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

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

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

(Stock Code: 01456)

**VERY SUBSTANTIAL ACQUISITION AND
CONNECTED TRANSACTION – ACQUISITION OF 99.26% SHARES OF
MINSHENG SECURITIES BY ISSUING A SHARES UNDER SPECIFIC MANDATE
RAISING SUPPORTING FUNDS BY ISSUING A SHARES UNDER SPECIFIC MANDATE
AUTHORISATION TO THE BOARD AND
ITS AUTHORIZED PERSON(S) TO DEAL WITH
MATTERS RELATING TO THE MAJOR ASSETS REORGANISATION
NOTICES OF THE EXTRAORDINARY GENERAL MEETING AND
H SHAREHOLDERS' CLASS MEETING**

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



Gram Capital Limited
嘉林資本有限公司

Notices convening the EGM and the H Shareholders' Class Meeting of Guolian Securities Co., Ltd. to be held at the conference room on 1st Floor, No. 8 Jinrong One Street, Wuxi, Jiangsu Province, the PRC, at 1:30 p.m. on Wednesday, 4 September 2024 are set out on pages 721 to 725 and pages 726 to 729 of this circular, respectively.

If you intend to appoint a proxy to attend the meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon. In the case of H Shareholders, the form of proxy shall be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible, but in any event, not less than 24 hours before the time scheduled for holding such meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM and the H Shareholders' Class Meeting.

20 August 2024

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DEFINITIONS

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

“A Share(s)”	the ordinary Share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is (are) listed on the Shanghai Stock Exchange
“A Shareholders’ Class Meeting”	the first A Shareholders’ class meeting for the year 2024 of the Company to be held on Wednesday, 4 September 2024 immediately after the conclusion of the First Extraordinary General Meeting for the Year 2024 at the conference room on 1st Floor, No. 8 Jinrong One Street, Wuxi, Jiangsu Province, the PRC
“Acquisition” or “Acquisition of Assets by Issuing Shares”	issue of A Shares by the Company to the Transferors to acquire the shares of Minsheng Securities held by them and to obtain the control of Minsheng Securities
“Acquisition Agreements”	the Agreements on Acquisition of Assets by Issuing Shares with effective conditions executed by the Company and 45 Counterparties, including Guolian Group and Fengquanyu on 8 August 2024 (for details of the Counterparties, please refer to “2.9 Information on the Parties to the Acquisition Agreements” below) in relation to the Acquisition. The Acquisition constitutes a connected transaction of the Company
“Articles of Association”	the articles of association of the Company
“Asset Valuation Report”	the Asset Valuation Report on the Value of Entire Shareholders’ Equity in Minsheng Securities Co., Ltd. Involved in the Proposed Acquisition of Shares of Minsheng Securities Co., Ltd. Held by Wuxi Guolian Development (Group) Co., Ltd. (無錫市國聯發展(集團)有限公司) and Other Shareholders by Issuing Shares by Guolian Securities Co., Ltd. (Zhong Lian Ping Bao Zi [2024] No. 1372) issued by China United Assets
“Board”	the board of Directors of the Company
“China United Assets”	China United Assets Appraisal Group Co., Ltd. (中聯資產評估集團有限公司)

DEFINITIONS

“Company”	Guolian Securities Co., Ltd. (國聯證券股份有限公司), a joint stock company established in the PRC with limited liability, the H Shares of which have been listed on the main board of the Stock Exchange (stock code: 01456) and the A Shares of which have been listed on the Shanghai Stock Exchange (stock code: 601456)
“Company Law”	the Company Law of the People’s Republic of China
“Completion Date”	the date on which all Subject Assets of the Acquisition were transferred to the Company
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“EGM” or “First Extraordinary General Meeting for the Year 2024”	the extraordinary general meeting of the Company to be held at 1:30 p.m. on Wednesday, 4 September 2024 at the conference room on 1st Floor, No. 8 Jinrong One Street, Wuxi, Jiangsu Province, the PRC
“Fengquanyu”	Shanghai Fengquanyu Enterprise Management Co., Ltd. (上海灃泉峪企業管理有限公司)
“Gongqingcheng Minlong”	Gongqingcheng Minlong Investment Partnership (Limited Partnership)(共青城民隆投資合夥企業(有限合夥))
“Gongqingcheng 1 (共青城民信)”	Gongqingcheng Minxin Investment Partnership (Limited Partnership)(共青城民信投資合夥企業(有限合夥))
“Gongqingcheng 2 (共青城民新)”	Gongqingcheng Minxin Investment Partnership (Limited Partnership)(共青城民新投資合夥企業(有限合夥))
“Guolian Group”	Wuxi Guolian Development (Group) Co., Ltd. (無錫市國聯發展(集團)有限公司), a wholly state-owned company with limited liability established in the PRC and is the Controlling Shareholder of the Company
“Hourun Zehui”	Jiaxing Hourun Zehui Venture Investment Partnership (Limited Partnership)(嘉興厚潤澤匯創業投資合夥企業(有限合夥))

DEFINITIONS

“H Share(s)”	overseas listed foreign invested Share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is (are) listed on the Stock Exchange and traded in Hong Kong dollars
“H Shareholders”	holder(s) of the H Share(s)
“H Shareholders’ Class Meeting”	the first H Shareholders’ class meeting for the year 2024 of the Company to be held on Wednesday, 4 September 2024 immediately after the conclusion of the A Shareholders’ Class Meeting at the conference room on 1st Floor, No. 8 Jinrong One Street, Wuxi, Jiangsu Province, the PRC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors to advise the Independent Shareholders in respect of the connected transaction in relation to the Acquisition of Assets by Issuing Shares
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the connected transaction in relation to the Acquisition of Assets by Issuing Shares
“Independent Shareholders”	the Shareholders who are not required under the Listing Rules to abstain from voting at the EGM or the Shareholders’ Class Meetings in respect of the connected transaction in relation to the Acquisition of Assets by Issuing Shares
“Latest Practicable Date”	15 August 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information included herein
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time

DEFINITIONS

“Oceanwide Holdings”	Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司). As at the Latest Practicable Date, the ultimate beneficial owner of the company is Mr. Lu Zhiqiang (盧志強), who is a third party independent of the Company and its associates (as defined in the Listing Rules)
“PRC” or “China”	the People’s Republic of China, but for the purpose of this circular only, excluding Hong Kong, the Macau Special Administrative Region and Taiwan region
“Raising Supporting Funds”	the Company proposed to raise supporting funds by issuing A Shares to not more than 35 specific investors
“Securities Law”	the Securities Law of the People’s Republic of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Shanghai Stock Exchange”	the Shanghai Stock Exchange
“Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, including A Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of the Share(s)
“ShineWing”	ShineWing Certified Public Accountants LLP
“SHINEWING HK”	SHINEWING (HK) CPA Limited
“Shareholders’ Class Meetings”	A Shareholders’ Class Meeting and H Shareholders’ Class Meeting
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subject Assets”	99.26% shares of Minsheng Securities held by the Transferors

