in equity investments. Further, with the relaxation of the issuance policy for asset-backed securities since 2014, which only requires such securities to be filed with the regulatory authority before issuance, increasing numbers of commercial banks in China are turning to asset-backed securities to raise funds to strengthen their assets allocations.

---

## LETTER FROM THE BOARD

---

It is expected that the banking institutions of CITIC Group and its associates will increasingly invest in the asset management products and funds of the Group to take advantage of the expertise and experience of the Group in research and development and management of financial products. On the other hand, the Group will also increase its investment in wealth management products issued by the banking institutions of CITIC Group and its associates for stable investment returns.

- d. Rapid expansion of the Group's business scope and introduction of innovative products

The Group provides comprehensive financial products and services to its clients. The Company is a full-licensed securities company, and it has continuously obtained multiple business qualifications approved by the CSRC, various exchanges, the Securities Association of China and the PBOC since its inception. Meanwhile, it is expected that the number of subsidiaries of CITIC Group may continue to increase in the next three years. As such, it is expected that the chance of transactions in securities and financial products between CITIC Group and its associates and the Group will increase.

- (b) *Maximum daily balance for non-exempted loans, including without limitation repurchase and margin financing, to the Group*

When estimating the maximum daily balance of non-exempted loans, including without limitation repurchase and margin financing, to the Group (referred to in paragraph 2.1.6(c)(i) above), the Company has considered the following factors:

- (i) The Group started entering into repurchase transactions with the financial institutions of CITIC Group since 2014. The daily balance of repurchase transactions with the financial institutions of CITIC Group fluctuated widely from time to time in the past years, mainly due to (i) the high degree of randomness of counterparty which depends on the quotations from all participants on the interbank bond market; and (ii) the influence from the volatile stock market. The highest daily balance of repurchase transactions with the financial institutions of CITIC Group from 1 January 2020 to 30 June 2022 was recorded on 30 June 2022 with an amount of RMB4.0 billion, whilst the lowest daily balance of such transactions was recorded on 15 December 2021 with an amount of RMB0.

---

## LETTER FROM THE BOARD

---

- (ii) As the amount of repurchase transactions with the financial institutions of CITIC Group is highly unpredictable given the above reasons, the maximum daily balance for non-exempted loans to the Group is estimated based on (i) the maximum balance of repurchase transactions (including the transaction conducted with CITIC Group and its associates and independent third parties) in a single day in 2022, being approximately RMB187.3 billion; and (ii) approximately no more than 20% of all the transactions are expected to be conducted with the financial institutions of CITIC Group in the next three years. In addition, the Company also considers possible margin financing between the subsidiaries of the Group in Hong Kong and CITIC Group and its associates, the maximum daily balance of which is estimated to be approximately RMB840 million to RMB1,890 million.
  - (iii) Due to the uncertainty of the amount of loans required for the purpose of the Group's business, a large buffer to the historical amount is included when estimating the relevant maximum daily balance to avoid any undue disruption and detriment to the business operations of the Group if any annual cap or maximum daily balance is to be revised and re-approved by Independent Shareholders.
  - (iv) Based on the above, the Company considers it appropriate to set the maximum daily balances at RMB20 billion per year for the next three financial years.
- (c) *Non-exempted loans, including without limitation reverse and inter-financial institutions lending, to CITIC Group and its associates*

When estimating the maximum daily balance of loans, including without limitation reverse and inter-financial institutions lending, to CITIC Group and its associates for the next three financial years (referred to in paragraph 2.1.6(c)(ii) above), the Company has considered the following factors:

- (i) The Group started to provide non-exempted loans to CITIC Group and its associates since 2018, including entering into reverse repurchase transactions with the financial institutions of CITIC Group and its associates and providing inter-financial institution loans to CITIC Group and its associates. Similar to the repurchase transactions, the daily balance of such transactions also fluctuated widely from time to time. The highest daily balance of non-exempted loans to CITIC Group and its associates from 1 January 2020 to 30 June 2022 was recorded on 24 February 2022 with an amount of RMB2.0 billion, whilst the lowest daily balance of such transactions was recorded on 17 May 2022 with an amount of RMB0.

---

## LETTER FROM THE BOARD

---

- (ii) Similar to the repurchase transactions, the maximum daily balance for non-exempted loans to CITIC Group and its associates is estimated based on (i) the maximum balance of loans (including the loans provided to CITIC Group and its associates and independent third parties) in a single day in 2022, being approximately RMB47.6 billion; and (ii) approximately no more than 20% of all the transactions are expected to be conducted with the financial institutions of CITIC Group and its associates in the next three years.
- (iii) According to the capital demand of the financing party and uncertainty of the amount of loans that may be obtained from the Group, a large buffer to the historical amount is included when estimating the relevant maximum daily balance to avoid any undue disruption and detriment to the business operations of the Group if any annual cap or maximum daily balance is to be revised and re-approved by Independent Shareholders.
- (iv) Based on the above, the Company considers it appropriate to set the maximum daily balances at RMB8 billion per year for the next three financial years.

### *2.1.8 Maximum daily balance of deposits and waiver*

Pursuant to the Hong Kong Listing Rules, the Company is also required to set the cap in respect of the maximum daily balance of deposits, including the deposits of the Group's proprietary funds and its customers' funds, with the banking subsidiaries of CITIC Group in the PRC and Hong Kong for the three financial years ending 31 December 2025. Given the factors below, the Company had applied for, and was granted by the Hong Kong Stock Exchange on 30 May 2022, a waiver from strict compliance with the requirement of setting the relevant cap:

- (a) In respect of the deposit of customers' funds, it would be extremely difficult and impracticable for the Company to estimate and set a maximum daily balance for such deposits. The Company and CITIC Securities (Shandong), a wholly-owned subsidiary of the Company engaged in securities brokerage business, are required by the relevant PRC regulations to place the cash balances of customers' settlement funds with qualified PRC commercial banks (which may include the banking subsidiaries of CITIC Group) as decided by the customers, so the Company and CITIC Securities (Shandong) have no control over which PRC bank their customers are willing to open their accounts for the purpose of safekeeping the balance of their deposits, as well as the amounts of such deposits and their withdrawals, which are determined entirely by the customers in accordance with their personal requirements. Changes in the amounts of such deposits for which the Company and CITIC Securities (Shandong) have no control could be very substantial and fluctuate widely within short timeframe. In addition, CITIC Futures, a wholly-owned subsidiary of the Company engaged in futures brokerage business, is required by the relevant PRC regulations to place customers' margin deposits in separately opened accounts in the name of CITIC Futures with PRC commercial banks which have the requisite qualification to provide settlement services for futures trading (the "**Settlement Bank**", which may include the banking subsidiaries of CITIC Group). In practice, CITIC



---

## LETTER FROM THE BOARD

---

Futures may decide which Settlement Bank(s) to deposit customers' margin deposits after taking into consideration the interest rates offered by various Settlement Banks. If one of the Settlement Banks (including relevant banking subsidiary of CITIC Group) offers the most favourable interest rate for such customers' margin deposits, CITIC Futures may place all customers' margin deposits in the special account opened with this specific Settlement Bank. CITIC Futures has no control over the amounts of its customers' margin deposits and their withdrawals, which are determined entirely by the customers in accordance with their personal business requirements. Changes in the amounts of such deposits for which CITIC Futures has no control could be very substantial and fluctuate widely within short timeframe depending on market conditions and the customers' business needs.

- (b) In respect of the deposit of the Company's own proprietary funds in a separately opened account with a PRC commercial bank, which may include the banking subsidiaries of CITIC Group, it is extremely difficult for the Company to estimate the amount of incoming funds to be received on a daily basis, and if a maximum daily balance is set for the deposits in the Company's account maintained with the banking subsidiaries of CITIC Group, not only it would cause undue administrative inconvenience to the Company, but would also be unduly burdensome and unduly disruptive to the operations of the Company.
  - (i) As for the proprietary trading business of the Company, such business is highly responsive to the market and may fluctuate widely within short timeframe. Further, the Company may from time to time liquidate some of its own proprietary financial products and portfolios in order to take advantage of the changes in the market, and any such sales are highly uncertain and if proceeded can be of very substantial amounts. Since the Company's deposit account at CITIC Bank has been designated by the Company as the settlement account for the Company's proprietary trading of financial products (the "**Settlement Account**"), if a maximum daily balance is set for the deposits in such Settlement Account, it would cause undue administrative inconvenience to the Company, and would also hamper the ability of the Company to respond quickly to changes in the volatile financial market and unduly restrict the potential growth of the Group;
  - (ii) As for the margin financing and securities lending business of the Company, since the Company's deposit account maintained with CITIC Bank has been registered with CSDC as the Settlement Account for the Company's margin financing and securities lending business, and the prevailing securities market may fluctuate from time to time, it would be difficult for the Company to predict in advance the daily trading volume of the margin financing and securities lending transactions as well as the amount of daily settlement fund received from CSDC. Meanwhile, margin financing and securities lending transactions are initiated by customers and the Company is not able to predict the transactions to be conducted by its customers in advance;

---

## LETTER FROM THE BOARD

---

- (iii) As for the underwriting business of the Company, the amount that may be transferred to the Company's account at the PRC commercial banks as chosen by the investors (which may include the banking subsidiaries of CITIC Group) in connection with the underwriting business would be depending on the deals that the Company participates as the lead underwriter and the amount that the corporate clients may raise from the offerings under the prevailing market conditions, which is hard to predict in advance; and
- (iv) As for the direct equity investment projects of CITIC Securities Investment and GoldStone Investment, the time of exit from such projects and the amount of income to be received would be depending on various factors including the actual performance of the portfolio companies, the then prevailing market conditions and means of the exit. In respect of the investments in private equity funds, asset management schemes and trust products, the income to be received by CITIC Securities Investment or GoldStone Investment would also be depending on, in addition to the aforesaid factors, the progress of the settlement and distribution of such funds or products. As such, it is hard for CITIC Securities Investment and GoldStone Investment to predict the amount of funds that would be realized from their private equity investments which would be deposited into the Group's proprietary funds account as well as the timing of receiving such funds.
- (c) The decisions as to which bank the Group would choose to place its own proprietary funds, as well as which Settlement Bank CITIC Futures would choose to place the customer's margin deposits, are entirely commercial-driven after considering various factors such as the deposit rates offered by different PRC major commercial banks, the geographical convenience of the branches of specific PRC commercial banks and other favourable terms offered by the banks.
- (d) The Company chooses to designate/register its deposit account maintained with CITIC Bank as the Settlement Account for its proprietary trading and margin financing and securities lending businesses based on the following considerations:
  - (i) The Company has had long-term cooperation with CITIC Bank in fund management. Through such long-term cooperation, CITIC Bank has been quite familiar with the procedures of the Company's fund management, which contributes to the Company's operational efficiency in fund management;
  - (ii) As the Group's overall development strategy, CITIC Group has been encouraging its member companies (including CITIC Bank) and the Company to cooperate in various aspects to achieve synergistic effect; and

---

## LETTER FROM THE BOARD

---

- (iii) CITIC Group and the Company has entered into the Securities and Financial Products Transactions and Services Framework Agreement since the listing of the H Shares of the Company on the main board of the Hong Kong Stock Exchange and renewed the same on a three-year basis, which governs and regulates, among others, the continuing connected transactions in relation to the provision of deposit services by the banking subsidiaries of CITIC Group to the Group. The pricing policies regarding such deposit services as set out in the Securities and Financial Products Transactions and Services Framework Agreement have been approved by the Independent Shareholders, and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.
  
- (e) The Company has adopted below pricing policies in respect of the deposit services under the Securities and Financial Products Transactions and Services Framework Agreement and internal control measures for implementation of such pricing policies:
  - (i) The deposits placed by the Group with the banking subsidiaries of CITIC Group under the Securities and Financial Products Transactions and Services Framework Agreement are entered into in the ordinary and usual course of the Group's business and the business of the banking subsidiaries of CITIC Group, based on normal commercial terms and are fair and reasonable and in the interests of the Company and its Shareholders as a whole. As agreed by the parties in the Securities and Financial Products Transactions and Services Framework Agreement, the interest rates offered to the Group for deposits placed with the banking subsidiaries of CITIC Group shall not be lower than the interest rates announced by the PBOC for the same type of deposits offered by commercial banks in the PRC during the same period and the terms for the Group's deposits placed in the banking subsidiaries of CITIC Group shall not be less favorable to terms offered by Independent Third Parties; and
  
  - (ii) As disclosed in paragraph 2.2.3 below, in addition, the Group has adopted a series of internal control and approval procedures to regulate the mutual provision of securities and financial services (including the provision of deposit services by CITIC Group to the Group) between the Group and CITIC Group and its associates under the Securities and Financial Products Transactions and Services Framework Agreement to ensure such continuing connected transactions of the Group will be conducted strictly in compliance with the pricing principles as established by the Securities and Financial Products Transactions and Services Framework Agreement.

---

## LETTER FROM THE BOARD

---

### 2.2 Securities and financial services transactions

#### 2.2.1 Introduction

Apart from the securities and financial products transactions with CITIC Group and its associates as counterparties as disclosed in paragraph 2.1 above, the Group and CITIC Group and its associates also provide securities and financial services to each other during the normal course of their respective businesses. The Group provides securities and financial services such as advisory, brokerage, agency sale and asset management services for which the Group receives service fees, commissions and other payments such as interests. On the other hand, the financial institutions of CITIC Group and its associates also provide financial and other services to the Group and the Group's customers, such as deposit management services and other agency sale services for which service fees are charged by CITIC Group and its associates.

The scope of services to be provided by the Group to CITIC Group and its associates under the Securities and Financial Products Transactions and Services Framework Agreement is as below, which is the same as the scope of securities and financial services transactions under the existing Securities and Financial Products Transactions and Services Framework Agreement:

- (i) *Underwriting and sponsorship services* — including, but not limited to, sponsorship, underwriting and continuous supervision and guidance services for equity securities, fixed income products, structured products and other derivative products;
- (ii) *Other investment banking services* — including, but not limited to, financial advisory services relating to corporate restructuring, mergers and acquisition and sponsorship services for unlisted public companies;
- (iii) *Brokerage services* — including, but not limited to, securities brokerage and related financial products services as well as futures brokerage services such as treasury bond futures;
- (iv) *Financial products sales agency services* — including, but not limited to, provision of sales agency services for financial products;
- (v) *Entrusted asset management services* — including, but not limited to, assets management services for assets entrusted by customers; and
- (vi) *Other securities and financial advisory and consulting services and other commodities services, etc.*

---

## LETTER FROM THE BOARD

---

The scope of services to be provided by CITIC Group and its associates to the Group under the Securities and Financial Products Transactions and Services Framework Agreement is as below, which is the same as the scope of services provided by CITIC Group and its associates to the Group under the existing Securities and Financial Products Transactions and Services Framework Agreement:

- (i) *Deposit services* — including, but not limited to, (a) deposits of cash balances arising from the business operations of the Group including cash from daily operations, proceeds from fund raising activities such as equity and bond issuances; (b) cash deposits from the customers of the Group; and (c) other deposit services;
- (ii) *Financial products sales agency services* — including, but not limited to, provision of sales agency services for financial products and precious metals;
- (iii) *Client deposits management and custody services* — including, but not limited to, management services provided by the banking subsidiaries of CITIC Group for managing the cash deposits of non-financial institutional customers of the Group, which are required by the relevant PRC laws and regulations to be deposited into the accounts of the Group with a PRC bank, and custody services provided by the banking subsidiaries of CITIC Group for securities and financial products issued by the Group;
- (iv) *Loan services* — including, but not limited to, funds for business operation and loans as the working capital of the Group provided by CITIC Group and its associates; and
- (v) *Other securities and financial advisory and consulting services, money brokerage services and commodities services, etc.*

---

## LETTER FROM THE BOARD

---

### 2.2.2 Pricing basis

- (a) *Pricing basis of the securities and financial services to be provided by the Group to CITIC Group and its associates under the Securities and Financial Products Transactions and Services Framework Agreement*

The Group primarily charges service fees, commissions and brokerage fees for the securities and financial services to be provided to CITIC Group and its associates under the Securities and Financial Products Transactions and Services Framework Agreement. The general pricing principles for such fees or commissions charged by the Group 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.