DEFINITIONS

“Subject Company” or “Minsheng Securities”	Minsheng Securities Co., Ltd. (民生證券股份有限公司), a joint stock company established in the PRC with limited liability. As at the Latest Practicable Date, Minsheng Securities was held in aggregate as to 99.26% by the Counterparties and 0.74% by Oceanwide Holdings. Among them, Guolian Group is the largest shareholder of Minsheng Securities, holding 30.52% of its shares
“Transactions” or “Reorganisation”	the proposed acquisition of 99.26% shares of Minsheng Securities held by the Counterparties by the Company by issuing A Shares, and the proposed Raising Supporting Funds by issuing A Shares to not more than 35 specific subscribers upon completion of the Acquisition
“Transferors” or “Counterparties”	45 shareholders of Minsheng Securities other than Oceanwide Holdings, participating in the Acquisition of Assets by Issuing Shares
“Transitional Period”	transitional period between the Valuation Benchmark Date and the Completion Date
“Valuation Benchmark Date”	31 March 2024
“Working Day(s)”	statutory working day(s) in the PRC, excluding Saturday, Sunday or statutory holidays
“Yankuang Capital”	Yankuang Capital Management Co., Ltd. (兗礦資本管理有限公司)

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

LETTER FROM THE BOARD



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

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

(Stock Code: 01456)

Executive Director:

Mr. Ge Xiaobo (*Chairman of the Board*)

Non-executive Directors:

Mr. Hua Weirong

Mr. Zhou Weiping

Mr. Wu Weihua

Ms. Li Suo

Mr. Liu Hailin

Independent Non-executive Directors:

Mr. Wu Xingyu

Mr. Chu, Howard Ho Hwa

Mr. Gao Wei

Registered Address in the PRC:

No. 8 Jinrong One Street

Wuxi, Jiangsu Province

the PRC

*Headquarters/Principal Place of
Business in the PRC:*

No. 8 Jinrong One Street

Wuxi, Jiangsu Province

the PRC

Principal Place of Business

in Hong Kong:

40/F, Dah Sing Financial Centre

248 Queen's Road East

Wanchai

Hong Kong

20 August 2024

To the Shareholders

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION AND
CONNECTED TRANSACTION – ACQUISITION OF 99.26% SHARES OF
MINSHENG SECURITIES BY ISSUING A SHARES UNDER SPECIFIC MANDATE
RAISING SUPPORTING FUNDS BY ISSUING A SHARES UNDER SPECIFIC MANDATE
AUTHORISATION TO THE BOARD AND
ITS AUTHORIZED PERSON(S) TO DEAL WITH
MATTERS RELATING TO THE MAJOR ASSETS REORGANISATION
NOTICES OF THE EXTRAORDINARY GENERAL MEETING AND
H SHAREHOLDERS' CLASS MEETING**

INTRODUCTION

The notices convening the EGM and the H Shareholders' Class Meeting of the Company to be held at the conference room on the 1st Floor, No. 8 Jinrong One Street, Wuxi, Jiangsu Province, the PRC, on Wednesday, 4 September 2024 are set out on pages 721 to 725 and pages 726 to 729 of this circular, respectively.

LETTER FROM THE BOARD

The purpose of this circular is to give you the notices of the EGM and the H Shareholders' Class Meeting and provide you with details of the relevant resolutions to enable you to make an informed decision on whether to vote for or against the resolutions to be proposed at the EGM and the H Shareholders' Class Meeting by way of special resolution(s).

MATTERS TO BE CONSIDERED AT THE EGM AND THE H SHAREHOLDERS' CLASS MEETING

The resolutions contemplated to be proposed at the EGM are to approve the: (1) resolution on the fulfilment of the conditions by the Company for acquisition of assets by issuing shares and raising supporting funds; (2) resolution on the adjusted proposal for acquisition of assets by issuing shares and raising supporting funds and related party transaction; (3) resolution on the Reorganisation constituting a related party transaction; (4) resolution on the Report on Acquisition of Assets by Issuing Shares and Raising Supporting Funds by Guolian Securities Co., Ltd. and Related Party Transaction (Draft)(《國聯證券股份有限公司發行股份購買資產並募集配套資金暨關聯交易報告書(草案)》) and its summary; (5) resolution on the execution of the transaction agreement with effective conditions; (6) resolution on the approval of the pro forma review report, audit report and valuation report in relation to the Reorganisation; (7) resolution on the independence of the valuation institution, the reasonableness of the premise of the valuation assumptions, the relevance of the valuation approaches to the valuation purpose and the fairness of the appraisal value; (8) resolution on the Transactions constituting a major assets reorganisation but not a reorganisation for listing; (9) resolution on the compliance of the Reorganisation of the Company with the requirements of Articles 11 and 43 of the Administrative Measures for Major Assets Reorganisation of Listed Companies (《上市公司重大資產重組管理辦法》); (10) resolution on the compliance of the Reorganisation with Article 4 of Guidelines No. 9 on Supervision for Listed Companies – Regulatory Requirements for Listed Companies Planning and Implementing Major Assets Reorganisation (《上市公司監管指引第9號—上市公司籌劃和實施重大資產重組的監管要求》); (11) resolution on the compliance of the Reorganisation with Article 11 of the Administrative Measures for the Issuance and Registration of Securities by Listed Companies (《上市公司證券發行註冊管理辦法》); (12) resolution on the report on the use of proceeds previously raised by the Company; (13) resolution on the remedial measures and undertakings in respect of the dilution of current returns of the Reorganisation; and (14) resolution on proposing at the shareholders' meeting to authorize the Board and its authorized person(s) to deal with matters relating to the major assets reorganisation.

The aforementioned resolutions (1) to (14) are subject to the approval of the Shareholders at the EGM by way of special resolutions.

LETTER FROM THE BOARD

Pursuant to the Articles of Association, a resolution to vary or abrogate the rights of class Shareholders of the Company shall be subject to the approval at a shareholders' class meeting of the Company. Accordingly, the aforementioned resolutions (2), (5) and (14), which relate to the variation of the rights of class Shareholders of the Company, are also subject to the approval of the A Shareholders at the A Shareholders' Class Meeting by way of special resolutions and the H Shareholders at the H Shareholders' Class Meeting by way of special resolutions, respectively.

1. RESOLUTION ON THE FULFILMENT OF THE CONDITIONS BY THE COMPANY FOR ACQUISITION OF ASSETS BY ISSUING SHARES AND RAISING SUPPORTING FUNDS

The Company proposed to acquire 99.26% shares of Minsheng Securities held by the Counterparties in aggregate by issuing A Shares (the “**Acquisition**”) and to raise supporting funds by issuing A Shares to not more than 35 specific investors. According to the relevant requirements of the laws, regulations and regulatory documents, such as the Company Law, Securities Law, Administrative Measures for Major Assets Reorganisation of Listed Companies (《上市公司重大資產重組管理辦法》), Guidelines No. 9 on Supervision for Listed Companies – Regulatory Requirements for Listed Companies Planning and Implementing Major Assets Reorganisation (《上市公司監管指引第9號－上市公司籌劃和實施重大資產重組的監管要求》), Administrative Measures for the Issuance and Registration of Securities by Listed Companies (《上市公司證券發行註冊管理辦法》) and Review Rules for Major Assets Reorganisation of Listed Companies of the Shanghai Stock Exchange (《上海證券交易所上市公司重大資產重組審核規則》) and after due self-examination and argumentation on the actual situation of the Company and related matters, the Board is of the view that the Company is in compliance with the conditions for acquisition of assets by issuing shares and raising supporting funds as stipulated in the above laws, regulations and regulatory documents, and hereby propose at the EGM for consideration and approval.