- (i) *underwriting and sponsorship services*: the securities underwriting and sponsorship services market is highly competitive and the commission rates and fees have become generally transparent and standardized across the market. The service fees shall be determined based on arm's length negotiation with reference to, among other things, the prevailing market rates, the proposed total amount of proceeds and fee rates charged by the Group for the provision of similar services to independent third parties. As disclosed in the paragraph 2.2.3 below, the Company has subscribed for market data provided by information service providers, such as Wind Info to obtain the average pricing and the prevailing market rates for similar services or transactions. The Group may consider the following factors while determining the services fees for underwriting and sponsorship services: (i) the average pricing and the prevailing market rates obtained from information service providers; (ii) the fees charged to independent third parties; (iii) various individual factors, such as deal size and complexities, market responses and competition from other securities companies; and (iv) involvement of any customized services.
- (ii) *other investment banking services*: the service fees shall be determined taking into account of factors including the nature and size of transactions, the then market conditions, average fee level applicable to independent third parties for similar transactions and be determined on the basis of arm's length negotiations between the parties.
- (iii) *brokerage services*: the commissions shall be determined with reference to, among other things, the commission rates applicable to independent third parties and the estimated scale of the brokerage transactions and be determined on the basis of arm's length negotiations between the parties.
- (iv) *financial products sales agency services*: the service fees shall be determined based on the amount of products for sale with reference to the service fee rates applicable to independent third parties.

---

## LETTER FROM THE BOARD

---

- (v) *entrusted asset management services*: the service fees shall be determined based on the estimated asset size and investment strategy with reference to the service fee rates applicable to independent third parties.
  - (vi) *other securities and financial advisory and consulting services, and other commodities services*: such fees and commissions shall be determined based on the nature of the transactions with reference to the fee rates or commissions applicable to independent third parties.
- (b) *Pricing basis of the securities and financial services to be provided by CITIC Group and its associates to the Group under the Securities and Financial Products Transactions and Services Framework Agreement*

CITIC Group and its associates primarily charge services fees and commissions for the securities and financial services to be provided to the Group. The general pricing principles for such fees or commissions charged by CITIC Group and its associates shall be based on negotiations between the parties with reference to the market rates, the fees or commissions charged for services provided by independent third parties, while taking into account such factors as deal size and complexities, competition from other service providers etc..

- (i) *Deposit services*: the interest rates offered to the Group for the deposits placed with the banking subsidiaries of CITIC Group shall not be lower than the interest rates authorized by the PBOC for the same type of deposits offered by the commercial banks in the PRC during the same period and the terms of the deposits placed with the banking subsidiaries of CITIC Group shall not be less favorable than the terms offered by independent third party banking institutions.
- (ii) *Financial products sales agency services*: the pricing for financial products sales agency services shall be determined based on the amount of products for sale and the types of products for sale with reference to the service fee rates offered by independent third parties to the Group for provision of similar services and the prevailing market rates published on industry-recognized websites such as, <https://fund.eastmoney.com> (天天基金網) and <https://www.simuwang.com> (私募排排網). In addition, the agency service fees shall not exceed the caps as stipulated under the relevant laws and regulations. For example, according to the Provisions of the Implementation on the Measures for Supervision and Administration of Distributors of Publicly Offered Securities Investment Funds (《關於實施〈公開募集證券投資基金銷售機構監督管理辦法〉的規定》) promulgated by the CSRC, the commission rate in respect of public funds charged by sales agent shall not exceed 50% of the fund management fee.
- (iii) *Client deposits management and custody services*: the management and custody service fees are determined on arm's length negotiation between the parties with reference to prevailing market rates and the fees offered by independent third parties to the Group for provision of similar services. The Group obtained the prevailing market rates based on the information published by the service providers (most of which being commercial banks) on their respective official websites or estimated rough market rates based on the information filed with Asset Management Association of China (中國證券投資基金業協會).



---

## LETTER FROM THE BOARD

---

- (iv) *Loan services*: the interests on the financing shall be determined by reference to the relevant interest rates stipulated by the PBOC for the same period, and will take into account the factors such as the amount, purpose and terms of the financing as well as the credit rating.

### ***2.2.3 Pricing approval and supervision***

The Company has also subscribed for information services provided by information service providers, such as Wind Info, and has access to information channels and websites of official and voluntary industry regulatory authorities. The Company will consider the various updated market information available, including published information on completed transaction amounts and rates, and terms offered by the transaction parties, etc., before entering into any securities and financial services transactions. No specific number of quotations or quotations are required to be obtained before entering into such transactions.

The Group has adopted a series of internal pricing policies and approval procedures to regulate the mutual provision of securities and financial services between the Group and CITIC Group and its associates. The major internal policies include the following:

- (a) The terms (including pricing terms) in respect of the securities and financial services contemplated under the Securities and Financial Products Transactions and Services Framework Agreement shall be comparable to those offered by/ to an independent third party for comparable services, and shall be subject to the same internal selection, approval and supervision procedures and pricing policies applicable to an independent third party.
- (b) For services provided by the Group to CITIC Group and its associates, the Company will offer similar pricing terms to CITIC Group as those to other independent third parties and no preferential terms shall be provided to CITIC Group and its associates. Prior to entering into a securities and financial service transaction, the relevant business departments of the Company would conduct inspection and due diligence, and assess whether the pricing is in compliance with relevant policy and procedures of the Group and whether the price is fair and reasonable, after taking into consideration individual factors such as the services provided and will grant approval, where appropriate.
- (c) For securities and financial services provided by CITIC Group and its associates to the Group, the Company will select suppliers and determine the relevant terms of the transactions through inquiry and negotiation process. The Company will also gather information on its suppliers and their levels of fees and prices and compare the fees/prices and quality of services before selection. A prior assessment will be conducted by the responsible officer to assess whether the proposed prices by suppliers are fair and reasonable before submission for consideration and approval by the head of the relevant department. In such case, any offer from CITIC Group or its associates has to pass through the selection



## LETTER FROM THE BOARD

process as other suppliers before it could be appointed. As the Company will consider the various updated market information available and because of the uniqueness of financial transactions, there is no specific internal requirement as to the number of suppliers that will be selected for a particular type of services.

- (d) The compliance department of the Group will review relevant agreements and grant approval, where appropriate. The conduct of continuing connected transactions is also subject to annual review by all independent non-executive Directors and the auditors of the Company. The Connected Transactions Control Committee comprising all independent non-executive Directors is also responsible for monitoring and reviewing major and continuing connected transactions of the Company.

### 2.2.4 Historical transaction amounts

Set out below is the historical transaction amounts in respect of the securities and financial services between the Group and CITIC Group and its associates under the Securities and Financial Products Transactions and Services Framework Agreement for the preceding two financial years ended 31 December 2021 and the six months ended 30 June 2022 is as follows:

	<b>Approximate historical transaction amounts ended</b>		
	<b>31 December 2020</b>	<b>31 December 2021</b>	<b>30 June 2022</b>
<b>Securities and Financial Services</b>	<i>(RMB ten thousand)</i>	<i>(RMB ten thousand)</i>	<i>(RMB ten thousand)</i>
Income derived from provision of securities and financial services by the Group to CITIC Group and its associates	81,600	86,107	62,297
Annual caps	240,000	260,000	N/A <sup>(Note 1)</sup>
Annual cap utilisation	34.0% <sup>(Note 2)</sup>	33.1% <sup>(Note 2)</sup>	N/A
Expenses incurred for securities and financial services provided by CITIC Group and its associates to the Group	8,205	9,376	3,244
Annual caps	70,000	88,000	N/A <sup>(Note 3)</sup>
Annual cap utilisation	11.7% <sup>(Note 4)</sup>	10.7% <sup>(Note 4)</sup>	N/A

*Notes:*

- (1): The annual cap for the year ending 31 December 2022 is RMB2,800 million.
- (2): The low annual cap utilisation rates for the two financial years ended 31 December 2021 were mainly due to the following reasons: (i) the decrease in interest income as a result of lower deposit interest rate after implementation of the less stringent monetary policy in 2020 by the PRC government; (ii) the decrease in income derived from relevant investment advisory services and financial advisory services fees, due to the industry-wide rectification of the PRC

---

## LETTER FROM THE BOARD

---

asset management business in adherence to 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》) (the “Guiding Opinions”) issued by the China Banking and Insurance Regulatory Commission, China Securities Regulatory Commission and the State Administration of Foreign Exchange in April 2018; (iii) the outbreak of COVID-19 pandemic; (iv) the new services not having fully launched as expected; (v) the delay in receipt of underwriting fees and sponsor fees as a result of delay in timetable of some projects; and (vi) the volume and scale of securities and financial products that the related/connected parties require the Company to provide sales agency service were less than expected, resulting in less than expected revenue from the Company's related sale agency fees.

- (3): The annual cap for the year ending 31 December 2022 is RMB1,060 million.
- (4): The low annual cap utilisation rates for the two financial years ended 31 December 2021 were mainly due to the following reasons: (i) the Group received less than expected services from CITIC Group and its associates as the terms of certain services offered by independent third parties are more favourable; (ii) the Group incurred less than expected expense for agency service as some securities and financial products planned to be sold by connected person(s) were not issued finally; and (iii) the COVID-19 pandemic had a negative effect on the securities and financial services market.

### ***2.2.5 Proposed annual caps for the three financial years ending 31 December 2025***

The Company estimates the proposed annual caps for the mutual provision of securities and financial services for the next three financial years ending 31 December 2025 are as follows:

	<b>Proposed annual caps ending</b>		
	<b>31</b>	<b>31</b>	<b>31</b>
	<b>December</b>	<b>December</b>	<b>December</b>
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>(RMB ten</i>	<i>(RMB ten</i>	<i>(RMB ten</i>
	<i>thousand)</i>	<i>thousand)</i>	<i>thousand)</i>
<b>Securities and Financial Services</b>			
Income to be derived from provision of securities and financial services by the Group to CITIC Group and its associates	350,000	400,000	500,000
Expenses to be incurred for securities and financial services provided by CITIC Group and its associates to the Group	110,000	130,000	160,000

---

## LETTER FROM THE BOARD

---

### *2.2.6 Basis of determination of the proposed annual caps*

#### *(a) Revenue*

When estimating the proposed annual caps for the revenue to be derived from provision of securities and financial services by the Group to CITIC Group and its associates (referred to in paragraph 2.2.5 above), the Company has made reference to the above historical transaction amounts and also considered, among other things, the following key factors:

- (i) In the ordinary course of the Group's business, the Group deposits its proprietary funds and customers' funds with the banking institutions of CITIC Group and its associates. A substantial amount of revenue is expected to be contributed from interests on deposits of the Group's proprietary funds and customers' funds from the banking institutions of CITIC Group. It is estimated that the annual interest to be paid to the Company by the banking institutions of CITIC Group and its associates will reach approximately RMB1.7 billion to RMB2.4 billion in the next three financial years with an annual growth rate of approximately 17% to 21%, representing approximately 48% to 50% of the total income to be derived from provision of securities and financial services by the Group to CITIC Group and its associates. The Company made the annual caps based on the following factors: (a) the expansion of the Group's securities and futures brokerage business, which may generate more customers' funds to be deposited into the banking institutions of CITIC Group and its associates and increase interest income; (b) the growth of the Group's custody and outsourcing business resulting in the growth of the customer size, which has led to the continuous expansion of the scale of deposits from customers and the increase in interest income; (c) the Group's plan to use its proprietary funds to conduct new financial products transactions, involving its proprietary funds that may be deposited into the banking institutions of CITIC Group and its associates, and increasing interest income for the next three years; and (d) the proceeds from rights issue of the Company completed in March 2022 and deposited with the banking institutions of CITIC Group and its associates, generating interest income.
- (ii) As part of its normal course of business, the Company would participate in the potential fund raising exercises such as equity financing, debt financing and initial public offering to be undertaken by members of CITIC Group and its associates in the next three financial years, by providing investment banking services such as underwriting, sponsorship and supervision and guidance services. The Company will continue to provide underwriting and sponsorship services to CITIC Group and its associates and expect an increase in underwriting commissions, sponsoring fees and other service fees to be received by the Group. The Company made annual cap estimates based on the ongoing projects and the expected projects for the next three financial years and taking into account of the revenue to be recognized in the next three financial years due to delay of timetable of existing projects. It is estimated that the underwriting commissions, sponsoring fees and other service fees to be received from CITIC Group and/or its associates for the three years ending 31 December 2025 would be approximately RMB168 million to RMB251 million.

---

## LETTER FROM THE BOARD

---

- (iii) As part of its normal course of business, the Company may provide financial and investment advisory services in connection with corporate reorganization and mergers and acquisitions and services for unlisted public companies to CITIC Group and its associates. While setting up the annual caps, the Company considers the existing mandates with CITIC Group and its associates. It is estimated that the service fees in respect of financial and investment advisory services from CITIC Group and its associates for the three years ending 31 December 2025 would be approximately RMB152 million to RMB196 million.
- (iv) It is expected that the entrusted asset management fees to be collected by the Group from CITIC Group and its associates will have a substantial increase in the next three financial years with a yearly growth rate of approximately 40% to 50% in respect of the entrusted asset management fees. The asset management market developed rapidly in recent years. The net asset size of public funds increased by approximately 20% to 30% on average per annum in the past three years. The increasing rate in respect of the net assets size of asset management plan running as mutual fund managed by the Group is higher than the market increasing rate during the same period. In addition, the Company plans to establish a new asset management subsidiary for the expansion of its asset management business. Based on the above, the Company expected that the net assets size of asset management products managed by the Group would increase by approximately 50% on average per annum for the next three years. It is estimated that entrusted asset management fees to be collected by the Group from CITIC Group and its associates for the next three financial years will be approximately RMB671 million to RMB1,274 million.
- (v) With the improvement of the domestic regulatory environment, the domestic futures industry has achieved rapid development in recent years. CITIC Futures, as a leading futures business institution in the PRC, has also achieved rapid growth in its futures brokerage business, and the scale of customer margin has grown as well. Considering the rapid development of the futures industry and the rapid growth of CITIC Futures, it is expected that the income derived from futures brokerage business would increase. Meanwhile, in the process of implementing the Company's development strategy of expanding the customer market, it is expected that customer accounts opened with connected person(s) will be further introduced, or the currently inactive customer accounts opened with connected person(s) will be activated to generate brokerage services income. It is expected that the enlarged customer base would be approximately 10 to 20 times the current one, assuming that all the inactive connected customer accounts are fully activated. Based on the above, the Company expects an increase in brokerage services for the next three financial years and estimates that the brokerage service fees will be approximately RMB91 million to RMB109 million.

---

## LETTER FROM THE BOARD

---

*(b) Expenses*

When estimating the proposed annual caps for the expenses to be incurred by the Group for securities and financial services to be provided by CITIC Group and its associates (referred to in paragraph 2.2.5 above), the Company has made reference to the above historical transaction amounts, and also considered, among other things, the following key factors:

- (i) It is estimated that a substantial portion of the total expenses paid by the Group to CITIC Group and its associates are service fees for sale of financial products by CITIC Group and its associates. The financial institutions of CITIC Group and its associates have good sale networks and potential customers for the Group's financial products. Such services include, among other things, agency sale of bonds, asset management products, fund products, etc. Considering both the size and scope of financial products to be issued by the Group will continue to increase in the next three financial years, it is expected that the aggregate expenses payable by the Group for such services will increase in the next three financial years. It is expected that the aggregate expenses payable by the Group for such services will be approximately RMB570 million to RMB702 million for the next three financial years with an annual growth rate of approximately 9% to 13%.
- (ii) For asset management products and funds set up and managed by the Group, the financial institutions of CITIC Group and its associates may be appointed as custodians to provide custody services and client deposits management services. As mentioned in paragraph 2.2.6(a)(iv), the Company has been constantly expanding its asset management size and expects to further expand its active management size by establishing a new subsidiary for asset management. Since the scale of asset management and funds are expected to increase in the next three financial years, the demand for the custody services and client deposits management service will increase as well. It is estimated that expenses in this respect payable by the Group to CITIC Group and its associates would be approximately RMB388 million to RMB710 million for the next three financial years.
- (iii) With the further expansion of the Group's businesses and the potential launch of new products, the Group and CITIC Group and its associates will cooperate in an increasing number of areas, such as investment banking, brokerage, assets management, financial advisory services, distribution of financial products and other innovative businesses by providing more value-added services. Therefore, expenses to be paid by the Group to CITIC Group and its associates are expected to increase.