2. RESOLUTION ON THE ADJUSTED PROPOSAL FOR ACQUISITION OF ASSETS BY ISSUING SHARES AND RAISING SUPPORTING FUNDS AND RELATED PARTY TRANSACTION

References are made to the announcements of the Company dated 25 April 2024, 14 May 2024 and 8 August 2024 respectively in relation to, among other things, the very substantial acquisition and connected transaction in respect of the proposed acquisition of assets by issuing A Shares by the Company and raising supporting funds.

LETTER FROM THE BOARD

2.1 Summary of the proposal of the Transactions

The proposal of the Transactions as a whole is that the Company proposed to acquire 99.26% shares of Minsheng Securities held by 45 Counterparties other than Oceanwide Holdings in aggregate, including Guolian Group and Fengquanyu, by issuing A Shares, and to raise supporting funds. The Shareholders shall vote separately on each of the relevant resolutions in relation to the Acquisition and Raising Supporting Funds. The Acquisition is not conditional upon the Raising Supporting Funds, but the Raising Supporting Funds is conditional upon the Acquisition.

2.2 Specific proposal for the Acquisition of Assets by Issuing Shares

The details of the proposal for the Acquisition of Assets by Issuing Shares are set out below:

2.2.1 Subject assets

The Subject Assets of the Acquisition are all the shares of Minsheng Securities held by its shareholders other than Oceanwide Holdings, representing 99.26% of the total share capital of Minsheng Securities in aggregate. On 14 May 2024, Oceanwide Holdings entered into the Framework Agreement for the Acquisition of Assets by Issuing Shares with the Company and planned to participate in the Acquisition. As the shares of Minsheng Securities held by Oceanwide Holdings were subject to pledge and judicial freezing and could not be released in a timely manner prior to the Transactions, the Framework Agreement for the Acquisition of Assets by Issuing Shares was terminated by both parties through friendly negotiations and Oceanwide Holdings withdrew from the Acquisition and will not participate in the Acquisition with the 0.74% shares of Minsheng Securities held by it (corresponding to 83,967,330 shares of Minsheng Securities). The Company at present has no plan to acquire 0.74% shares of Minsheng Securities held by Oceanwide Holdings.

2.2.2 Target subscribers

The target subscribers (the Counterparties) to the Acquisition of Assets by Issuing Shares are the 45 shareholders of Minsheng Securities other than Oceanwide Holdings, including Guolian Group and Fengquanyu.

2.2.3 Basis of pricing and transaction price

The transaction price of the Subject Assets shall be determined by the negotiation among the parties to the transaction based on the valuation results of the valuation report issued by an asset valuation institution in compliance with the requirements of the Securities Law and filed with the competent state-owned asset supervisory and regulatory authorities, less the amount of cash dividends distributed and the cash paid for the repurchase of shares by the Subject Company during the Transitional Period after the Valuation Benchmark Date, and based on the proportion of shares of the Subject Company held by the Counterparties.

LETTER FROM THE BOARD

According to the Asset Valuation Report issued by China United Assets, an independent valuer, the market value of the entire shareholders' equity of Minsheng Securities as of the Valuation Benchmark Date (i.e. 31 March 2024) was assessed using the market approach and the asset-based approach. As of the Valuation Benchmark Date, the carrying amount of the net assets of the parent company of Minsheng Securities was RMB15,293,215,600. The assessment value of the entire shareholders' equity of Minsheng Securities as at the Valuation Benchmark Date arrived at by adopting the asset-based approach was RMB16,358,741,200, representing an appreciation of RMB1,065,525,600 or 6.97% as compared with the carrying amount of the net assets of the parent company of Minsheng Securities. The assessment value of the entire shareholders' equity of Minsheng Securities as at the Valuation Benchmark Date arrived at by adopting the market approach was RMB29,888,785,700, representing an appreciation of RMB14,595,570,100 or 95.44% as compared with the carrying amount of the net assets of the parent company of Minsheng Securities. For details of Minsheng Securities and the valuation, please refer to the Asset Valuation Report and its further information set out in Appendix I and Appendix II to this circular respectively.

The Asset Valuation Report adopts the valuation results under the market approach as the final valuation conclusion, i.e. the assessment value of the entire shareholders' equity of Minsheng Securities as of the Valuation Benchmark Date was RMB29,888,785,700, which have been filed with the competent state-owned asset supervisory and regulatory authorities.

Given that Minsheng Securities has distributed cash dividends of RMB170,593,200 and paid RMB7,025,700 in cash for the repurchase of shares after the Valuation Benchmark Date, it has been determined through friendly negotiation among the parties to the Transactions that the transaction price of the Subject Assets for each shareholder of Minsheng Securities participating in the Acquisition = (assessment value of equity interests in Minsheng Securities filed with the competent state-owned asset supervisory and regulatory authorities of RMB29,888,785,700 – profit distribution of Minsheng Securities after the Valuation Benchmark Date of RMB170,593,200 – cash paid for repurchase of shares of RMB7,025,700) x the proportion of shares of Minsheng Securities held by the Counterparties. Based on the foregoing valuation results, the transaction price of the Subject Assets is RMB29,491,805,700.

Based on the Asset Valuation Report and taking into account the above, the Directors (including the independent non-executive Directors) are of the view that the valuation conclusion has fairly and reasonably reflected the value of the Subject Assets and the consideration for the Acquisition determined based on the valuation conclusion is on normal commercial terms and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

2.2.4 Payment of consideration (by way of issuing shares)

The Acquisition entirely adopts the approach of issuing A Shares to the Counterparties in paying the transaction consideration, as detailed below:

No.	Counterparty	Name of and percentage of interest in the transaction subject	Payment method		Total consideration paid to the Counterparty ¹ (RMB10 thousand)
			Shares consideration ¹ (RMB10 thousand)	Cash consideration	
1	Wuxi Guolian Development (Group) Co., Ltd. (無錫市國聯發展(集團)有限公司)	30.52% shares of Minsheng Securities	906,697.08	Nil	906,697.08
2	Shanghai Fengquanyu Enterprise Management Co., Ltd. (上海豐泉峪企業管理有限公司)	13.59% shares of Minsheng Securities	403,718.67	Nil	403,718.67
3	Xizang Tengyun Investment Management Co., Ltd. (西藏騰雲投資管理有限公司)	4.91% shares of Minsheng Securities	145,883.03	Nil	145,883.03
4	Hangzhou Dongheng Petroleum Co., Ltd. (杭州東恒石油有限公司)	4.52% shares of Minsheng Securities	134,365.95	Nil	134,365.95
5	Shandong High-Tech Venture Capital Co., Ltd. (山東省高新技術創業投資有限公司)	3.84% shares of Minsheng Securities	113,955.97	Nil	113,955.97
6	Shanghai Zhangjiang (Group) Co., Ltd. (上海張江(集團)有限公司)	3.23% shares of Minsheng Securities	95,975.68	Nil	95,975.68
7	Shandong Lucion Investment Holdings Group Co., Ltd. (山東省魯信投資控股集團有限公司)	2.99% shares of Minsheng Securities	88,870.33	Nil	88,870.33
8	Guangzhou Sophia Investment Co., Ltd. (廣州索菲亞投資有限公司)	2.58% shares of Minsheng Securities	76,780.54	Nil	76,780.54
9	Taizhou State-owned Capital Operation Group Co., Ltd. (台州市國有資本運營集團有限公司)	1.94% shares of Minsheng Securities	57,585.41	Nil	57,585.41
10	Dazhong Transportation (Group) Co., Ltd. (大眾交通(集團)股份有限公司)	1.94% shares of Minsheng Securities	57,585.41	Nil	57,585.41
11	Qingdao Jinyuan Minfu Equity Investment Partnership (Limited Partnership) (青島金源民福股權投資合夥企業(有限合夥))	1.85% shares of Minsheng Securities	54,898.09	Nil	54,898.09
12	Jiaxing Hourun Zehui Venture Investment Partnership (Limited Partnership) (嘉興厚潤澤匯創業投資合夥企業(有限合夥))	1.62% shares of Minsheng Securities	47,987.84	Nil	47,987.84
13	Xinxiang Bailu Investment Group Co., Ltd. (新鄉白鷺投資集團有限公司)	1.48% shares of Minsheng Securities	43,889.29	Nil	43,889.29
14	Shenneng (Group) Company Limited (申能(集團)有限公司)	1.29% shares of Minsheng Securities	38,390.27	Nil	38,390.27
15	Shanghai Huayi Group Investment Co., Ltd. (上海華誼集團投資有限公司)	1.29% shares of Minsheng Securities	38,390.27	Nil	38,390.27
16	Luoyang Lier Refractories Co., Ltd. (洛陽利爾耐火材料有限公司)	1.29% shares of Minsheng Securities	38,390.27	Nil	38,390.27
17	Shanghai Xiongzhu Investment Management Partnership (Limited Partnership) (上海雄築投資管理合夥企業(有限合夥))	1.28% shares of Minsheng Securities	38,006.37	Nil	38,006.37
18	Shandong International Trust Co., Ltd. (山東省國際信託股份有限公司)	1.17% shares of Minsheng Securities	34,671.24	Nil	34,671.24
19	Orient International Enterprise Ltd. (東方國際創業股份有限公司)	1.16% shares of Minsheng Securities	34,551.24	Nil	34,551.24

¹ Any discrepancies in the table between totals and sums of figures listed are due to rounding.

LETTER FROM THE BOARD

No.	Counterparty	Name of and percentage of interest in the transaction subject	Payment method		Total consideration paid to the Counterparty ¹ (RMB10 thousand)
			Shares consideration ¹ (RMB10 thousand)	Cash consideration	
20	Shandong Lucion Industrial Group Co., Ltd. (山東魯信實業集團有限公司)	0.98% shares of Minsheng Securities	29,104.77	Nil	29,104.77
21	Huafeng Group Co., Ltd. (華峰集團有限公司)	0.97% shares of Minsheng Securities	28,792.70	Nil	28,792.70
22	Shanghai Shuiyao Enterprise Management Consulting Service Co., Ltd. (上海水遙企業管理諮詢服務有限責任公司)	0.97% shares of Minsheng Securities	28,792.70	Nil	28,792.70
23	Yankuang Capital Management Co., Ltd. (兗礦資本管理有限公司)	0.94% shares of Minsheng Securities	27,832.95	Nil	27,832.95
24	Jiaxing Dening Shenghui Equity Investment Partnership (Limited Partnership) (嘉興德寧生暉股權投資合夥企業(有限合夥))	0.92% shares of Minsheng Securities	27,449.04	Nil	27,449.04
25	Shaoxing Yuewang Enterprise Management Consulting Partnership (Limited Partnership) (紹興越旺企業管理諮詢合夥企業(有限合夥))	0.92% shares of Minsheng Securities	27,430.81	Nil	27,430.81
26	Gongqingcheng Renhe Zhisheng Equity Investment Partnership (Limited Partnership) (共青城人和智勝股權投資合夥企業(有限合夥))	0.81% shares of Minsheng Securities	24,185.87	Nil	24,185.87
27	Orient International (Holding) Co., Ltd. (東方國際(集團)有限公司)	0.78% shares of Minsheng Securities	23,034.16	Nil	23,034.16
28	Jiaxing Dening Zhengxin Equity Investment Partnership (Limited Partnership) (嘉興德寧正鑫股權投資合夥企業(有限合夥))	0.73% shares of Minsheng Securities	21,690.51	Nil	21,690.51
29	Shanghai Zhangjiang High-Tech Park Development Co., Ltd. (上海張江高科技園區開發股份有限公司)	0.65% shares of Minsheng Securities	19,195.14	Nil	19,195.14
30	Shanghai Pudong Innovative Investment Development (Group) Co., Ltd. (上海浦東創新投資發展(集團)有限公司)	0.65% shares of Minsheng Securities	19,195.14	Nil	19,195.14
31	Shanghai International Port (Group) Co., Ltd. (上海國際港務(集團)股份有限公司)	0.65% shares of Minsheng Securities	19,195.14	Nil	19,195.14
32	Shanghai Yunzhu Investment Co., Ltd. (上海韻築投資有限公司)	0.65% shares of Minsheng Securities	19,195.14	Nil	19,195.14
33	Shanghai Jiushi Investment Management Co., Ltd. (上海久事投資管理有限公司)	0.65% shares of Minsheng Securities	19,195.14	Nil	19,195.14
34	Time Publishing and Media Co., Ltd. (時代出版傳媒股份有限公司)	0.65% shares of Minsheng Securities	19,195.14	Nil	19,195.14
35	Dazzle Fashion Co., Ltd. (地素時尚股份有限公司)	0.65% shares of Minsheng Securities	19,195.14	Nil	19,195.14

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No.	Counterparty	Name of and percentage of interest in the transaction subject	Payment method		Total consideration paid to the Counterparty ¹ (RMB10 thousand)
			Shares consideration ¹ (RMB10 thousand)	Cash consideration	
36	Qingdao Ocean Innovation Industry Investment Fund Co., Ltd. (青島海洋創新產業投資基金有限公司)	0.65% shares of Minsheng Securities	19,195.14	Nil	19,195.14
37	Hangzhou Chongfu Zhongcai Investment Partnership (Limited Partnership)(杭州崇福眾財投資合夥企業(有限合夥))	0.65% shares of Minsheng Securities	19,195.14	Nil	19,195.14
38	Hubei Huacang Hongjia Equity Investment Fund Partnership (Limited Partnership)(湖北華倉宏嘉股權投資基金合夥企業(有限合夥))	0.55% shares of Minsheng Securities	16,315.87	Nil	16,315.87
39	Gongqingcheng Minxin Investment Partnership (Limited Partnership)(共青城民信投資合夥企業(有限合夥))	0.50% shares of Minsheng Securities	14,815.23	Nil	14,815.23
40	Gongqingcheng Minlong Investment Partnership (Limited Partnership)(共青城民隆投資合夥企業(有限合夥))	0.37% shares of Minsheng Securities	11,026.63	Nil	11,026.63
41	Gongqingcheng Minxin Investment Partnership (Limited Partnership)(共青城民新投資合夥企業(有限合夥))	0.36% shares of Minsheng Securities	10,808.91	Nil	10,808.91
42	Sichuan Dingxiang Equity Investment Fund Co., Ltd. (四川鼎祥股權投資基金有限公司)	0.32% shares of Minsheng Securities	9,597.57	Nil	9,597.57
43	Chengye Zhiyuan (Dongying) Equity Investment Fund Centre (Limited Partnership)(橙葉志遠(東營)股權投資基金中心(有限合夥))	0.32% shares of Minsheng Securities	9,597.57	Nil	9,597.57
44	Lanxi Puhua Huiyang Investment Partnership (Limited Partnership)(蘭溪普華暉陽投資合夥企業(有限合夥))	0.32% shares of Minsheng Securities	9,597.57	Nil	9,597.57
45	Jiaxing Dening Hongyang Phase I Equity Investment Partnership (Limited Partnership)(嘉興德寧宏陽一期股權投資合夥企業(有限合夥))	0.19% shares of Minsheng Securities	5,758.54	Nil	5,758.54
Total			2,949,180.57	-	2,949,180.57

2.2.5 Class, nominal value and place of listing of the shares to be issued

The class of shares to be issued for the Acquisition is domestically listed Renminbi ordinary shares (A Shares) with a nominal value of RMB1.00 each, to be listed on the Shanghai Stock Exchange.