---

## LETTER FROM THE BOARD

---

*(c) Factors considered*

When estimating the proposed annual caps for the securities and financial services transactions, the Company has taken into account various considerations and factors, including principally the following:

- (i) The Company has considered the historical connected transaction amounts as well as the rate of growth/fluctuations of the relevant securities and financial products or services and other similar products or services; and
- (ii) The Company has also considered the Group's corporate strategic planning and business planning of individual departments.

In addition, in arriving at the above proposed annual caps, the Company has also taken into account the inflation factor. In determining the proposed annual caps for the next three financial years, the Company also assumes that during the term of the Securities and Financial Products Transactions and Services Framework Agreement proposed to be renewed, there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the businesses of the Group and those of CITIC Group and/or its associates.

### **2.3 Payment arrangements**

According to the Securities and Financial Products Transactions and Services Framework Agreement, payment arrangements for interests, service fees, commissions or brokerage fees shall be specified in the individual service agreement to be signed by members of the Group and CITIC Group and its associates under such framework agreement.

### **2.4 Implementation agreements**

During the term of the Securities and Financial Products Transactions and Services Framework Agreement proposed to be renewed, members of the Group and CITIC Group and its associates will enter into, from time to time and as necessary, individual implementation agreement for each of the specific transactions contemplated under such framework agreement (including such implementation agreement entered into during the term of the existing Securities and Financial Products Transactions and Services Framework Agreement which has an expiring date within the term of the agreement to be renewed), provided that any such implementation agreement shall be within the ambit of the Securities and Financial Products Transactions and Services Framework Agreement proposed to be renewed.

---

## LETTER FROM THE BOARD

---

### **2.5 Reasons for and benefits of renewal of the Securities and Financial Products Transactions and Services Framework Agreement**

The reasons and benefits are:

- (a) The securities and financial products transactions and securities and financial services transactions under the Securities and Financial Products Transactions and Services Framework Agreement have been and will be conducted in the ordinary and usual course of business of the Group. Such transactions will continue to be agreed on arm's length basis with terms that are fair and reasonable to the Company. Due to the historical and future long-term cooperation relationship between the Group and CITIC Group and its associates, the Directors believe that it is beneficial to the Group to renew the Securities and Financial Products Transactions and Services Framework Agreement with CITIC Group as the transactions thereunder have facilitated and will continue to facilitate the overall business operations and growth of the Group's business.
- (b) These transactions will provide cost synergies by integrating advantageous resources between the Group and CITIC Group and its associates, thereby reducing the aggregate operational cost and general expenditure so as to improve the profitability and to strengthen leading position of the Company in the securities industry.
- (c) Further, such continuing connected transactions will enable CITIC Group and its associates to develop a deeper understanding in the operations of the Group, which in turn will render them more expedient and efficient services and/or product provisions to the Group when compared to those services and/or products provided by independent third parties.

The Directors (excluding the independent non-executive Directors, whose view on the Securities and Financial Products Transactions and Services Framework Agreement proposed to be renewed and the proposed annual caps and maximum daily balances has been set out in the letter from the Independent Board Committee contained in this circular after considering the advice from the independent financial adviser) are of the view that the securities and financial products transactions and the securities and financial services transactions under the Securities and Financial Products Transactions and Services Framework Agreement proposed to be renewed will be conducted on normal commercial terms, and the terms and conditions therein, the proposed annual caps for the continuing connected transactions, the maximum daily balance of non-exempted loans by CITIC Group and its associates to the Group and the maximum daily balance of non-exempted loans by the Group to CITIC Group and its associates contemplated thereunder are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole.



---

## LETTER FROM THE BOARD

---

### V. HONG KONG LISTING RULES IMPLICATIONS

CITIC Group is a substantial Shareholder of the Company indirectly holding an aggregate of 18.45% interests in the Company as at the Latest Practicable Date. Accordingly, CITIC Group and its associates are connected persons of the Company under Chapter 14A of the Hong Kong Listing Rules and the proposed transactions to be conducted between the Group and CITIC Group and its associates under the Securities and Financial Products Transactions and Services Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Hong Kong Listing Rules.

As the highest of the applicable percentage ratios in respect of each of (a) the proposed annual caps for the continuing securities and financial products transactions; (b)(i) the proposed maximum daily balance of non-exempted loans by CITIC Group and its associates to the Group, and (ii) the proposed maximum daily balance of non-exempted loans by the Group to CITIC Group and its associates; and (c) the proposed annual caps for the continuing securities and financial services transactions contemplated under the Securities and Financial Products Transactions and Services Framework Agreement proposed to be renewed exceeds 5% calculated according to the percentage ratios under the Hong Kong Listing Rules, such continuing connected transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The provision of inter-financial institutions loans by CITIC Group and its associates to the Group and the subscription by CITIC Group and its associates for the beneficiary certificates issued by the Group are exempted from reporting, announcement and Independent Shareholders' approval requirements under the Hong Kong Listing Rules as such transactions constitute financial assistance provided by a connected person for the benefit of the Group upon normal commercial terms with no security given for such financial assistance.

The Company has obtained a waiver from setting up the maximum daily balance of deposits, including the Group's proprietary funds and its customers' funds, with the banking subsidiaries of CITIC Group in the PRC and Hong Kong for the three financial years ending 31 December 2025.

Mr. ZHANG Youjun, the chairman of the Company, also acts as the assistant to the general manager of CITIC Group, CITIC Limited ("**CITIC Limited**") and CITIC Corporation Limited ("**CITIC Corporation Limited**") and the director of China CITIC Financial Holdings Co., Ltd. ("**CITIC Financial Holdings**"); Mr. SONG Kangle, the non-executive Director of the Company, also acts as the non-executive director of CITIC Group, CITIC Limited and CITIC Corporation Limited and the director of CITIC Financial Holdings; Ms. FU Linfang, the non-executive Director of the Company, also acts as the deputy general manager of the Strategic Development Department of CITIC Group, a director of CITIC Industrial Investment Group Corp., Ltd. and a director of CITIC Finance Company Limited; Mr. ZHAO Xianxin, the non-executive Director of the Company, also acts as the deputy general manager of the Legal Compliance Department of CITIC Group and the general manager of the Risk Compliance Department of CITIC Financial Holdings. Therefore, they are deemed to have material interests in all the above-mentioned continuing connected transactions contemplated between the Group and CITIC Group, and thus have abstained from voting on the relevant resolutions at the Board meeting. Save as mentioned above, none of the other Directors has any material interest in such transactions and is required to abstain from voting on the relevant resolutions at the Board meeting.



---

## LETTER FROM THE BOARD

---

### VI. GENERAL INFORMATION

#### Information on CITIC Group

CITIC Group is a large-scale state-owned comprehensive multinational conglomerate founded in 1979, and its businesses cover five sectors, including comprehensive finance, advanced intelligent manufacturing, advanced materials, new consumption and new urbanization. As at the Latest Practicable Date, CITIC Group indirectly holds an aggregate of 18.45% interests in the Company.

Among the subsidiaries of CITIC Group, the following companies engage in more business transactions with the Company: China CITIC BANK Corporation Limited, China CITIC Bank International Limited, CITIC Trust Co., Ltd., CITIC Prudential Life Insurance Co., Ltd., CITIC Finance Company Limited, CITIC Construction Co., Ltd., etc.

#### Information on the Company

The principal businesses of the Company include securities brokerage (for areas other than Shandong Province, Henan Province, Tiantai and Cangnan Counties of Zhejiang Province); securities investment consulting; financial advisory services related to securities trading and securities investment activities; securities underwriting and sponsorship; securities proprietary business; securities asset management; margin financing and securities lending; securities investment fund sales agency; provision of brokerage services to futures companies; distribution of financial products; and stock options market making.

### VII. THE EGM

The EGM is scheduled to be held at the Conference Room of the Company at CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing, the PRC on 30 December 2022 at 9:30 a.m. for the purpose of considering and, if thought fit, approving the renewal of the Securities and Financial Products Transactions and Services Framework Agreement and the proposed annual caps for each of the continuing securities and financial products transactions and securities and financial services transactions contemplated thereunder and the proposed maximum daily balance of non-exempted loans by CITIC Group and its associates to the Group, as well as the maximum daily balance of non-exempted loans by the Group to CITIC Group and its associates.

Due to the volatility of the COVID-19 pandemic (“**Pandemic**”), the Company will conduct a hybrid EGM with the combination of On-site Meeting and Online Platform which allows Shareholders to attend either in person, subject to the requirements announced by the Government or via an online platform which allows Shareholders to attend, submit questions and view live streaming of the EGM. A notice convening the EGM, together with the proxy form for use at the EGM, is enclosed with this circular and has been despatched to the Shareholders on Thursday, 8 December 2022 and uploaded on the websites of the Hong Kong Stock Exchange and the Company.

The proxy form for the EGM is also enclosed herewith. If you wish to attend the EGM by proxy, you are requested to complete the proxy form in accordance with the instructions printed thereon and return it as soon as possible. H Shareholders are required to return the proxy form to the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited; while A Shareholders are required to return the proxy form to the Board’s office, but in any event the proxy form shall be returned in person or by mail not less than 24 hours before the time appointed for the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting at the EGM or any adjournment thereof in person if you so wish.

---

## LETTER FROM THE BOARD

---

In order to determine the list of Shareholders who will be entitled to attend and vote at the EGM, the register of members of the Company will be closed for registration of transfer of Shares from Friday, 23 December 2022 to Friday, 30 December 2022 (both days inclusive) and during which period no transfer of Shares will be effected. Shareholders whose names appear on the register of members of the Company at the close of business on Friday, 23 December 2022 shall be entitled to attend and vote at the EGM. In order for the Shareholders to be qualified for attending and voting at the EGM, all transfer documents, accompanied by the relevant Share certificates, must be lodged with the Company's H share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited (applicable for H shares) or the Board's office (applicable for A Shares) no later than 4:30 p.m. on Thursday, 22 December 2022 for registration.

The address of the Board's office is at CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing, the PRC, Postal code: 100026 (Tel: (8610) 6083 6030, Fax: (8610) 6083 6031). The address of the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, is at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (Tel: (852) 2862 8555).

In accordance with the Hong Kong Listing Rules, CITIC Corporation Limited (中國中信有限公司) and CITIC Limited (中國中信股份有限公司), will abstain from voting on the resolution to be proposed at the EGM in relation to the renewal of the Securities and Financial Products Transactions and Services Framework Agreement as well as the proposed annual caps and maximum daily balances for the continuing connected transactions contemplated thereunder. As at the Latest Practicable Date, CITIC Group and its associates, directly and indirectly, hold 2,299,650,108 A Shares and 434,311,604 H Shares (representing approximately 18.45% of the total issued share capital of the Company) with voting right.

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

### VIII. VOTES BY WAY OF POLL

Pursuant to the requirements of the Hong Kong Listing Rules, all votes of shareholders at a general meeting must be taken by poll. As such, the resolutions set out in the notice of the EGM shall be voted by way of poll. Relevant poll results will be published on the HKExnews website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of the Company at [www.cs.ecitic.com](http://www.cs.ecitic.com) upon conclusion of the EGM.

### IX. RECOMMENDATION

An Independent Board Committee has been formed to advise the Independent Shareholders in connection with the Securities and Financial Products Transactions and Services Framework Agreement proposed to be renewed, as well as the proposed annual caps and maximum daily balances for the continuing connected transactions contemplated thereunder, and Somerley has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders.

---

## LETTER FROM THE BOARD

---

Somerley considers (i) the entering into of the Securities and Financial Products Transactions and Services Framework Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and Shareholders as a whole; and (ii) the terms of the Securities and Financial Products Transactions and Services Framework Agreement are on normal commercial terms and fair and reasonable as far as the Independent Shareholders are concerned. Accordingly, Somerley recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Securities and Financial Products Transactions and Services Framework Agreement proposed to be renewed and the proposed annual caps for the continuing connected transactions and the proposed maximum daily balance of non-exempted loans by CITIC Group and its associates to the Group as well as the proposed maximum daily balance of non-exempted loans by the Group to CITIC Group and its associates contemplated thereunder. The full text of the Letter from Somerley issued by Somerley containing its recommendation in respect of the renewal of continuing connected transactions as contemplated thereunder is set out on pages 52 to 79 of this circular.

The Independent Board Committee, having taken into account the advice of Somerley, (i) the entering into of the Securities and Financial Products Transactions and Services Framework Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and Shareholders as a whole; and (ii) the terms of the Securities and Financial Products Transactions and Services Framework Agreement are on normal commercial terms and fair and reasonable as far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Securities and Financial Products Transactions and Services Framework Agreement proposed to be renewed and the proposed annual caps for the continuing connected transactions and the proposed maximum daily balance of non-exempted loans by CITIC Group and its associates to the Group as well as the proposed maximum daily balance of non-exempted loans by the Group to CITIC Group and its associates contemplated thereunder. The full text of the Letter from the Independent Board Committee is set out on pages 50 to 51 of this circular.

The Directors consider that all the resolutions set out in the notice of the EGM are in the interest of the Company and its Shareholders as a whole and accordingly recommend you to vote in favor of the relevant resolutions mentioned above.

Yours faithfully,  
By order of the Board  
**CITIC Securities Company Limited**  
**ZHANG Youjun**  
*Chairman*



**中信证券股份有限公司**  
**CITIC Securities Company Limited**

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 6030)**

8 December 2022

*To the Independent Shareholders*

Dear Sir or Madam,

We refer to the circular of the Company dated 8 December 2022 (the “**Circular**”) of which this letter forms a part. Unless the context requires otherwise, terms defined in the Circular shall have the same meanings when used herein.

We have been appointed by the Board as the Independent Board Committee to consider and advise the Independent Shareholders on whether, in our opinion, the terms of the Securities and Financial Products Transactions and Services Framework Agreement proposed to be renewed and the proposed annual caps for the continuing connected transactions and the proposed maximum daily balance of non-exempted loans by CITIC Group and its associates to the Group as well as the proposed maximum daily balance of non-exempted loans by the Group to CITIC Group and its associates contemplated thereunder (details of which are set out in the letter from the Board) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Somerley has been appointed by the Board as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders on the fairness and reasonableness of the terms and conditions of the Securities and Financial Products Transactions and Services Framework Agreement proposed to be renewed and the proposed annual caps for the continuing connected transactions and the proposed maximum daily balance of non-exempted loans by CITIC Group and its associates to the Group as well as the proposed maximum daily balance of non-exempted loans by the Group to CITIC Group and its associates contemplated thereunder. Details of the advice from Somerley, together with the principal factors taken into consideration in arriving at such advice, are set out in the Letter from Somerley on pages 52 to 79 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 4 to 49 of the Circular and the additional information set out in the Appendix.