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2.2.6 Price determination date and issue price

According to the requirements of the Administrative Measures for Major Assets Reorganisation of Listed Companies (《上市公司重大資產重組管理辦法》), the price at which shares issued by a listed company shall not be less than 80% of the market reference price. The market reference price is one of the average transaction prices of the Company's A Shares for the 20, 60 or 120 trading days preceding the date of announcement on the Board's resolutions for the Acquisition. The average transaction price of the Company's A Shares for certain trading days preceding the date of announcement on the Board's resolutions = total trading amount of the Company's A Shares for certain trading days preceding the date of announcement on the resolutions/ total trading volume of the Company's A Shares for certain trading days preceding the date of announcement of the resolutions.

The price determination date of the Acquisition by issuing Shares (the “**Price Determination Date**”) is the date of announcement on the resolutions at the sixteenth meeting of the fifth session of the Board of the Company. Details of the average transaction price of the Company's A Shares for the 20, 60 and 120 trading days preceding the Price Determination Date are shown in the table below:

		<i>RMB/share</i>
	Average transaction price	80% of the average transaction price
Market reference price		
20 trading days preceding the Price Determination Date	10.80	8.64
60 trading days preceding the Price Determination Date	11.08	8.86
120 trading days preceding the Price Determination Date	11.31	9.05

Upon friendly negotiation among the parties to the Transactions, the issue price of the Shares for the Acquisition is the average transaction price of the A Shares for the 120 trading days preceding the Price Determination Date, i.e. RMB11.31 per share, which complies with the relevant provisions of the Administrative Measures for Major Assets Reorganisation of Listed Companies (《上市公司重大資產重組管理辦法》).

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The Company held its annual general meeting for the year 2023 on 19 June 2024, which considered and approved the Profit Distribution Proposal for the Year 2023, under which a cash dividend of RMB1.42 (tax inclusive) per 10 shares will be distributed to all Shareholders. As of the Latest Practicable Date, the profit distribution of the Company has been implemented and the issue price of the Acquisition has been adjusted on an ex-dividend basis accordingly to RMB11.17 per share. For reference purpose, the issue price of the Shares for the Acquisition is 416.07% (calculated according to the central parity rate of HK dollars to RMB, i.e. HK\$1 to RMB0.91626, as announced by the People's Bank of China as at the Latest Practicable Date) of the closing price of the Company's H Shares as at the Latest Practicable Date (HK\$2.93 per share), and is 178.15% of the Company's audited net asset value per share attributable to the Shareholders of the Company as at 31 December 2023 (RMB6.27 per share).

In the event that the Company distributes dividends, grants bonus shares, converts capital reserve into share capital, allots shares or carries out any other ex-right or ex-dividend activities during the period commencing from the Price Determination Date of the Acquisition to the issue date, the issue price will be adjusted accordingly in accordance with the relevant rules of the CSRC and the Shanghai Stock Exchange, with the calculation results rounded up to the nearest cent.

Assuming P_0 represents the pre-adjustment price of the new Shares, N represents the number of bonus shares or number of shares converted from capital reserve into share capital for each share, K represents the number of shares allotted for each share, A represents the allotment price, D represents dividend per share and P_1 represents the post-adjustment price of the new Shares (rounded off to the nearest two decimals), the adjustment formula for the issue price is as follows:

$$\text{Distribution of dividends: } P_1 = P_0 - D$$

Grant of bonus shares or conversion of capital reserve

$$\text{into share capital: } P_1 = \frac{P_0}{(1 + N)}$$

$$\text{Allotment of shares: } P_1 = \frac{P_0 + A \times K}{(1 + K)}$$

$$\text{The above three events occurring concurrently: } P_1 = \frac{P_0 - D + A \times K}{(1 + K + N)}$$

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2.2.7 Number of shares to be issued

The number of shares to be issued under the Acquisition is calculated as follows: the number of shares to be issued to each Counterparty = the transaction consideration paid to each Counterparty by issuing shares/issue price, and the total number of shares to be issued = the sum of the number of shares to be issued to each Counterparty.

If the number of shares to be issued to the Counterparties is not a whole number, the number of shares to be issued shall be rounded down to the nearest share, and any part of less than one share shall be credited to the Company's capital surplus (rounded down to the nearest whole number).

Based on the above formula, the number of shares to be issued to each Counterparty in the Acquisition and the percentage of the Company's Shares held by each Counterparty upon completion of the Acquisition are as follows:

Counterparty	Share-based payment price ¹ (RMB10 thousand)	Number of shares to be issued (shares)	Approximate percentage of shares held to total issued share capital upon completion of the Acquisition ¹
Wuxi Guolian Development (Group) Co., Ltd. (無錫市國聯發展(集團)有限公司)	906,697.08	811,725,231	24.77% ²
Shanghai Fengquanyu Enterprise Management Co., Ltd. (上海灃泉峪企業管理有限公司)	403,718.67	361,431,213	6.61%
Xizang Tengyun Investment Management Co., Ltd. (西藏騰雲投資管理有限公司)	145,883.03	130,602,534	2.39%
Hangzhou Dongheng Petroleum Co., Ltd. (杭州東恒石油有限公司)	134,365.95	120,291,807	2.20%
Shandong High-Tech Venture Capital Co., Ltd. (山東省高新技術創業投資 有限公司)	113,955.97	102,019,670	1.86%

¹ Any discrepancies in the table between totals and sums of figures listed are due to rounding.

² Guolian Group will, directly and indirectly, hold a total of 2,188,061,354 A Shares of the Company after the Acquisition, representing 39.99% of the total share capital of the Company.

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Counterparty	Share-based payment price ¹ (RMB10 thousand)	Number of shares to be issued (shares)	Approximate percentage of shares held to total issued share capital upon completion of the Acquisition ¹
Shanghai Zhangjiang (Group) Co., Ltd. (上海張江(集團)有限公司)	95,975.68	85,922,719	1.57%
Shandong Lucion Investment Holdings Group Co., Ltd. (山東省 魯信投資控股集團有限公司)	88,870.33	79,561,623	1.45%
Guangzhou Sophia Investment Co., Ltd. (廣州索菲亞投資有限公司)	76,780.54	68,738,175	1.26%
Taizhou State-owned Capital Operation Group Co., Ltd. (台州市 國有資本運營集團有限公司)	57,585.41	51,553,632	0.94%
Dazhong Transportation (Group) Co., Ltd. (大眾交通(集團)股份有限公司)	57,585.41	51,553,631	0.94%
Qingdao Jinyuan Minfu Equity Investment Partnership (Limited Partnership)(青島金源民福股權投 資合夥企業(有限合夥))	54,898.09	49,147,795	0.90%
Jiaxing Hourun Zehui Venture Investment Partnership (Limited Partnership)(嘉興厚潤澤匯創業投 資合夥企業(有限合夥))	47,987.84	42,961,359	0.79%
Xinxiang Bailu Investment Group Co., Ltd. (新鄉白鷺投資集團有限公司)	43,889.29	39,292,116	0.72%
Shenneng (Group) Company Limited (申能(集團)有限公司)	38,390.27	34,369,088	0.63%
Shanghai Huayi Group Investment Co., Ltd. (上海華誼集團投資有限公司)	38,390.27	34,369,088	0.63%
Luoyang Lier Refractories Co., Ltd. (洛陽利爾耐火材料有限公司)	38,390.27	34,369,087	0.63%