---

## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

---

Having considered the terms and conditions of the Securities and Financial Products Transactions and Services Framework Agreement proposed to be renewed and the proposed annual caps and maximum daily balances for the continuing connected transactions contemplated thereunder, the interests of the Independent Shareholders and the advice of Somerley, we are of the opinion that the securities and financial products transactions as well as the securities and financial services transactions under the Securities and Financial Products Transactions and Services Framework Agreement proposed to be renewed will be conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms and conditions therein as well as the proposed annual caps for the continuing connected transactions and the proposed maximum daily balance of non-exempted loans by CITIC Group and its associates to the Group as well as the proposed maximum daily balance of non-exempted loans by the Group to CITIC Group and its associates contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM so as to approve the Securities and Financial Products Transactions and Services Framework Agreement proposed to be renewed and the proposed annual caps for the continuing connected transactions and the proposed maximum daily balance of non-exempted loans by CITIC Group and its associates to the Group as well as the proposed maximum daily balance of non-exempted loans by the Group to CITIC Group and its associates contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee  
**CITIC Securities Company Limited**  
**Mr. Zhou Zhonghui, Mr. Li Qing, and Mr. Shi Qingchun**  
*Independent Non-executive Directors*

---

## LETTER FROM SOMERLEY

---

*The following is the letter of advice from Somerley Capital Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



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

8 December 2022

*To: the Independent Board Committee and  
the Independent Shareholders*

Dear Sirs,

### RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders on (i) the terms of the non-exempt continuing connected transactions to be conducted under the Securities and Financial Products Transactions and Services Framework Agreement (the “**Framework Agreement**”); (ii) the proposed annual caps (the “**Financial Product Annual Caps**”) for the securities and financial products transactions (the “**Securities and Financial Product Transactions**”) between the Group and CITIC Group and its associates contemplated under the Framework Agreement; (iii) the proposed annual caps (the “**Financial Service Annual Caps**”, together with the Financial Products Annual Caps, the “**Annual Caps**”) for mutual provision of securities and financial services (the “**Securities and Financial Services**”) between the Group and CITIC Group and its associates contemplated under the Framework Agreement; (iv) the proposed maximum daily balance of non-exempted loans by CITIC Group and its associates to the Group; and (v) the proposed maximum daily balance of non-exempted loans by the Group to CITIC Group and its associates (together with (iv), the “**Maximum Daily Balances**”) to be conducted between the Group and CITIC Group and its associates under the Framework Agreement, for the three financial years ending 31 December 2025. Details of the Framework Agreement, the Annual Caps and the Maximum Daily Balances are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 8 December 2022 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

As at the Latest Practicable Date, CITIC Group is a substantial Shareholder of the Company indirectly holding an aggregate of 18.45% interests in the Company. Accordingly, CITIC Group and its associates are connected persons of the Company under Chapter 14A of the Hong Kong Listing Rules and the proposed transactions to be conducted between the Group and CITIC Group and its associates under the Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong

---

## LETTER FROM SOMERLEY

---

Kong Listing Rules. As the highest of the applicable percentage ratios in respect of each of: (a) the Financial Product Annual Caps; (b) the Maximum Daily Balances; and (c) the Financial Service Annual Caps, under the Framework Agreement proposed to be renewed exceeds 5% calculated according to the percentage ratios under the Hong Kong Listing Rules, such continuing connected transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders on the terms of the Framework Agreement proposed to be renewed, the Annual Caps and the Maximum Daily Balances. We, Somerley Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

We are not associated with the Company, CITIC Group or their respective substantial shareholders or associates and accordingly we are considered eligible to give independent advice on the terms of the Framework Agreement, the Annual Caps and the Maximum Daily Balances. Apart from the normal fees payable to us in connection with this and similar engagements, no arrangements exist whereby we will receive any fees or benefits from the Company, CITIC Group or their respective substantial shareholders or associates.

In formulating our opinion, we have reviewed, among others, the Framework Agreement, the annual reports of the Company for the last ten financial years up to and including 2021, the interim report of the Company for the six months ended 30 June 2022, and the information contained in the Circular. We have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group and have assumed that they are true, accurate and complete in all material aspects and will remain so up to the time of the EGM. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter. We have no reason to believe that any material information has been omitted or withheld from us, nor to doubt the truth, accuracy or completeness of the information provided. We have not, however, conducted any independent investigation into the businesses and affairs of the Group, CITIC Group or their respective associates, nor have we carried out any independent verification of the information supplied.



## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion and recommendation, we have taken into account the following principal factors and reasons:

### **1. Background of the Framework Agreement**

#### ***1.1 Introduction***

The principal businesses of the Company include securities brokerage (for areas other than Shandong Province, Henan Province, Tiantai and Cangnan Counties of Zhejiang Province); securities investment consulting; financial advisory services related to securities trading and securities investment activities; securities underwriting and sponsorship; securities proprietary business; securities asset management; margin financing and securities lending; securities investment fund sales agency; provision of brokerage services to futures companies; distribution of financial products; and stock options market making.

CITIC Group is a large-scale state-owned comprehensive multinational conglomerate founded in 1979, and its businesses cover five sectors, including comprehensive finance, advanced intelligent manufacturing, advanced materials, new consumption and new urbanization. As at the Latest Practicable Date, CITIC Group indirectly holds an aggregate of 18.45% interests in the Company. Among the subsidiaries of CITIC Group, the following companies engage in more business transactions with the Company: China CITIC Bank Corporation Limited, China CITIC Bank International Limited, CITIC Trust Co., Ltd., CITIC Prudential Life Insurance Co., Ltd., CITIC Finance Company Limited, CITIC Construction Co., Ltd., etc.

As stated in the letter from the Board, the Group has been, in the ordinary and usual course of its businesses, entering into continuing connected transactions with CITIC Group and its associates including Securities and Financial Product Transactions and mutual provision of Securities and Financial Service and financing transactions. As the term of the existing Framework Agreement and the relevant annual caps thereunder are due to expire by the end of December 2022, the Company proposed to further renew the Framework Agreement for a term of three years ending on 31 December 2025, and to set the Annual Caps/ Maximum Daily Balances for the continuing connected transactions thereunder for three financial years ending 31 December 2025.

#### ***1.2 Transactions contemplated under the Framework Agreement***

The transactions contemplated under the Framework Agreement have been categorised into (i) Securities and Financial Product Transactions; and (ii) provision of Securities and Financial Services.

---

## LETTER FROM SOMERLEY

---

### 1.2.1 Securities and Financial Product Transactions

The Group and CITIC Group and its associates have been conducting Securities and Financial Product Transactions with each other, the scope of which are the same as those in the existing Framework Agreement, except for the following changes as indicated by the mark-ups:

- (i) *Transactions relating to ~~securities~~ products with fixed income features* — including, but not limited to, bonds, funds, trusts, wealth management products, asset management plans, assets securitised products, bond lending and borrowing, structured products, swaps, futures, forwards, options, debts and other financial products with fixed income features;
- (ii) *Transactions relating to fixed income related derivative products* — including, but not limited to, interest rate and credit derivatives;
- (iii) *Transactions relating to equity-linked products* — including, but not limited to, trading and/or subscription of equity (including market-making activities on the NEEQ), funds, trusts, wealth management products, asset management products and equity derivatives such as return swaps, futures and options;
- (iv) *Transactions relating to financing transactions* — financing transactions among financial institutions with or without guarantees/pledges including, but not limited to, interbank lending and borrowing, repurchase, interbank deposits, usufruct, asset securitization, corporate account overdraft, pledge loans, holding debt certificates for each other such as short-term financing bonds, beneficiary certificates, subordinated debts and corporate bonds; and
- (v) *Transactions relating to other related securities and financial products permitted by the regulatory authority* — including, but not limited to, futures, foreign exchange and commodities trading (commodity derivatives inclusive), etc.

As stated in the letter from the Board, the deletion of “securities” is to clarify that the products with fixed income features are not limited to securities only. In the normal course of business of the Group and CITIC Group and its associates, the Group may purchase debts from and/or sell debts to CITIC Group and its associates from time to time. The addition of “commodity derivatives”, which is not a new product, is to only provide clarity and elaborate commodities trading.

In the ordinary and normal course of the Group’s business, the Group would enter into repurchase transactions (including collateralized securities repurchase and repurchase agreement transactions) with the financial institutions of CITIC Group and its associates. Collateralized securities repurchase involves the pledge of securities of the Group, including bonds and shares as collateral, to obtain financing from the financial institutions of CITIC Group and its associates and the Group agreeing to repay the funds obtained on a future date to release the pledge. Repurchase agreement refers to the sale of securities to the financial institutions of CITIC Group and its associates for trading at an agreed-upon price, and agreement to repurchase the subject securities at another agreed-upon price on a specific date in the future.

In addition, in the ordinary and normal course of businesses, the Group may also enter into lending transactions, including reverse repurchase transactions, with or without collateralized securities, with CITIC Group and its associates.

---

## LETTER FROM SOMERLEY

---

### *1.2.2 Provision of Securities and Financial Services*

Apart from the Securities and Financial Product Transactions, the Group and CITIC Group and its associates also provide Securities and Financial Services to each other during the normal course of their respective businesses. The Group provides Securities and Financial Services such as advisory, brokerage, agency sale and asset management services for which the Group receives service fees, commission and other payments such as interests. On the other hand, the financial institutions of CITIC Group and its associates also provide financial and other services to the Group and the Group's customers, such as deposit management services and other agency sale services for which service fees are charged by CITIC Group and its associates.

The scope of Securities and Financial Services to be provided by the Group to CITIC Group and its associates, which are the same as those under the existing Framework Agreement, include the following:

- (i) *Underwriting and sponsorship services* — including, but not limited to, sponsorship, underwriting and continuous supervision and guidance services for equity securities, fixed income products, structured products and other derivative products;
- (ii) *Other investment banking services* — including, but not limited to, financial advisory services relating to corporate restructuring, mergers and acquisition and sponsorship services for unlisted public companies;
- (iii) *Brokerage services* — including, but not limited to, securities brokerage and related financial products services as well as futures brokerage services such as treasury bond futures;
- (iv) *Financial products sales agency services* — including, but not limited to, provision of sales agency services for financial products;
- (v) *Entrusted asset management services* — including, but not limited to, assets management services for assets entrusted by customers; and
- (vi) *Other securities and financial advisory and consulting services and other commodities services, etc.*

The scope of Securities and Financial Services to be provided by CITIC Group and its associates to the Group, which are the same as those under the existing Framework Agreement, include the following:

- (i) *Deposit services* — including, but not limited to, (a) deposits of cash balances arising from the business operations of the Group including cash from daily operations, proceeds from fund raising activities such as equity and bond issuances; (b) cash deposits from the customers of the Group; and (c) other deposit services;
- (ii) *Financial products sales agency services* — including, but not limited to, provision of sales agency services for financial products and precious metals;

---

## LETTER FROM SOMERLEY

---

- (iii) *Client deposits management and custody services* — including, but not limited to, management services provided by the banking subsidiaries of CITIC Group for managing the cash deposits of non-financial institutional customers of the Group, which are required by the relevant PRC laws and regulations to be deposited into the accounts of the Group with a PRC bank, and custody services provided by the banking subsidiaries of CITIC Group for securities and financial products issued by the Group;
- (iv) *Loan services* — including, but not limited to, funds for business operation and loans as the working capital of the Group provided by CITIC Group and its associates; and
- (v) *Other securities and financial advisory and consulting services, money brokerage services and commodities services, etc.*

### ***1.3 Reasons for and benefits of renewal of the Framework Agreement***

As stated in the letter from the Board, first, the Securities and Financial Product Transactions and Securities and Financial Services transactions under the Framework Agreement are and will be conducted in the ordinary and usual course of business of the Group. Such transactions will continue to be agreed on arm's length basis with terms that are fair and reasonable to the Company. Due to the historical and future long-term cooperation relationship between the Group and CITIC Group and its associates, the Directors believe that it is beneficial for the Group to renew the Framework Agreement with CITIC Group as the transactions thereunder have facilitated and will continue to facilitate the overall business operations and growth of the Group's business. Second, these transactions will provide cost synergies by integrating advantageous resources between the Group and CITIC Group and its associates, thereby reducing the aggregate operational cost and general expenditure so as to improve the profitability and to strengthen leading position of the Company in the securities industry. Third, such continuing connected transactions will enable CITIC Group and its associates to develop a deeper understanding in the operations of the Group, which in turn will render them more expedient and efficient services and/or product provisions to the Group when compared to those services and/or products provided by independent third parties.

As stated in the letter from the Board, CITIC Group, founded in 1979, is a large-scale state-owned comprehensive multinational conglomerate, and its businesses cover five sectors, including comprehensive finance, advanced intelligent manufacturing, advanced materials, new consumption and new urbanization. Having considered (i) the long-term cooperation relationship between the Group and CITIC Group and its associates; and (ii) CITIC Group's good reputation and strong presence in both PRC and Hong Kong financial markets, we concur with the Directors that the renewal of the Framework Agreement is in the interests of the Company and the Shareholders as a whole.

---

## LETTER FROM SOMERLEY

---

### 2. Principal terms of the Framework Agreement

#### 2.1 Principal terms and pricing basis

Principal terms of the Framework Agreement and pricing basis of the transactions contemplated thereunder as extracted from the letter from the Board are as follows:

Parties involved	(1) The Group (2) CITIC Group and its associates
Term	From 1 January 2023 to 31 December 2025
Pricing basis	<u>The Securities and Financial Product Transactions</u>

The Securities and Financial Product Transactions are mainly conducted through the PRC interbank bond market, and the exchanges (including PRC exchange bond market, futures exchanges and etc.). Such transactions are and will continue to be carried on at the prevailing market prices in the ordinary and usual course of the Group's business and with high frequency. The pricings of such transactions are subject to strict PRC regulatory supervision and requirements of the applicable PRC laws and regulations.

#### Inter-financial institutions borrowings, repurchase and loans

For inter-financial institutions borrowings and lendings, transactions are conducted based on the prevailing interest rates quoted on the interbank money market with reference to SHIBOR, HIBOR and SOFR (as the case may be). The pricings of such transactions are also subject to the applicable Hong Kong laws and strict PRC regulatory supervision and requirements of the applicable PRC laws and regulations (as the case may be).

The Group also engages in collateralized securities repurchase transactions with the financial institutions of CITIC Group and its associates in the ordinary course of its business at interest rates which are available to independent third party customers of the financial institutions or for better than normal commercial terms. The Group may also enter into repurchase agreements with the financial institutions of CITIC Group and its associates upon the same terms applicable to repurchase transactions by the financial institutions of CITIC Group and its associates to independent third party customers or for better than normal commercial terms.

---

## LETTER FROM SOMERLEY

---

The Group would ensure that the interest rates of repurchase offered by the financial institutions of CITIC Group and its associates are at the prevailing market rates by ascertaining from time to time that the terms (including the securities to be collateralized and financing period) and interest rates quoted by the financial institutions of CITIC Group and its associates are comparable to those offered to independent third party customers of the financial institutions of CITIC Group and its associates by obtaining terms and interest rates from other major commercial banks to ensure that such terms and interest rates are also comparable to those offered by other comparable financial institutions in the market.

The loans provided by the Group to CITIC Group and its associates, including reverse repurchase, will be entered into upon normal commercial terms at interest rates and terms of reverse repurchase, as applicable to similar loans or repurchase transactions by the Group to its independent third party customers.

### Provision of the Securities and Financial Services

- (1) The pricing bases of the Securities and Financial Services to be provided by the Group to CITIC Group are as follows:
  - (i) *underwriting and sponsorship services*: the securities underwriting and sponsorship services market is highly competitive and the commission rates and fees have become generally transparent and standardized across the market. The service fees shall be determined based on arm's length negotiation with reference to, among other things, the prevailing market rates, the proposed total amount of proceeds and fee rates charged by the Group for the provision of similar services to independent third parties. As disclosed in the sub-section 2.2.3 of the letter from the Board, the Company has subscribed for market data provided by information service providers, such as Wind Info to obtain the average pricing and the prevailing market rates for similar services or transactions. The Group may consider the following factors when determining the services fees for underwriting and sponsorship services: (a) the average pricing and the prevailing market rates obtained from information service providers, (b) the fees charged to independent third parties, (c) other factors, such as deal size and complexities, market responses and competition from other securities companies, and (d) involvement of any customized services;

---

## LETTER FROM SOMERLEY

---

- (ii) *other investment banking services*: the service fees shall be determined taking into account factors including the nature and size of transactions, the then market conditions, average fee level applicable to independent third parties for similar transactions and be determined on the basis of arm's length negotiations between the parties;
  - (iii) *brokerage services*: the commissions shall be determined with reference to, among other things, the commission rates applicable to independent third parties and the estimated scale of the brokerage transactions and be determined on the basis of arm's length negotiations between the parties;
  - (iv) *financial products sales agency services*: the service fees shall be determined based on the amount of products for sale with reference to the service fee rates applicable to independent third parties;
  - (v) *entrusted asset management services*: the service fees shall be determined based on the estimated asset size and investment strategy with reference to the service fee rates applicable to independent third parties;
  - (vi) *other securities and financial advisory and consulting services, and other commodities services*: such fees and commission shall be determined based on the nature of the transactions with reference to the fee rates or commission applicable to independent third parties.
- (2) Pricing basis of the Securities and Financial Services to be provided by CITIC Group and its associates to the Group are as follows:
- (i) *deposit services*: the interest rates offered to the Group for the deposits placed with the banking subsidiaries of CITIC Group shall not be lower than the interest rates authorized by the PBOC for the same type of deposits offered by the commercial banks in the PRC during the same period and shall not be less favorable than the terms offered by independent third party banking institutions;
  - (ii) *financial products sales agency services*: the pricing for financial products sales agency services shall be determined based on the amount of products for sale and the types of products for sale with reference to the service fee rates offered by independent third parties to the Group for provision of similar services and the prevailing market rates published on several industry-recognised websites such as, <https://fund.eastmoney.com> (天天基金網) and <https://www.simuwang.com> (私募排排網). In addition, the agency service fees shall not exceed the caps as stipulated under the relevant laws and regulations. For example, according to the Provisions of the Implementation on the Measures for Supervision and Administration of Distributors of Publicly Offered Securities Investment Funds (《關於實施〈公開募集證券投資基金銷售機構監督管理辦法〉的規定》) promulgated by the CSRC, the commission rate in respect of public funds charged by sales agent shall not exceed 50% of the fund management fee;



---

## LETTER FROM SOMERLEY

---

- (iii) *client deposits management and custody services*: the management and custody service fees are determined on arm's length negotiation between the parties with reference to prevailing market rates and the fees offered by independent third parties to the Group for provision of similar services. The Group obtained the prevailing market rates based on the information published by the service providers (most of which being commercial banks) on their respective official websites or estimated rough market rates based on the information filed with Asset Management Association of China (中國證券投資基金業協會); and
- (iv) *loan services*: the interests on the financing shall be determined by reference to the relevant interest rates stipulated by the PBOC for the same period, and will take into account the factors such as the amount, purpose and terms of the financing as well as the credit rating.

### 2.2 *Our discussion and assessment*

We have discussed with 19 departments and subsidiaries of the Group on the pricing mechanism and reviewed samples of or collected information on the transactions contemplated under the Framework Agreement between the Group on one hand and CITIC Group and its associates or independent third parties on the other. On the basis that the samples and information, being randomly selected transactions during the past three years, and information we collected including but not limited to (i) the Group's internal control policies and industry policies; (ii) pricing models adopted for over-the-counter derivatives; (iii) deposit interest rates and custody service fee rates offered by CITIC Group and its associates and independent third parties; and (iv) prevailing market rates the Group collected for determining sponsorship and underwriting service fees, covered all departments and subsidiaries of the Group involved in the transactions contemplated under the Framework Agreement, we consider that they are sufficient for us to assess and form a view on whether the terms of the transactions contemplated under the Framework Agreement are fair and reasonable.

#### Trading through interbank market in the PRC

As advised by the management of the Group, majority of the PRC fixed income product transactions and all PRC collateralised securities repurchase and reverse repurchase transactions contemplated under the Framework Agreement take place through the secondary market of the interbank market, where the transactions are conducted through independent intermediate money brokerage firms and the sellers and purchasers do not have knowledge of the identities of the counterparties. The transactions are concluded based on the quotes made by the offerors in the market. Those transactions are executed through the trading system of China Foreign Exchange Trade System & National Interbank Funding Center ("NIFC"), the unified trading platform designated by the PBOC for the interbank bond market in China. After completion of the transactions, the Group would be informed of the identities of the counterparties for settlement purpose. Some PRC fixed income product transactions contemplated under the Framework Agreement also go through auctions on the primary market of the interbank market where the prices of those fixed income products are determined through bidding. All transactions take place on the PRC interbank market are regulated by NIFC.

---

## LETTER FROM SOMERLEY

---

We have reviewed the latest Rules on Bonds Circulation at NIFC (全國銀行間同業拆借中債券交易流通規則) (the “**NIFC Circulation Rules**”) issued by NIFC on 3 September 2021. According to the NIFC Circulation Rules, all bond transactions on the PRC interbank market shall be conducted at market rates and market participants shall not transfer benefits and manipulate market prices.

### One-on-one negotiation

As advised by the management of the Group, the terms and prices of some fixed income products, fixed income related derivative products, equity-linked products, and other related securities, financial products, collateralised securities repurchase and reverse repurchase transactions permitted by the regulatory authority are negotiated through one-on-one basis taking into consideration the prevailing market rates, deal size, liquidity, the credibility and financial background of the counterparties, and risk, etc. Prices of those financial products would be determined with reference to the market prices quoted from the interbank bond market or the appraisal values from recognised independent valuers or the market prices from recognized market intelligence service providers and are under supervision of the relevant regulatory authorities.

As advised by the management of the Company, some financial or consulting service fees or some financial product commission or brokerage fees or entrusted asset management service fees or financial products sales agency service fee splits provided by the Group to CITIC Group and its associates or by CITIC Group and its associates to the Group are with reference to, among other things, the prevailing market data which are available from Wind Info (a leading integrated service provider of financial data, information, and software in the Chinese market) and other market sources, and shall be determined by arm’s length negotiations after taking into account factors including but not limited to the prevailing market conditions, size and complexity of transaction, credibility and financial background of counterparties and fees charged on other transactions of similar nature and size.

We have reviewed samples of the Securities and Financial Product Transactions and Securities and Financial Services transactions priced through one-on-one negotiation, and noted that the pricing terms of those transactions were no less favourable than those of independent third party transactions or have been reviewed and approved by the responsible departments in accordance with the Group’s internal control policies to ensure the terms are in consistent with market norms when there are no comparable independent third party transactions available.

### Tender procedures

As advised by the management of the Group, the prices of some financial products and financial services are determined through tender procedures. The acquisition of equity pledged financing products or trust products by the Group from CITIC Group and its associates on equity exchanges would go through auctions and the prices would be regulated by the equity exchanges. In addition, underwriting and sponsorship services and financial advisory services provided by the Group to CITIC Group and its associates may have to go through the tender procedures where the Group could only win the bid if the terms and prices offered by the Group are competitive and in line with the market norms. Furthermore, the underwriting and sponsorship service fees charged by the Group would be disclosed in prospectus and regulated by relevant regulatory authorities.

We have reviewed samples or information on transactions contemplated under the Framework Agreement which went through tender procedures, and noted that they followed the general tender procedures.

---

## LETTER FROM SOMERLEY

---

### Standard pricing

In terms of subscriptions by the Group of the financial products issued by the financial institutions of CITIC Group or its associates or subscription by CITIC Group and its associates of financial products issued by the Group, the same subscription price is offered to all investors. Such subscription price is determined in compliance with the relevant PRC/Hong Kong laws and regulations such as Measures for the Administration of the Offering and Underwriting of Securities (《證券發行與承銷管理辦法》), Administrative Measures for the Initial Public Offering and Listing of Stocks (《首次公開發行股票並上市管理辦法》), Measures for the Administration of Registration of Securities Offering by Companies Listed on the ChiNext (for Trial Implementation) (《創業板上市公司證券發行註冊管理辦法(試行)》), Implementation Rules for the Non-public Offering of Stocks by Listed Companies (《上市公司非公開發行股票實施細則》), Initial Public Offering of Stocks on the STAR Market (《科創板首次公開發行股》), Detailed Implementation Rules for the Online Issuance of Initial Public Offering Stocks on the Shanghai Stock Market (《上海市場首次公開發行股票網上發行實施細則》), Detailed Implementation Rules for the Offline Placement of Initial Public Offering Stocks on the Shanghai Stock Market (《上海市場首次公開發行股票網下發行實施細則》), Detailed Implementation Rules for the Online Issuance of Initial Public Offering Stocks on the Shenzhen Stock Market (《深圳市場首次公開發行股票網上發行實施細則》), Detailed Implementation Rules for the Offline Placement of Initial Public Offering Stocks on the Shenzhen Stock Market (《深圳市場首次公開發行股票網下發行實施細則》), Implementation Rules on the Securities Offering and Underwriting Business by Companies Listed on the ChiNext of the Shenzhen Stock Exchange (《深圳證券交易所創業板上市公司證券發行與承銷業務實施細則》), Guidelines for Internal Control over Bond Investment and Trading Business of Securities and Fund Operators (《證券基金經營機構債券投資交易業務內控指引》), Administrative Measures for the Issuance and Trading of Corporate Bonds (《公司債券發行與交易管理辦法》), Administrative Measures for Swap Business of Securities Companies (《證券公司互換業務管理辦法》), Administrative Measures for Over-the-Counter Options Business of Securities Companies (《證券公司場外期權業務管理辦法》), Administrative Measures of Income Swap Business of Securities Companies (《證券公司收益互換業務管理辦法》). The relevant rules and regulations would normally require due diligence, valuation, auditing of financial information, rating, etc. to be conducted for the issuance of product brochures. These financial products include those with fixed income features, equity-linked products and other related securities and financial products permitted by the regulatory authority including, but limited to, futures, foreign exchange and commodities trading.

The service charges of the deposit services or interest rates and service charges of the client deposits management and custody services, provided by CITIC Group and its associates to the Group, which follow the rates stated on the CITIC bank website or PBOC benchmark rates or the rates stated in product brochures approved by CSRC, are the same for all depositors or investors.

The services fees of trust product brokerage services by the Group to CITIC Group and its associates and provided by CITIC Group and its associates to the Group follow the fee standards published by Shanghai Stock Exchange and Shenzhen Stock Exchange, and of futures product brokerage services by the Group to CITIC Group and its associates and provided by CITIC Group and its associates to the Group follow the fee standards published by Dalian Commodity Exchange, Zhengzhou Commodity Exchange, China Financial Futures Exchange and Shanghai Futures Exchange, etc.

We have reviewed samples of transactions contemplated under the Framework Agreement which adopted standard pricing methodology, and noted that these financial products and financial services were offered to all the investors or clients on same terms and at same price.

---

## LETTER FROM SOMERLEY

---

### Option pricing models

As advised by the management of the Company, when the Company issues the over-the-counter (“OTC”) derivatives which are traded via a broker-dealer network as opposed to on a centralized exchange, they would rely on the prices prepared by the relevant departments, which are calculated based on different parameters including the price, size and liquidity of the underlying securities, dividend ratio, volatility, risk-free rate, etc. by various option pricing models and adjusted for current market conditions in accordance with internal guidelines. The agreed price would be subject to adjustments depending on the exercise date and exercise method as required by the investors.

We have reviewed samples of the OTC derivatives issued by the Group to CITIC Group and its associates and independent third parties, and noted that they were priced by employing option pricing models and went through internal approval procedures.

### Request for comparable quotes

As advised by the management of the Group, when the Group purchases products with fixed income features, equity-linked products, other related securities and financial products permitted by the regulatory authorities or conducts interbank lending and borrowing transactions or selects the financial service providers for deposit services, client deposits management and custody services and loan services, it may invite quotes from the securities and financial products/service providers, compare and analyse the quotes received and select the securities and financial products/service providers with most competitive terms and prices.

We have reviewed samples or information of the financial products and financial services priced in accordance with the above pricing mechanism, and noted that the Group would only purchase financial products or select the financial services provided by CITIC Group and its associates if the prices offered by CITIC Group and its associates were no less favourable than those offered by independent third parties.

### **2.3 Our conclusion**

Given that (i) the above pricing mechanisms are common and accepted in the financial market and are in compliance with the local laws and regulations; and (ii) we have reviewed samples and collected information for transactions conducted with CITIC Group and its associates and with independent third parties across different securities and financial products and services and noted that the Group adopts similar pricing mechanisms for similar securities and financial products and services provided/received to/from CITIC Group and its associates and independent third parties, we are of the view that the transactions contemplated under the Framework Agreement shall be conducted on normal commercial terms and thus the prices and terms are fair and reasonable.

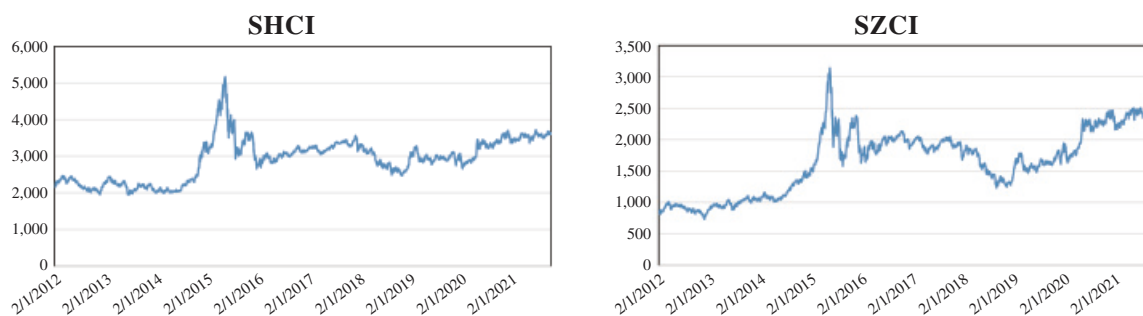
## LETTER FROM SOMERLEY

### 3. The Annual Caps

#### 3.1 Analysis on the PRC financial markets and the Group's business performance

We have discussed with the management of the Group and were advised that the Group's business performance is highly correlated with the PRC financial markets. Set out below are (i) Shanghai Composite Index ("SHCI") and Shenzhen Composite Index ("SZCI") and the average daily trading volume; and (ii) the transaction volume of the PRC bond markets over the past ten years:

**Graph 1: PRC stock markets**



	For the year ended 31 December										
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
<b>SHCI</b>											
— Highest closing index	2,461	2,434	3,235	5,166	3,539	3,448	3,559	3,271	3,473	3,715	
— Lowest closing index	1,960	1,950	1,991	2,927	2,656	3,053	2,483	2,464	2,660	3,358	
Average daily trading volume (RMB billion)	8	11	17	41	18	18	15	22	27	33	
<b>SZCI</b>											
— Highest closing index	1,010	1,102	1,504	3,141	2,309	2,047	1,961	1,783	2,333	2,562	
— Lowest closing index	734	878	1,007	1,415	1,629	1,774	1,232	1,246	1,609	2,161	
Average daily trading volume (RMB billion)	6	9	12	28	20	18	18	30	41	41	

Source: Bloomberg

**Table 1: PRC Bond Market**

	Bond issue volume (RMB billion)	Year-on-year change	Bond spot settlement volume (RMB billion)	Year-on-year change	Repurchase settlement volume (RMB billion)	Year-on-year change
2012	5,864	-16%	70,843	5%	147,596	32%
2013	5,646	-4%	36,975	-48%	158,927	8%
2014	5,952	5%	30,987	-16%	213,554	34%
2015	9,877	66%	60,532	95%	404,929	90%
2016	14,145	43%	79,536	31%	500,133	24%
2017	13,580	-4%	52,245	-34%	514,281	3%
2018	13,668	1%	78,066	49%	585,690	14%
2019	15,306	12%	139,648	79%	670,213	14%
2020	21,875	43%	153,485	10%	782,961	17%
2021	22,838	4%	141,883	-8%	892,204	14%

Source: chinabond.com.cn (a website managed by China Central Depository & Clearing Co., Ltd)

## LETTER FROM SOMERLEY

As shown in the above graphs and tables, both the SHCI and SZCI had surged significantly and reached their highs of 5,166 and 3,141 in 2015 with average daily turnover of RMB41 billion and RMB28 billion respectively. The PRC stock markets then reversed some of the gains in the same year and had been hovering in the range of 2,500 to 3,600 (SHCI) and 1,200 to 2,300 (SZCI) in 2016–2018, during which the average daily trading volume of the two markets also dropped substantially to RMB15–20 billion. From 2019, the PRC stock markets started to resume its uptrend as evidenced by increasing trading volume and the gradually climbing indexes.