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Counterparty	Share-based payment price ¹ (RMB10 thousand)	Number of shares to be issued (shares)	Approximate percentage of shares held to total issued share capital upon completion of the Acquisition ¹
Shanghai Xiongzhu Investment Management Partnership (Limited Partnership) (上海雄築投資管理合夥企業 (有限合夥))	38,006.37	34,025,397	0.62%
Shandong International Trust Co., Ltd. (山東省國際信託股份有限公司)	34,671.24	31,039,606	0.57%
Orient International Enterprise Ltd. (東方國際創業股份有限公司)	34,551.24	30,932,179	0.57%
Shandong Lucion Industrial Group Co., Ltd. (山東魯信實業集團有限公司)	29,104.77	26,056,194	0.48%
Huafeng Group Co., Ltd. (華峰集團有限公司)	28,792.70	25,776,816	0.47%
Shanghai Shuiyao Enterprise Management Consulting Service Co., Ltd. (上海水遙企業管理諮詢服務 有限責任公司)	28,792.70	25,776,815	0.47%
Yankuang Capital Management Co., Ltd. (兗礦資本管理有限公司)	27,832.95	24,917,588	0.46%
Jiaxing Dening Shenghui Equity Investment Partnership (Limited Partnership) (嘉興德寧生暉股權投資合夥企業 (有限合夥))	27,449.04	24,573,897	0.45%
Shaoxing Yuewang Enterprise Management Consulting Partnership (Limited Partnership) (紹興越旺企業管理諮詢合夥企業 (有限合夥))	27,430.81	24,557,572	0.45%

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Counterparty	Share-based payment price ¹ (RMB10 thousand)	Number of shares to be issued (shares)	Approximate percentage of shares held to total issued share capital upon completion of the Acquisition ¹
Gongqingcheng Renhe Zhisheng Equity Investment Partnership (Limited Partnership) (共青城人和智勝股權投資合夥企 業(有限合夥))	24,185.87	21,652,525	0.40%
Orient International (Holding) Co., Ltd. (東方國際(集團)有限公司)	23,034.16	20,621,452	0.38%
Jiaxing Dening Zhengxin Equity Investment Partnership (Limited Partnership) (嘉興德寧正鑫股權投資合夥企業 (有限合夥))	21,690.51	19,418,536	0.35%
Shanghai Zhangjiang High-Tech Park Development Co., Ltd. (上海張江高科技園區開發股份 有限公司)	19,195.14	17,184,544	0.31%
Shanghai Pudong Innovative Investment Development (Group) Co., Ltd. (上海浦東創新投資發展 (集團)有限公司)	19,195.14	17,184,544	0.31%
Shanghai International Port (Group) Co., Ltd. (上海國際港務(集團)股份有限 公司)	19,195.14	17,184,544	0.31%
Shanghai Yunzhu Investment Co., Ltd. (上海韻築投資有限公司)	19,195.14	17,184,544	0.31%
Shanghai Jiushi Investment Management Co., Ltd. (上海久事投資管理有限公司)	19,195.14	17,184,544	0.31%
Time Publishing and Media Co., Ltd. (時代出版傳媒股份有限公司)	19,195.14	17,184,543	0.31%

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Counterparty	Share-based payment price ¹ (RMB10 thousand)	Number of shares to be issued (shares)	Approximate percentage of shares held to total issued share capital upon completion of the Acquisition ¹
Dazzle Fashion Co., Ltd. (地素時尚股份有限公司)	19,195.14	17,184,543	0.31%
Qingdao Ocean Innovation Industry Investment Fund Co., Ltd. (青島海洋創新產業投資基金有限公司)	19,195.14	17,184,543	0.31%
Hangzhou Chongfu Zhongcai Investment Partnership (Limited Partnership)(杭州崇福眾財投資合夥企業(有限合夥))	19,195.14	17,184,543	0.31%
Hubei Huacang Hongjia Equity Investment Fund Partnership (Limited Partnership)(湖北華倉宏嘉股權投資基金合夥企業(有限合夥))	16,315.87	14,606,862	0.27%
Gongqingcheng Minxin Investment Partnership (Limited Partnership) (共青城民信投資合夥企業(有限合夥))	14,815.23	13,263,407	0.24%
Gongqingcheng Minlong Investment Partnership (Limited Partnership) (共青城民隆投資合夥企業(有限合夥))	11,026.63	9,871,649	0.18%
Gongqingcheng Minxin Investment Partnership (Limited Partnership) (共青城民新投資合夥企業(有限合夥))	10,808.91	9,676,734	0.18%
Sichuan Dingxiang Equity Investment Fund Co., Ltd. (四川鼎祥股權投資基金有限公司)	9,597.57	8,592,271	0.16%
Chengye Zhiyuan (Dongying) Equity Investment Fund Centre (Limited Partnership) (橙葉志遠(東營)股權投資基金中心(有限合夥))	9,597.57	8,592,271	0.16%

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Counterparty	Share-based payment price ¹ (RMB10 thousand)	Number of shares to be issued (shares)	Approximate percentage of shares held to total issued share capital upon completion of the Acquisition ¹
Lanxi Puhua Huiyang Investment Partnership (Limited Partnership) (蘭溪普華暉陽投資合夥企業 (有限合夥))	9,597.57	8,592,271	0.16%
Jiaxing Dening Hongyang Phase I Equity Investment Partnership (Limited Partnership)(嘉興德寧宏 陽一期股權投資合夥企業(有限合 夥))	5,758.54	5,155,363	0.09%
Total	<u>2,949,180.57</u>	<u>2,640,269,065</u>	<u>58.19%</u>

In the event that the Company distributes dividends, grants bonus shares, converts capital reserve into share capital, allots shares or carries out any other ex-right or ex-dividend activities during the period commencing from the Price Determination Date to the issue date, or if the Company convenes a Board meeting or a general meeting in accordance with the relevant laws and regulations to adjust the issue price, the number of shares to be issued will also be adjusted accordingly. The final number of shares to be issued under the Acquisition shall be within the upper limit of the number of shares to be issued as considered and approved at the general meeting of the Company, reviewed and approved by the Shanghai Stock Exchange and registered with the CSRC.

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2.2.8 Arrangement for lock-up period

The lock-up period for acquisition of the Company's issued shares by each of the Counterparties under the Acquisition is set out below:

(1) *Guolian Group*

The Company's 811,725,231 A Shares subscribed for by Guolian Group with the Subject Assets in the Acquisition cannot be transferred for a period of 1) 60 months from the date of acquisition of the Subject Assets by Guolian Group (date of acquisition of shareholdings¹) or 2) 36 months from the completion date of the issuance of the new Shares under the Acquisition (whichever is later); provided that the transfers shall not be restricted therefrom as permitted by applicable laws. The lock-up period for the Company's Shares held by Guolian Group shall be automatically extended for at least 6 months if the closing price of the Company's A Shares is lower than the issue price for 20 consecutive trading days within 6 months after the completion of the Transactions or if the closing price of the Company's Shares at the end of the 6 months after the completion of the Reorganisation is lower than the issue price.

(2) *Gongqingcheng 1 (共青城民信), Gongqingcheng 2 (共青城民新) and Gongqingcheng Minlong*

The Company's Shares subscribed for by Gongqingcheng 1 (共青城民信), Gongqingcheng 2 (共青城民新) and Gongqingcheng Minlong in the Acquisition: 1) with the shares of Minsheng Securities acquired prior to 24 August 2021 (9,197,167, 8,633,513 and 6,873,814 A Shares, respectively) cannot be transferred for a period of 12 months from the completion date of the issuance of the new Shares in connection with the Acquisition; 2) with the shares of Minsheng Securities acquired after 24 August 2021 (4,066,240, 1,043,221 and 2,997,835 A Shares, respectively) cannot be transferred for a period of ① 48 months from the date of acquisition of the Subject Assets or ② 12 months from the completion date of the issuance of the new Shares in connection with the Acquisition (whichever is later); provided that the transfers shall not be restricted therefrom as permitted by applicable laws.

¹ On 15 March 2023, Guolian Group acquired 3,470,666,700 shares of Minsheng Securities held by Oceanwide Holdings through a judicial auction at a consideration of RMB9,105,426,723. On 13 December 2023, the CSRC issued the Reply on Approving the Change of Substantial Shareholder of Minsheng Securities Co., Ltd. (Zheng Jian Xu Ke [2023] No. 2822) (《關於核准民生證券股份有限公司變更主要股東的批覆》證監許可[2023]2822號), which confirmed it has no objection to the legal transfer of 3,470,666,700 shares of Minsheng Securities to Guolian Group. On 16 December 2023, Jinan Intermediate People's Court of Shandong Province (山東省濟南市中級人民法院) issued an enforcement ruling which ruled that the 3,470,666,700 shares of Minsheng Securities held by Oceanwide Holdings, the person subject to enforcement, were owned by Guolian Group. Therefore, Guolian Group is deemed to hold 3,470,666,700 shares of Minsheng Securities since 16 December 2023.

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(3) *Hourun Zehui*

The Company's 42,961,359 A Shares subscribed for by Hourun Zehui in the Acquisition cannot be transferred for a period of 1) 48 months from the date of acquisition of the Subject Assets by Hourun Zehui or 2) 12 months from the completion date of the issuance of the new Shares under the Acquisition (whichever is later); provided that the transfers shall not be restricted therefrom as permitted by applicable laws.

(4) *Yankuang Capital*

The Company's Shares subscribed for by Yankuang Capital in the Acquisition: 1) with the 69,801,616 shares of Minsheng Securities held since September 2020 (16,325,316 A Shares) cannot be transferred for a period of 12 months from the completion date of the issuance of the new Shares under the Acquisition; 2) with the 36,737,693 shares of Minsheng Securities held since March 2022 (8,592,272 A Shares) cannot be transferred for a period of ① 48 months from the date of acquisition of the Subject Assets by Yankuang Capital or ② 12 months from the completion date of the issuance of the new Shares under the Acquisition (whichever is later); provided that the transfers shall not be restricted therefrom as permitted by applicable laws.

(5) Other than the aforesaid six Counterparties, namely, Guolian Group, Gongqingcheng 1 (共青城民信), Gongqingcheng 2 (共青城民新), Gongqingcheng Minlong, Hourun Zehui and Yankuang Capital, the Company's Shares subscribed for by other Counterparties with the Subject Assets in the Acquisition cannot be transferred for a period of 12 months from the completion date of the issuance of the new Shares under the Acquisition; provided that the transfers shall not be restricted therefrom as permitted by applicable laws.

After the completion of the Acquisition, any Shares acquired by each of the above Counterparties due to the granting of bonus shares or conversion of capital reserve into share capital by the Company as a result of the Acquisition shall also be subject to the respective lock-up period as set out above.

2.2.9 Arrangement for accumulated undistributed profits

Upon completion of the Acquisition, the undistributed profits accumulated by the Company will be shared between the new and existing Shareholders in proportion to their shareholdings upon completion of the Acquisition.

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2.2.10 Arrangement for the listing of shares

All the newly issued A Shares under the Acquisition will be listed and traded on the Shanghai Stock Exchange.

2.2.11 Arrangement for profit and loss during the transitional period

Any profit or loss arising from the Subject Assets during the Transitional Period will be enjoyed or borne by the Company.

2.2.12 Treatment of creditor's rights and debts and resettlement of personnel

After completion of the Acquisition, Minsheng Securities will continue to be entitled to and assume the creditor's rights and debts of Minsheng Securities as a party, and the Counterparties shall procure Minsheng Securities to take the necessary actions to ensure that the Acquisition will not affect the realisation and fulfilment of such creditor's rights and debts.

The Subject Assets of the Acquisition represent equity interests and do not involve any change in the labour relations of the employees of Minsheng Securities.

2.2.13 Contractual obligations for the transfer of ownership of the subject assets and liabilities for defaults

On 8 August 2024, the Company and the Counterparties entered into the Acquisition Agreements in relation to the Acquisition, as detailed in "5. RESOLUTION ON THE EXECUTION OF THE TRANSACTION AGREEMENT WITH EFFECTIVE CONDITIONS" below.

(1) Contractual obligations for the transfer of ownership of the Subject Assets

Unless otherwise agreed in the Acquisition Agreements, the rights and risks of the Subject Assets shall be transferred from the Completion Date. The Company shall become a shareholder of Minsheng Securities from the Completion Date and shall enjoy full shareholder's rights in respect of such equity interests, and the risks of the Subject Assets shall be borne by the Company from the Completion Date.

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Within 20 Working Days after the fulfillment of all the effective conditions as set out in the Acquisition Agreements, the Counterparties shall cooperate with the Company in signing all the documents such as the transfer agreement of the Subject Assets, the resolution of the shareholders' meeting, etc., which are required for the transfer of the Subject Assets to the Company according to the organizational documents of Minsheng Securities and the provisions of the relevant laws, regulations and regulatory documents, and shall urge Minsheng Securities to deliver the equity certificates to the Company and record the Company in the shareholder register of Minsheng Securities. The Counterparties shall cooperate in the review of equity change/review of shareholders' qualifications of the Company and provide relevant basic information, equity structure information, explanations, undertakings and other documents (if required) according to the relevant laws, regulations and regulatory documents.

(2) *Liabilities for defaults*

In the event that a party under the Acquisition Agreements (the “**Defaulting Party**”) breaches its obligations under the Acquisition Agreements or its representations, undertakings and warranties made in the Acquisition Agreements, and the other party (the “**Non-defaulting Party**”) incurs or suffers damages, losses and costs (including but not limited to legal fees and expenses, as well as charges for investigation of the claims against any rights), the Defaulting Party shall indemnify the Non-defaulting Party. Such indemnity shall be without prejudice to any other rights and remedies available to the Non-Defaulting Party under the laws, regulations and regulatory documents regarding the Defaulting Party's breach of any terms of the Acquisition Agreements. The rights and remedies of the Non-Defaulting Party concerning the Defaulting Party's breach of any terms of the Acquisition Agreements shall survive upon cancellation, termination or consummation of the Acquisition Agreements.