Similar to PRC stock markets, the PRC bond market also rallied in 2015. The bond issue, bond spot settlement volume and repurchase settlement volume amounted to RMB9,877 billion, RMB60,532 billion and RMB404,929 billion, representing year-on-year increase of 66%, 95% and 90% respectively. The growth of the bond issue, bond spot settlement volume and repurchase settlement volume slowed down in 2016, followed by a significant fall in bond spot settlement volume (the other two were stagnant) in 2017. The bond transactions picked up their momentum in 2018 and registered considerable positive growth in 2018–2020. The bond spot settlement volume rose by 49% in 2018 and 79% in 2019 while the bond issue rose by 43% in 2020. Repurchase settlement volume exhibited a stable positive growth in 2018–2021, ranging from 14% to 17% year-on-year.

We have also assessed the Group's business performance over the past ten years and a summary of the operating profit of its different business segments as extracted from the annual reports of the Company for the last ten financial years up to and including 2021 are set out as follows:

**Table 2: A summary of operating segment information of the Group**

<i>(in RMB'000)</i>	<b>investment banking</b>	<b>YoY</b>	<b>brokerage</b>	<b>YoY</b>	<b>trading</b>	<b>YoY</b>	<b>asset management</b>	<b>YoY</b>
2012	1,122,521	182%	1,200,474	-41%	1,860,401	n.a.(note)	63,223	-93%
2013	641,562	-43%	3,011,322	151%	2,165,731	16%	638,369	910%
2014	1,468,009	129%	5,114,973	70%	3,147,063	45%	3,187,840	399%
2015	2,726,881	86%	13,690,687	168%	8,399,870	167%	3,920,664	23%
2016	2,474,819	-9%	5,702,865	-58%	1,262,780	-85%	3,357,050	-14%
2017	1,816,178	-27%	4,719,562	-17%	3,697,230	193%	3,549,411	6%
2018	1,207,116	-34%	3,059,408	-35%	3,792,566	3%	2,864,666	-19%
2019	2,064,824	71%	2,072,870	-32%	6,441,986	70%	3,646,639	27%
2020	3,105,806	50%	6,569,670	217%	2,685,322	-58%	4,712,994	29%
2021	4,213,668	36%	7,646,229	16%	10,769,485	301%	6,719,101	43%

*Note: The trading segment registered a loss in 2011.*

The Group has four major business segments, namely investment banking, brokerage, trading and asset management. The Group's financial performance is generally in line with the market as evidenced by its substantial positive growth in operating profits across different business segments in 2014–2015 ranging from 23% to 399%. It has also seen considerable fluctuations in the operating profits in 2016–2018 as certain segments suffered from the market downturn and earned less profits as compared to prior years. In 2019–2021 when the PRC financial markets rebounded, its business segments largely followed suit and recorded robust positive growth in their operating profits in 2021 when comparing the same in 2018.



---

## LETTER FROM SOMERLEY

---

### 3.2 Securities and Financial Product Transactions and Securities and Financial Services

#### 3.2.1 Securities and Financial Product Transactions

##### 3.2.1.1 Historical transaction amount:

Set out below are the historical total net inflow and net outflow transaction amounts in respect of the Securities and Financial Product Transactions between the Group and CITIC Group and/or its associates for each of the two financial years ended 31 December 2021 and the six months ended 30 June 2022 as extracted from the letter from the Board:

<b>Securities and Financial Product Transactions</b>	<b>Approximate historical transaction amounts</b>		
	<b>for the year ended</b>		<b>for the six</b>
	<b>31 December</b>	<b>31 December</b>	<b>months ended</b>
	<b>2020</b>	<b>2021</b>	<b>30 June 2022</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
<b>Total net inflow</b>			
Total net cash inflow to the Group (excluding the amount of inter-financial institutions borrowings, repurchase agreements and beneficiary certificates)	33,624	42,869	34,020
Annual caps	75,000	80,000	90,000 <sup>(note)</sup>
Annual cap utilisation	44.8%	53.6%	n.a.
<b>Total net outflow</b>			
Total net cash outflow from the Group (excluding the amount of inter-financial institutions lending and reverse repurchase agreements)	54,851	52,928	27,898
Annual caps	170,000	180,000	190,000 <sup>(note)</sup>
Annual cap utilisation	32.3%	29.4%	n.a.

*Note: The annual cap is for the full financial year ending 31 December 2022.*

##### Total net inflow:

The annual cap utilisation rates for the two financial years ended 31 December 2021 were 44.8%, and 53.6% respectively. The net inflow mainly comprises the products issued and sold by the Group to, and the interests earned by the Group from the products issued by, CITIC Group and its associates. We have reviewed the breakdown of the historical transaction amounts provided by the Group, discussed with relevant business departments of the Group, and were advised that the relatively low annual cap utilisation rates in the past two years was mainly due to (i) the demand from CITIC Group and its associates for the bonds, return swaps and OTC options issued by the Group were less than expected; (ii) less than expected amounts of fixed income products sold by the Group to CITIC Group and its associates due to less competitive terms offered by CITIC Group and its associates; and (iii) less interests earned from the financial products issued by CITIC Group and its associates as a result of not only the lower than expected amounts of wealth management products and OTC options purchased by the Group from CITIC Group and its associates but also its bond holding position having been streamlined before maturity to satisfy the Group's liquidity needs in the past years.



---

## LETTER FROM SOMERLEY

---

Total net outflow:

The annual cap utilisation rates for the two financial years ended 31 December 2021 were 32.3% and 29.4%, respectively. The net outflow mainly comprises the products issued and sold by CITIC Group and its associates to, and the interests earned by CITIC Group and its associates from the products issued by, the Group. We have reviewed the breakdown of the historical transaction amounts provided by the Group, discussed with the relevant business departments of the Group, and were advised that the relatively low annual cap utilisation rates in the past two years mainly because (i) the Group purchased fewer than expected bonds from CITIC Group and its associates on the interbank market which were traded in an anonymous manner; (ii) the Group purchased fewer wealth management products, asset management plans, structured products and equity-linked products from CITIC Group and its associates as the terms offered by them were not competitive as compared with the independent third parties'; and (iii) less interest/gain paid by the Group as less than expected purchase of the Group's bond products and return swaps by CITIC Group and its associates.

### 3.2.1.2 Financial Product Annual Caps:

The Company estimates that the total net inflow and total net outflow in respect of the Securities and Financial Product Transactions between the Group and CITIC Group and its associates for each of the three financial years ending 31 December 2025 as follows:

#### Securities and Financial Product Transactions

	Proposed annual caps for the year ending		
	31 December 2023	31 December 2024	31 December 2025
	(RMB million)	(RMB million)	(RMB million)
<b>Total net inflow</b>			
Total net cash inflow to the Group (excluding the amount of financing transactions)	155,000	173,000	195,000
<b>Total net outflow</b>			
Total net cash outflow from the Group (excluding the amount of financing transactions)	190,000	210,000	235,000

We have interviewed and discussed with the relevant business departments of the Group on the annual cap basis for the Financial Product Annual Caps. They expect the net inflow in 2023 will substantially increase, considering that (i) the actual net inflow in the first half of 2022 has exceeded that in full year of 2020 and achieved 80% of that in full year of 2021; (ii) the net inflow contributed by CITIC Group's and its associates' purchase of fixed income products from the Group in 2021 increased by 30% as compared to 2020; (iii) a new asset management subsidiary of the Group will be set up in the next three years (the "New Asset Management Subsidiary"); (iv) the cross-boundary wealth management connect between Hong Kong and the PRC (the "Southbound Scheme") commenced in 2021; and (v) possible increase in the number of CITIC Group's associates in the next three years. At a conservative estimate, the total net inflow in 2024–2025 is expected to grow by 12% or 13% each year, close to the most recent five-year average annual growth rate of the Group's revenue. On the other hand, the projection on the net outflow prepared by the management of the Group for 2023 is equal to that for 2022 and the projection in 2024–2025 are seen

---

## LETTER FROM SOMERLEY

---

a mild positive growth of 10% year-on-year to maintain some operation flexibility given the volatility and unpredictableness of the financial markets as discussed in section 3.1 above. Despite the estimated total net inflow remains smaller than the estimated total net outflow, the gap between them under the Financial Product Annual Caps is substantially smaller as compared to the annual caps for 2020-2022, which shows the confidence of the management of the Group towards improved synergies between the Group and CITIC Group and its associates in their business cooperation under the Framework Agreement.

The basis of the projection prepared by the business departments of the Group in arriving at the Financial Product Annual Caps by product category is summarized as follows:

- (i) transactions relating to products with fixed income features and transactions relating to fixed income related derivative products

As set out in the letter from the Board, (i) the financial products under transactions relating to products with fixed income features include but not limited to bonds, funds, trusts, wealth management products, asset management plans, asset securitised products, bond lending and borrowing, structured products, swaps, futures, forwards, options, debts and other financial products with fixed income features; and (ii) the financial products under transactions relating to fixed income related derivative products include but not limited to interest rates and credit derivatives. As advised by the relevant departments of the Group, the estimated net inflow/outflow in relation to this category have been determined having considered various factors including (i) historical transaction amounts and historical fixed income assets amounts under management; (ii) A share rights issue completed by the Company in February 2022 having raised around RMB22 billion and H share rights issued completed by the Company in March 2022 having raised around HK\$6 billion; (iii) the New Asset Management Subsidiary to be set up in the next three years; (iv) the commencement of Southbound Scheme in 2021; (v) possible increase in the number of CITIC Group's associates in the next three years; and (vi) the volatility and unpredictableness of the PRC financial markets as discussed in the section 3.1 above.

We have been provided with historical fixed income related transaction amounts with both CITIC Group and its associates and independent third parties and the historical fixed income assets under management, and noted that they both have achieved over a 30% annual increase in the past two years. We have reviewed the Company's announcements dated 10 February and 2 March 2022 in relation to the completion of its A/H share rights issue having raised RMB22.4 billion by A share rights issue and HK\$6.04 billion (equivalent to approximately RMB4.93 billion) by H share rights issue and are advised by the management of the Group that fixed income related transactions are expected to be conducted in a larger scale when they see fit. We have also reviewed the Company's poll result announcement dated 9 August 2021 in relation to 2021 first extraordinary general meeting of the Company, pursuant to which the resolution on setting up the New Asset Management Subsidiary with registered capital of RMB3 billion was approved by shareholders. According to the website of the Hong Kong Monetary Authority, there are only 13 financial institutions designated by the Hong Kong Monetary Authority as market makers for the Southbound Scheme and China CITIC Bank International Limited (a member of CITIC Group) is one of them. We also reviewed the 2021 annual report of CITIC Limited (stock code: 267, a subsidiary of CITIC Group which owns and operates majority of core assets of CITIC Group) and noted that CITIC Limited has increased its group members by ways of acquisition, etc. Considering the close cooperation relationship between the Group and CITIC Group and its associates and the factors discussed above, the management of the Group believes that the transaction amounts (both net inflow and outflow) under this category between the Group and CITIC Group and its associates will substantially increase in the next three years.

---

## LETTER FROM SOMERLEY

---

(ii) transactions relating to equity-linked products

As set out in the letter from the Board, the financial products under this category include but not limited to equity (including market-making activities on NEEQ), funds, trusts, wealth management products, asset management products and equity derivatives such as return swaps, future and options. We have discussed with the relevant departments of the Group on the projection basis for this category of transactions and were advised that they are determined having considered the factors including (i) historical return swap and OTC option transaction amounts with both CITIC Group and its associates and independent third parties; and (ii) the PRC Futures and Derivatives Law approved by the Standing Committee of the 13th National People's Congress in April 2022. We have been provided with historical return swap and OTC option transaction amounts by the Equity and Derivative Department of the Company which is expected to contribute most of the transaction volume under this category and noted that (i) total return swap transaction amounts achieved a 292% increase in 2020 and a 68% increase in 2021; and (ii) total OTC option transaction amounts had an over 40% increase in both 2020 and 2021. The PRC Futures and Derivatives Law will become effective from 1 August 2022 and provide a legislation framework of futures and derivatives at a state level, which, as advised by the management of the Group, will pave the way for the introduction of more innovative derivative products to the market. Given the factors discussed above, the inflow and outflow under this category are expected to increase in the next three years.

(iii) transactions relating to other related securities and financial products permitted by the regulatory authority

As set out in the letter from the Board, the financial products under this category include but not limited to futures, foreign exchange and commodities (commodity derivatives inclusive). Based on the annual cap projection provided by the Company, it is noted that commodity OTC options trading is expected to contribute most of the expected trading volume under this category in the next three years. For the commodity OTC options trading, its annual caps are determined having considered the factors including (i) the number of potential members of CITIC Group and its associates that may conduct commodity OTC options transactions with the Group; and (ii) the estimated net inflow/outflow per transaction with the members of CITIC Group and its associates. We have reviewed the potential connected counterparty list and the cash inflow/outflow records of previous commodity OTC option transactions with CITIC Group and its associates or independent third party as provided by the Company, and noted that (i) there are 20 potential connected counterparties that may enter into commodity OTC option transactions with the Group; and (ii) the net cash inflow/outflow per commodity OTC option order could range from RMB25 million to RMB37 million. The management of the Group estimates the net cash inflow/outflow based on the above factors for this category to accommodate any increase in trading demand from both the Group and CITIC Group and its associates.

Having considered the above basis and factors for projecting the Financial Product Annual Caps including but not limited to the historical growth rates, the New Asset Management Subsidiary, the Southbound Scheme, recent fund raising activities and possible business expansion of CITIC Group and its associates, as well as the volatility and unpredictableness of the PRC financial markets which experienced overheating in 2015 but downturn in 2016–2018 and upswing since 2019 as discussed in section 3.1 above, we are of the view that, although the historical utilisation rates were low, the Financial Product Annual Caps which enable the Group to seize business opportunities in the fast-changing financial markets and be prepared for possible booming of the financial markets, are fair and reasonable.

---

## LETTER FROM SOMERLEY

---

### 3.2.2 Maximum Daily Balances

#### 3.2.2.1 Historical transaction amount:

Set out below are the historical highest balance of non-exempted loans between the Group and CITIC Group and its associates as extracted from the letter from the Board:

	<b>For the year ended</b>		<b>For the</b>
	<b>31 December</b>	<b>31 December</b>	<b>six months ended</b>
	<b>2020</b>	<b>2021</b>	<b>30 June</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
<b>Repurchase agreements</b>			
Highest daily balance (including interests) of repurchase agreements	1,926	2,492	3,999
Annual caps	20,000	20,000	20,000 <sup>(note)</sup>
Annual cap utilisation rate	9.6%	12.5%	n.a.
<b>Loans to inter-financial institutions and reverse repurchase agreements</b>			
Highest daily balance (including interests) of loans to inter-financial institutions and reverse repurchase agreements	—	—	2,001
Annual caps	8,000	8,000	8,000 <sup>(note)</sup>
Annual cap utilisation rate	0	0	n.a.

*Note: The annual cap is for the full financial year ending 31 December 2022.*

We have discussed with the relevant business departments of the Group and were advised that the relatively low annual cap utilisation rates as shown in the above table were mainly due to (i) the anonymous nature of the transactions on the interbank market which gave rise to the high degree of randomness of counterparties to the transactions; and (ii) the relatively favourable monetary policy implemented by the PRC government enabling the Group to maintain sufficient liquidity on its own in the past few years.

---

## LETTER FROM SOMERLEY

---

### 3.2.2.2 Annual caps:

The proposed annual caps for non-exempted loans transactions between the Group and CITIC Group and its associates are summarised as follows:

	<b>For the year ending</b>		
	<b>31 December 2023</b>	<b>31 December 2024</b>	<b>31 December 2025</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
<b>Non-exempted loans, including but not limited to repurchase and margin financing, to the Group</b>			
Maximum daily balance of non-exempted loans, including but not limited to repurchase and margin financing, to the Group	20,000	20,000	20,000
<b>Non-exempted loans, including but not limited to reverse repurchase and inter-financial institutional lending, to CITIC Group and associates</b>			
Maximum daily balance of non-exempted loans, including but not limited to reverse repurchase and inter-financial institutional lending, to CITIC Group and its associates	8,000	8,000	8,000

The annual caps for non-exempted loans between the Group and the CITIC Group and its associates for the next three years are the same as those in 2020–2022. We have discussed with the relevant business departments of the Group and were advised that due to the financial markets’ volatility and the anonymous nature of the interbank market transactions, the Group tends to maintain the same annual caps as previous ones to avoid any unnecessary disruption to its normal course of business. We were further advised that (i) the highest daily balance of repurchase transactions with the financial institutions of CITIC Group from 1 January 2020 to 30 June 2022 was recorded on 30 June 2022 with an amount of RMB4.0 billion and the highest balance of repurchase transactions (including the transaction conducted with CITIC Group and its associates and independent third parties) in a single day in 2022 was approximately RMB187.3 billion; and (ii) the highest daily balance of non-exempted loans to CITIC Group and its associates from 1 January 2020 to 30 June 2022 was recorded on 24 February 2022 with an amount of RMB2.0 billion and the highest balance of loans (including the loans provided to CITIC Group and its associates and independent third parties) in a single day in 2022 was approximately RMB47.6 billion. Considering that (a) the anonymous nature of the transactions on the interbank market may lead to high concentration of future transactions on one counterparty (i.e. the connected persons of the Company); (b) the interchangeability between CITIC Group and its associates and independent third parties as the Group’s counterparties under the repurchase transactions and non-exempted loans may result in higher daily non-exempted loan balances given the highest aggregate balances with both CITIC Group and its associates and independent third parties in the aforementioned (i) and (ii) far exceed the proposed annual caps for non-exempted loans between the Group and the CITIC Group and its associates; and (c) our discussion on the volatility and predictableness of PRC financial markets in section 3.1 above, we consider the annual caps for non-exempted loans between the Group and the CITIC Group and its associates to be fair and reasonable.

---

## LETTER FROM SOMERLEY

---

### 3.2.3 Provision of the Securities and Financial Services

#### 3.2.3.1 Historical transaction amount:

Set out below are the historical transaction amounts in respect of the Securities and Financial Services between the Group and CITIC Group and its associates as extracted from the letter from the Board:

<b>Securities and Financial Services</b>	<b>Approximate historical transaction amounts</b>		
	<b>for the year ended</b>		<b>for the</b>
	<b>31 December</b>	<b>31 December</b>	<b>30 June</b>
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Income derived from provision of Securities and Financial Services by the Group to CITIC Group and its associates	816	861	623
Annual caps	2,400	2,600	2,800 <sup>(note)</sup>
Annual cap utilisation rate	34.0%	33.1%	n.a.
Expenses incurred for Securities and Financial Services provided by CITIC Group and its associates to the Group	82	94	32
Annual caps	700	880	1,060 <sup>(note)</sup>
Annual cap utilisation rate	11.7%	10.7%	n.a.

*Note: The annual cap is for the full financial year ending 31 December 2022.*

As advised by the relevant business departments of the Group, the low annual cap utilisation for income derived from provision of Securities and Financial Services by the Group to CITIC Group and its associates was mainly due to (i) a decrease in interest income as a result of lower deposit interest rate after the PRC government implemented the less stringent monetary policy in 2020 to alleviate the COVID-19 pandemic impact on the economy; and (ii) a decrease in other securities and financial advisory and consulting service and other commodities service income, due to the industry-wide rectification of the PRC asset management business in adherence to 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》) (the “**Guiding Opinions**”) issued by China Banking and Insurance Regulatory Commission, China Securities Regulatory Commission and the State Administration of Foreign Exchange in April 2018, COVID-19 pandemic and the new services not having fully launched as expected. Except for entrusted asset management services, the income from the remaining Securities and Financial Services was also less than expected. The outbreak and resurgence of COVID-19 pandemic took a toll on the underwriting and sponsorship business and financial advisory business by delaying the timetables of some projects. The income from financial products sales agency services were negatively affected by the less than expected scale of financial products that required financial products sales agency services provided by the Group issued by CITIC Group and its associates as a result of bearish market sentiment and fierce market competition.

---

## LETTER FROM SOMERLEY

---

As advised by the relevant business departments of the Group, the low annual cap utilisation for expenses incurred for Securities and Financial Services provided by CITIC Group and its associates to the Group was mainly due to (i) terms offered by CITIC Group and its associates to the Group regarding some Securities and Financial Services being less favourable than those offered by independent third parties; (ii) less than expected financial products sales agency service expenses incurred as some securities and financial products issuance plan with an issuance size of over RMB10 billion aborted; and (iii) the outbreak of COVID-19 pandemic dampening some Securities and Financial Services activities.

### 3.2.3.2 Financial Service Annual caps:

Set out below are the Financial Service Annual Caps for the next three years ending 31 December 2025 as extracted from the letter from the Board:

<b>Securities and Financial Services</b>	<b>Approximate transaction amounts</b>		
	<b>for the year ending</b>		
	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Income to be derived from provision of Securities and Financial Services by the Group to CITIC Group and its associates	3,500	4,000	5,000
Expenses to be incurred for Securities and Financial Services provided by CITIC Group and its associates to the Group	1,100	1,300	1,600

The projected income to be derived from provision of Securities and Financial Services by the Group to CITIC Group and its associates in 2023–2025 is expected to increase substantially as compared to the actual income recognised in the past two and a half years, as the management of the Group estimates more deposit interest and entrusted asset management service fees would be received from CITIC Group and its associates in view of the Group’s business plans including its possible business expansion, future investment project exit plan and setup of the New Asset Management Subsidiary in the next three years. The expenses to be incurred for Securities and Financial Services provided by CITIC Group and its associates to the Group in 2023 are close to the previous estimated expenses in 2022 to maintain some operation flexibility after taking into account the historical highest expenses incurred. The expenses in 2024–2025 are expected to have a year-on-year growth of 18%–23%, lower than the year-on-year growth of 20%–26% adopted in previous annual caps for 2021 and 2022, which has taken into consideration the low annual cap utilisation, the 25% annual increase in the actual expenses incurred in 2021 and future business plans as discussed in (ii) below.



---

## LETTER FROM SOMERLEY

---

The basis of the projection prepared by the business departments of the Group in arriving at the Financial Service Annual Caps by service category is summarized as follows:

- (i) Income derived from provision of Securities and Financial Services by the Group to CITIC Group and its associates

As set out in the letter from the Board, the income derived from provision of Securities and Financial Services by the Group includes underwriting and sponsorship fees, other investment banking service fees, brokerage service fees, financial products sales agency fees, entrusted asset management fees and other securities and financial advisory and consulting service and other commodity service fees. Based on the annual cap projection provided by the Company, we noted that majority of estimated income are attributable to (i) deposit interest income and (ii) entrusted asset management services income. Based on the information provided by the relevant business departments of the Group and our discussion with them, we noted that (i) the deposit interest income for 2023 is estimated based on either (a) 2021 deposit interest income and the annual growth rate achieved in 2021 or (b) the maximum amount of deposit that is allowed to be placed at one financial institution and the current deposit interest rate; and (ii) the projected annual growth rates for 2024 and 2025 were determined based on the historical annual growth rates in deposit interest income or possible business expansion plans or estimated capital released from some investment projects the Group plans to exit in the next three years. We have also discussed with the relevant business departments which provide the entrusted asset management services and were advised that, considering (i) the entrusted asset management services income in 2021 was close to the previous projected amount, (ii) some potential gain may be released after the Group exits some investment projects in 2024; (iii) the New Asset Management Subsidiary will be set up as discussed in 3.2.1.2 above; and (iv) PRC asset management industry has completed industry-wide rectification in 2021 in accordance with the Guiding Opinions, the management of the Group estimates that the 2023 entrusted asset management service income would double that in 2021 and grow at an annual growth rate of over 40% in 2024–2025.

---

## LETTER FROM SOMERLEY

---

The projected income from provision of underwriting and sponsorship services and financial advisory services by the Group to CITIC Group and its associates has been estimated based on (i) the growth trend of the underwriting transaction scale conducted by the Group in the past five years; (ii) the existing, secured or potential service mandates to be awarded by the CITIC Group and its associates; and (iii) some buffer for any unexpected CITIC Group's and its associates' demand for underwriting and sponsorship services and financial advisory services having considered the robust growth in operating profit of investment banking business in the last three years (+71% in 2019, +50% in 2020 and +36% in 2021). As for the brokerage services, the projected income has been estimated based on (i) historical highest amount of brokerage service income from provision of such services to CITIC Group and its associates; (ii) the PRC futures transaction amounts registered a 20%–50% annual growth rate in 2019–2021 based on the statistics released by China Futures Association; and (iii) future cooperation intention as indicated by some members of CITIC Group and its associates. As advised by the relevant business departments of the Group, financial products sales agency service income is also expected to achieve a positive growth in the next three years as (i) the relevant business departments plan to further expand its sales team and (ii) after discussion with the CITIC Group and its associates, they plan to continuously devise more financial products and thus may increase their demand for the Group's financial products sales agency services. For other securities and financial advisory and consulting services, their projections have been determined having considered the factors including (i) historical transaction amount; and (ii) potential securities and financial advisory and consulting services that are expected to roll out after the setup of the New Asset Management Subsidiary and possible increase in the number of CITIC Group's associates.

- (ii) Expenses incurred for Securities and Financial Services provided by CITIC Group and its associates to the Group

As set out in the letter from the Board, the expenses incurred for Securities and Financial Services provided by CITIC Group and its associates to the Group include deposit service fees, financial products sales agency service fee, client deposits management and custody service fee, loan service fee and other securities and financial advisory and consulting service fee, money brokerage service fee and commodities service fee, etc. According to the annual cap projection provided by the Company, expenses incurred for the financial products sales agency services is expected to be the largest expenses in the next three years and expenses incurred for client deposits management and custody services come the second. As advised by the relevant business departments of the Group, the projection in relation to the financial products sales agency services has been determined after taking into account (i) the number and issuance scales of new financial products the Group plans to launch which may require the sales agency services from CITIC Group and its associates in the next three years; and (ii) potential mutual fund products to be issued by the New Asset Management Subsidiary. As advised by the relevant business departments of the Group, to project client deposits management and custody service expenses, they have considered factors including (i) the client deposits management and custody service expenses incurred in the 1st quarter of 2022; (ii) historical highest client deposits management and custody service fees paid to CITIC Group and its associates; (iii) fees set out in the existing client deposits management and custody service agreements entered into with CITIC Group and its associates; and (iv) estimated increase in client deposit amount following the commencement of some new businesses in the next three years.

---

## LETTER FROM SOMERLEY

---

The estimated expenses for remaining Securities and Financial Services that the Group may require from CITIC Group and its associates have been maintained similar levels or adjusted downward as compared to those for 2020–2022 to reflect the low annual cap utilisation in the past years and at the same time maintain some flexibility for any possible surge in the Group's demand for the financial services from CITIC Group and its associates.

Having considered the above basis and factors for projecting the Financial Service Annual Caps including but not limited to historical highest amounts recorded, historical growth rates, the New Asset Management Subsidiary, favourable industry policies and the Group's future investment project exit plan and business plan, as well as the volatility and unpredictableness of the PRC financial markets which experienced overheating in 2015 but downturn in 2016–2018 and upswing since 2019 as discussed in section 3.1 above, we are of the view that, although the historical utilisation rates were low, the Financial Service Annual Caps which enable the Group to seize business opportunities in the fast-changing financial markets and be prepared for possible booming of the financial markets, are fair and reasonable.

#### **4. Internal control**

##### **4.1 *Securities and Financial Product Transactions***

As set out in the letter from the Board, to ensure the terms of the Securities and Financial Product Transactions are on normal commercial terms or on terms no less favourable than terms applicable to independent third parties, the Group has implemented internal approval and monitoring procedures, including the following:

- (a) the Group has established its internal guidelines and policies for conduct of certain types of securities and financial products as well as the internal procedures and systems for approval and supervision of such transactions and lending and borrowings. Such policies and guidelines would set out the requirements for pre-trading pricing enquiries, applicable interest rates, the procedures for price determination, approval authority and procedures, record keeping, supervision and review procedures for relevant types of transactions and businesses.
- (b) for example, for products with fixed income features, transactions through the interbank bond market and PRC exchange bond market shall be submitted to the Company's internal system for approval by the relevant department, and for record keeping. The risk management department of the Company will, through the system and daily report issued, monitor and control the transaction process and overall business operations. For capital operations, the Company, in accordance with the PRC rules and regulations, has set up its own internal system for pre-approval of borrowing and lending, collateralized securities repurchase and repurchase agreements, which would require pre-approval by the relevant department to ensure that any such transactions are conducted at market prices.
- (c) for financing transactions involving loans from and to CITIC Group and its associates, the individual department will control the levels of borrowings, including collateralized securities repurchase and repurchase agreements, and the loans to CITIC Group and its associates to ensure compliance with the maximum daily balances. Each department has an annual plan for borrowings, which will set a limit on the level of borrowings. In addition, each business department has designated contact persons for connected transactions, who have received trainings on the requirements relating to connected transactions. All connected transactions, once identified and conducted, will be recorded by the relevant department, which will check to ensure that all applicable restrictions, including the level of borrowings and the maximum daily balances, are observed and complied with.
- (d) the contact persons for connected transactions of the business departments of the Company are responsible for regularly monitoring whether the actual transaction amounts would exceed the annual caps or the maximum daily balances and make alert when necessary.

---

## LETTER FROM SOMERLEY

---

- (e) the Board Office will also collect data from all business lines and review the actual amounts of different types of Securities and Financial Product Transactions on a regular basis to ensure that the annual caps and the maximum daily balances would not be exceeded and remind the business departments on the control of such connected transactions. The compliance department will also review relevant agreements and grant approval, where appropriate.
- (f) the performance of continuing connected transactions is also subject to annual review by all independent non-executive Directors and the auditors of the Company. The Connected Transactions Control Committee comprising all independent non-executive Directors is also responsible for monitoring and reviewing major and continuing connected transactions of the Company.
- (g) the Connected Transactions Control Committee will review matters related to major connected transactions and form a written opinion to the Board for review and report the same to the supervisory committee of the Company.
- (h) the Company establishes a specific auditing mechanism for major connected transactions. The Auditing Department of the Company audits the major connected transactions one by one and submits the audit report to the Board for consideration.

### ***4.2 Securities and Financial Services Transactions***

As set out in the letter from the Board, the Group has adopted a series of internal pricing policies and approval procedures to regulate the mutual provision of Securities and Financial Services between the Group and CITIC Group and its associates. The major internal policies include the following:

- (a) the terms (including pricing terms) in respect of the Securities and Financial Services contemplated under the Framework Agreement shall be comparable to those offered by/to an independent third party for comparable services, and shall be subject to the same internal selection, approval and supervision procedures and pricing policies applicable to an independent third party.
- (b) for services provided by the Group to CITIC Group and its associates, the Company will offer similar pricing terms to CITIC Group as those to other independent third parties and no preferential terms shall be provided to CITIC Group and its associates. Prior to entering into a securities and financial service transaction, the relevant business departments of the Company would conduct inspection and due diligence, and assess whether the pricing is in compliance with relevant policy and procedures of the Group and whether the price is fair and reasonable, after taking into consideration individual factors such as the services provided and will grant approval, where appropriate.
- (c) for Securities and Financial Services provided by CITIC Group and its associates to the Group, the Company will select suppliers and determine the relevant terms of the transactions through inquiry and negotiation process. The Company will also gather information on its suppliers and their levels of fees and prices and compare the fees/prices and quality of services before selection. A prior assessment will be conducted by the responsible officer to assess whether the proposed prices by suppliers are fair and reasonable before submission for consideration and approval by the head of the relevant department. In such case, any offer from CITIC Group or its associates has to pass through the selection process as other suppliers before it could be appointed. As the Company will consider the various updated market information available and

---

## LETTER FROM SOMERLEY

---

because of the uniqueness of financial transactions, there is no specific internal requirement as to the number of suppliers that will be selected for a particular type of services.

- (d) the compliance department of the Group will review relevant agreements and grant approval, where appropriate. The conduct of continuing connected transactions is also subject to annual review by all independent non-executive Directors and the auditors of the Company. The Connected Transactions Control Committee comprising all independent non-executive Directors is also responsible for monitoring and reviewing major and continuing connected transactions of the Company.

### **4.3 Our assessment of the internal control procedures**

We have obtained and reviewed samples or information in relation to the transactions entered into between the Group on one hand and the CITIC Group and its associates and the independent third parties on the other under the Framework Agreement to assess whether those transactions complied with the terms of the Framework Agreement. Our work done is set out in the sub-section headed “2.2 Our discussion and assessment” in this letter.

Given that (i) the Group has established internal pricing guidelines and policies to monitor the transactions contemplated under the Framework Agreement; (ii) the designated persons or departments or committees of the Group would review the transactions contemplated under the Framework Agreement; (iii) the independent non-executive Directors will, pursuant to Rule 14A.55 of the Hong Kong Listing Rules, review, among other things, whether the transactions contemplated under the Framework Agreement are conducted on normal commercial terms; and (iv) the auditors of the Company will, for the purpose of Rule 14A.56 of the Hong Kong Listing Rules, review, among other things, whether the transactions contemplated under the Framework Agreement are conducted in accordance with its terms, we are of the view that the Company has adequate internal control measures in place to ensure the transactions contemplated under the Framework Agreement are conducted in accordance with the pricing policies under the Framework Agreement and on normal commercial terms.

## **OPINION AND RECOMMENDATION**

Having taken into account the above principal factors and reasons, we consider that (i) the entering into of the Framework Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and Shareholders as a whole; and (ii) the terms of the Framework Agreement are on normal commercial terms and fair and reasonable as far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to recommend, and we ourselves also recommend, the Independent Shareholders, to vote in favor of the relevant ordinary resolution to be proposed at the EGM so as to approve the Framework Agreement proposed to be renewed and the proposed Annual Caps contemplated thereunder.

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

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

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong 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 following Directors, Supervisors and the chief executive of the Company had interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were 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 and short positions which they were taken or deemed to have under such provisions of SFO), or required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange as follows:

Name	Position	Nature of Interest	Class of Shares	Number of Shares (Shares)	Percentage to Total Number of Shares of the Company (%)
ZHANG Youjun	Chairman and Executive Director	Personal interest	A Shares	430	0.000003

Save as disclosed above, as at the Latest Practicable Date, none of the other Directors, Supervisors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were (i) required to be notified to the Company and the Hong Kong Stock Exchange, pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange.

## 3. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or the Supervisors had any existing or proposed service contracts 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)).

#### 4. DIRECTORS' AND SUPERVISORS' INTERESTS IN ASSETS OR CONTRACTS OR ARRANGEMENT

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

As at the Latest Practicable Date, none of the Directors or Supervisors 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.

#### 5. INTERESTS OF DIRECTORS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

#### 6. DIRECTORS' AND SUPERVISORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the following Director was 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	Positions Held in Specific Companies		
	CITIC Group	CITIC Limited	CITIC Corporation Limited
ZHANG Youjun	Assistant to the General Manager	Assistant to the General Manager	Assistant to the General Manager
SONG Kangle	Non-executive director	Non-executive director	Non-executive director
FU Linfang	Deputy general manager of the Strategic Development Department	—	—
ZHAO Xianxin	Deputy general manager of the Legal Compliance Department	—	—



## 7. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited accounts of the Group were made up.

## 8. CONSENT AND QUALIFICATION OF EXPERT

At the Latest Practicable Date, Somerley has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

The following are the qualifications of Somerley, who has given its opinions or advice which are contained in this circular:

<b>Name</b>	<b>Qualifications</b>
Somerley	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

## 9. EXPERT'S INTERESTS

As at the Latest Practicable Date, Somerley did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

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

## 10. GENERAL

- (a) The joint company secretaries of the Company are Ms. LIU Xiaomeng and Ms. YU Hiu Kwan, Hilda. Ms. YU is serving as a senior company secretarial services officer in CLSA Hong Kong Holdings Limited, an indirect wholly-owned subsidiary of the Company, and an associate member of each of the Hong Kong Chartered Governance Institute (formerly known as the Hong Kong Institute of Chartered Secretaries) and the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators), U.K..
- (b) The registered office of the Company is situated at North Tower, Excellence Times Plaza II, No. 8 Zhong Xin San Road, Futian District, Shenzhen, Guangdong Province, the PRC.
- (c) The principal place of business of the Company in Hong Kong is located at 26th Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong.
- (d) The office addresses of the Company in the PRC are located at CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing, the PRC and CITIC Securities Tower, No. 8 Zhong Xin San Road, Futian District, Shenzhen, Guangdong Province, the PRC.

- (e) The Company's H share registrar in Hong Kong is Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (f) In the event of any inconsistency, the English text of this circular shall prevail over its Chinese text.

## **11. DOCUMENTS ON DISPLAY**

A copy of each of the following documents will be published on the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.cs.ecitic.com](http://www.cs.ecitic.com)) for a period of 14 days from the date of this circular:

- (a) the Securities and Financial Products Transactions and Services Framework Agreement proposed to be renewed by the parties upon approval by the Independent Shareholders at the EGM;
- (b) the letter of recommendation from the Independent Board Committee dated 8 December 2022, the text of which is set out on pages 50 to 51 of this circular;
- (c) the letter of advice from Somerley dated 8 December 2022, the text of which is set out on pages 52 to 79 of this circular;
- (d) the written consent of Somerley, which was referred to in the section headed "Consent and Qualification of Expert" in this appendix; and
- (e) this circular.



**中信证券股份有限公司**  
**CITIC Securities Company Limited**

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 6030)**

**NOTICE OF 2022 SECOND EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the 2022 Second Extraordinary General Meeting (the “**EGM**”) of CITIC Securities Company Limited (the “**Company**”) will be held at the Conference Room of the Company at CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing, the PRC on Friday, 30 December 2022 at 9:30 a.m. for the purposes of considering, and if thought fit, approving the following resolutions. Unless otherwise specified, capitalised terms used in this notice shall have the same meaning as defined in the circular of the Company dated 8 December 2022 (the “**Circular**”).

**ORDINARY RESOLUTIONS**

1. To consider and approve the resolutions on the re-election and appointments of Directors of the Eighth Session of the Board:
  - 1.01 To re-elect Mr. ZHANG Youjun as an executive Director of the Company.
  - 1.02 To re-elect Mr. YANG Minghui as an executive Director of the Company.
  - 1.03 To appoint Mr. ZHANG Lin as a non-executive Director of the Company.
  - 1.04 To re-elect Ms. FU Linfang as a non-executive Director of the Company.
  - 1.05 To re-elect Mr. ZHAO Xianxin as a non-executive Director of the Company.
  - 1.06 To re-elect Mr. WANG Shuhui as a non-executive Director of the Company.
  - 1.07 To re-elect Mr. LI Qing as an independent non-executive Director of the Company.
  - 1.08 To re-elect Mr. SHI Qingchun as an independent non-executive Director of the Company.
  - 1.09 To appoint Mr. ZHANG Jianhua as an independent non-executive Director of the Company.
2. To consider and approve the resolutions on the re-election of non-employee representative Supervisors of the Eighth Session of the Supervisory Committee:
  - 2.01 To re-elect Mr. ZHANG Changyi as a non-employee representative Supervisor of the Company.
  - 2.02 To re-elect Mr. GUO Zhao as a non-employee representative Supervisor of the Company.
  - 2.03 To re-elect Mr. RAO Geping as a non-employee representative Supervisor of the Company.

---

## NOTICE OF 2022 SECOND EXTRAORDINARY GENERAL MEETING

---

3. “**THAT**
- (a) the terms and conditions of the Securities and Financial Products Transactions and Services Framework Agreement proposed to be renewed be and are hereby approved and confirmed;
  - (b) the securities and financial products transactions and the securities and financial services transactions contemplated between the Group and CITIC Group and its associates under the Securities and Financial Products Transactions and Services Framework Agreement proposed to be renewed, as well as the proposed annual caps for such continuing connected transactions and the proposed maximum daily balance of non-exempted loans by CITIC Group and its associates to the Group as well as the proposed maximum daily balance of non-exempted loans by the Group to CITIC Group and its associates for the three financial years ending 31 December 2025 be and are hereby approved and confirmed; and
  - (c) any one Director of the Company be and is hereby authorised to renew such agreement with CITIC Group, or to sign or execute other documents or supplemental agreements or amendments, as so required by the relevant regulatory authority, on behalf of the Company and to do all such things and take all such actions as he may consider necessary or desirable for the purpose of giving effect to the terms of the renewed Securities and Financial Products Transactions and Services Framework Agreement.”

By order of the Board  
**CITIC Securities Company Limited**  
**ZHANG Youjun**  
*Chairman*

Beijing, the PRC  
8 December 2022

*Notes:*

1. Details of the above resolutions are set out in the Circular.
2. Pursuant to the requirements of the Hong Kong Listing Rules, all votes of shareholders at a general meeting must be taken by poll. As such, the resolutions set out in the notice of the EGM shall be voted by way of poll. Relevant poll results will be published on the HKExnews website of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of the Company at [www.cs.ecitic.com](http://www.cs.ecitic.com) upon conclusion of the EGM.
3. Any Shareholder entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or more proxies to attend and vote on his/her behalf at the meeting. A proxy needs not be a Shareholder of the Company.
4. To be valid, the instrument appointing a proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority, must be completed and returned to the Board's office (for A Shareholders) or the Company's H Share registrar, Computershare Hong Kong Investor Services Limited (for H Shareholders) not less than 24 hours before the time appointed for convening the EGM or any adjourned meeting thereof. The address of the Board's office is at CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing, the PRC, Postal code: 100026 (Tel: (8610) 6083 6030, Fax: (8610) 6083 6031). The address of the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, is at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (Tel: (852) 2862 8555). Completion and return of the proxy form will not preclude Shareholders from attending and voting at the EGM or any adjournment thereof in person if he/she so wishes.

---

## NOTICE OF 2022 SECOND EXTRAORDINARY GENERAL MEETING

---

5. In order to determine H Shareholders' entitlement to attend the EGM, **the H Share register of members of the Company will be closed from Friday, 23 December 2022 to Friday, 30 December 2022 (both days inclusive), during which period no transfer of H Shares will be registered.** In order for H Shareholders to be qualified for attending the EGM, all share certificates together with the share transfer documents must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, at or before 4:30 p.m. on Thursday, 22 December 2022.

The H Shareholders whose names appear on the H Share register of members of the Company on Friday, 23 December 2022 are entitled to attend and vote at the EGM.

6. In case of joint Shareholders, if more than one of them are presented at the meeting, either in person or by proxy, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint Shareholders. For this purpose, seniority shall be determined by the order in which the names of the joint Shareholders stand in the register of members of the Company in respect of the relevant Shares.
7. The EGM is expected to last for half a day. Shareholders or their proxies attending the meeting shall be responsible for their own travelling and accommodation expenses. Shareholders or their proxies shall produce their identity documents when attending the EGM.
8. The ordinary resolutions shall be passed by the votes of at least half of Shareholders (including their proxies) present and entitled to vote at the EGM.
9. Shareholders could attend the EGM via webcast

Taking into account the current development of COVID-19 pandemic in mainland China and the relevant requirements on the Pandemic prevention and control in Beijing, the Company will make the following special arrangements for Shareholders to attend the EGM so as to safeguard the health of Shareholders, their proxies and other attendees and protect the legitimate rights and interests of Shareholders:

In addition to the traditional physical attendance at the meeting, Shareholders may choose to attend the EGM via webcast (the "**Online Platform**"). Shareholders attending the EGM through the Online Platform will be able to submit questions through the Online Platform. The Online Platform will be available for logging in by registered H Shareholders, non-registered H Shareholders and A Shareholders at 9:00 a.m. on Friday, 30 December 2022 (please refer to the login details and arrangements below), and can be accessed via smartphone, tablet or computer with internet access from anywhere. Registered H Shareholders and non-registered H Shareholders should note that joining the webcast will not be counted towards a quorum nor will they be able to cast their votes online. H Shareholders are advised to appoint the Chairman of the EGM as their proxy to vote according to their indicated voting instructions by completing and delivering the proxy form in a timely manner.

### **Online Platform**

Shareholders may join the EGM through the Online Platform which can be accessed via <http://meetings.computershare.com/CITICSecurities2ndEGM2022> on a smartphone, computer, tablet device or other browser enabled device. Please follow the instructions on the landing page on how to access the webcast. The Online Platform will be opened for registered Shareholders and non-registered Shareholders to log in approximately 30 minutes prior to the commencement of the EGM. Shareholders will be able to access the live webcast at the beginning of the EGM until its conclusion.

### **Login details for registered H Shareholders**

Details regarding the arrangements for the EGM (including login details of access to the Online Platform) are included in the Company's Letter for EGM Login Details to registered H Shareholders dated 8 December 2022.

---

## NOTICE OF 2022 SECOND EXTRAORDINARY GENERAL MEETING

---

### **Login details for non-registered H Shareholders**

Non-registered H Shareholders who intend to attend the EGM using the Online Platform should liaise with their bank(s), broker(s), custodian(s), nominee(s) or HKSCC Nominees Limited through which their H Shares are held (collectively, the “**Intermediaries**”) and provide their email addresses to their Intermediaries. Details regarding the arrangements for the EGM (including login details of access to the Online Platform) will be sent in electronic form by the Company’s H Share registrar to the email addresses provided by the non-registered H Shareholders.

### **Login details for A Shareholders**

A Shareholders who intend to attend the EGM using the Online Platform are required to send an email to the Company (email address: ir@citics.com) by 9:00 a.m. on 29 December 2022 for registration, and provide in the email the same information or documents as required for on-site meeting registration. The Company will provide Shareholders or their proxies who have completed the registration and identity verification with login details to access the Online Platform.

### **Questions raised at the EGM**

Shareholders who attend the EGM through the Online Platform will be able to raise questions relevant to the proposed resolutions through the Online Platform during the EGM.

If H Shareholders have any question in relation to the EGM, please contact the Company’s H Share registrar, Computershare Hong Kong Investor Services Limited, through the following means:

### **Computershare Hong Kong Investor Services Limited**

17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong  
Telephone: (852) 2862 8555  
Website: [www.computershare.com/hk/contact](http://www.computershare.com/hk/contact)

If A Shareholders have any question on attending the EGM via webcast, please contact the Company through the following means:

### **Board’s office of CITIC Securities Company Limited**

CITIC Securities Tower, No. 48 Liangmaqiao Road, Chaoyang District, Beijing, the PRC (Postal Code: 100026)  
Telephone: (8610) 6083 6030  
Email: [ir@citics.com](mailto:ir@citics.com)