Before the Acquisition Agreements take effect, any breach by a party under the Acquisition Agreements of its information disclosure and confidentiality obligations under the Acquisition Agreements or of its representations, undertakings and warranties made in the Acquisition Agreements and other obligations under the Acquisition Agreements that are not contingent upon the Acquisition Agreements becoming effective shall constitute a breach by such party. The Non-Defaulting Party shall have the right to require the Defaulting Party to undertake the liabilities for defaults and compensate for losses and the Non-Defaulting Party shall be entitled to commence proceedings to require cessation of such infringement or to take other remedies to prevent further infringement.

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2.3 Specific proposal for Raising Supporting Funds

2.3.1 Class, nominal value and place of listing of the shares to be issued

The class of shares to be issued for the purpose that the Company proposed to raise supporting funds by issuing A Shares to specific subscribers is Renminbi ordinary A Shares with a nominal value of RMB1.00 each, to be listed on the Shanghai Stock Exchange.

2.3.2 Target subscribers

The Company proposed to raise supporting funds by issuing A Shares to not more than 35 specific subscribers (not excluding the Connected Persons of the Company).

2.3.3 Price determination date, pricing principles and issue price

The Price Determination Date of Raising Supporting Funds by issuing A Shares to specific subscribers by the Company shall be the first day of the issue period of issuing A Shares to specific subscribers. The issue price of A Shares shall not be less than 80% of the average transaction price of the A Shares of the Company for the 20 trading days preceding the Price Determination Date of Raising Supporting Funds and shall not be less than the latest audited net asset value per share attributable to the ordinary shareholders of the parent company of the Company before the issuance (the net asset value per share will be adjusted accordingly in the event of any ex-right or ex-dividend activities occurring between the balance sheet date and the issue date). For reference purpose, the closing price of A Shares of the Company (RMB10.00 per share) as at the Latest Practicable Date was 372.49% (calculated according to the central parity rate of HK dollars to RMB, i.e. HK\$1 to RMB0.91626, as announced by the People's Bank of China as at the Latest Practicable Date) of the closing price of H Shares of the Company (HK\$2.93 per share), and the average closing price of H Shares of the Company in the 5 trading days immediately prior to the Latest Practicable Date was HK\$2.90 per share.

After the Raising Supporting Funds has been reviewed and approved by the Shanghai Stock Exchange and registered at the CSRC, its final issue price will be determined by the Board of the Company and its authorized person(s) in consultation with the lead underwriter of the issuance according to the authorization of the general meeting, and pursuant to the provisions of the relevant laws, administrative regulations and regulatory documents and based on the results of the bidding process. In the event that the Company distributes dividends, grants bonus shares, converts capital reserve into share capital, allots shares or carries out any other ex-right or ex-dividend activities during the period commencing from the Price Determination Date of Raising Supporting Funds to the issue date, the issue price will be adjusted accordingly in accordance with the relevant rules of the CSRC and the Shanghai Stock Exchange.

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2.3.4 Issue size and number

The total amount of supporting funds to be raised shall not exceed RMB2 billion (inclusive) and the number of A Shares to be issued shall not exceed 250 million (inclusive), with the amount of funds to be raised and the number of Shares to be issued as ultimately reviewed and approved by the Shanghai Stock Exchange and determined by the CSRC for registration purposes as upper limit. After the Transactions have been reviewed and approved by the Shanghai Stock Exchange and registered at the CSRC, the final number of shares to be issued will be determined by the Board and its authorized person(s) in consultation with the lead underwriter of the issuance according to the authorization at the general meeting and the actual circumstances at the time of the issue, and pursuant to the relevant laws and regulations and the requirements of the regulatory authorities.

In the event that the Company distributes dividends, grants bonus shares, converts capital reserve into share capital, allots shares or carries out any other ex-right or ex-dividend activities during the period commencing from the Price Determination Date of the Raising Supporting Funds to the issue date which would require adjustments to the issue price of the share issuance, the number of shares to be issued will also be adjusted accordingly.

2.3.5 Arrangement for lock-up period

According to the relevant requirements under the Administrative Measures for the Issuance and Registration of Securities by Listed Companies (《上市公司證券發行註冊管理辦法》) and the Guidelines on Reviewing of Administrative Approval for Securities Companies No.10 – Increase and Change in Equity Interest of Securities Companies (《證券公司行政許可審核工作指引第10號—證券公司增資擴股和股權變更》), following the completion of issuance for Raising Supporting Funds, the specific target subscribers holding more than 5% (inclusive) of the Shares of the Company cannot transfer their Shares subscribed for in the issuance within 36 months from the completion date of the issuance. Specific target subscribers holding less than 5% of the Shares of the Company cannot transfer their Shares subscribed for in the issuance within six months from the completion date of the issuance. During the aforesaid lock-up period, any Shares of the Company held by subscribers of Raising Supporting Funds due to the granting of bonus shares or conversion of capital reserve into share capital by the Company shall also be subject to the aforesaid undertakings.

In the event that the aforesaid lock-up period is inconsistent with the latest regulatory requirements of the securities regulatory authorities, the subscribers of Raising Supporting Funds will make corresponding adjustments in accordance with the latest regulatory advice of the regulatory authorities.

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2.3.6 Use of raised supporting funds

After deducting the intermediaries' fees and transaction taxes, all of the raised supporting funds will be used for capital increase in Minsheng Securities, which will then be used for the development of Minsheng Securities' business for the specific uses as set out below:

Investment of the Funds Raised	Amount	Principal Use of the Funds Raised
Wealth management business	Not more than RMB1 billion	Used for enhancing professional service capability of wealth management, building a service ecosystem, optimizing the layout of outlets and enhancing brand image
Information Technology	Not more than RMB1 billion	Used for consolidating the base of science and technology, strengthening the construction of digital central control platform, continuously promoting the innovation of application products and strengthening the empowerment of science and technology

In the event that the supporting funds ultimately determined and raised are less than RMB2 billion, the Board will determine the allocation ratio of the raised supporting funds within the scope of the authorisation granted by the general meeting. The business operations of the Company and Minsheng Securities will not be materially and adversely affected as a result. The Company will, depending on the circumstances and based on the overall capital requirements for the subsequent development after the completion of the Reorganisation, use its own funds or raise funds through debt instruments.

2.3.7 Arrangement for accumulated undistributed profits

Upon completion of Raising Supporting Funds, the undistributed profits accumulated by the Company will be shared between the new and existing Shareholders in proportion to their shareholdings upon completion of Raising Supporting Funds.

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2.4 Validity period of the resolutions

The resolutions in respect of the Acquisition and Raising Supporting Funds shall be valid for a period of 12 months from the date on which the resolutions are considered and approved at the general meeting. If the Company fails to complete the Acquisition within the validity period of the resolutions, the Company shall seek further approval on the Acquisition and Raising Supporting Funds at the general meeting; if the Company completes the Acquisition within the validity period of the resolutions but fails to complete the Raising Supporting Funds, the Company shall seek further approval on the Raising Supporting Funds at the general meeting.

2.5 Implications of Listing Rules

Acquisition of Assets by Issuing Shares

As the highest applicable percentage ratio calculated according to Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 100%, the Acquisition constitutes a very substantial acquisition of the Company under the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, as Guolian Group directly and indirectly held 48.60% of the Shares of the Company, it was a Controlling Shareholder and Connected Person of the Company as defined under the Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The issue of A Shares under the Acquisition will be made pursuant to the specific mandate to be sought at the EGM and the Shareholders' Class Meetings.

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The terms of the Acquisition Agreements and the transactions contemplated thereunder are made after an arm's length negotiation among the parties thereto. The Directors (including independent non-executive Directors) consider that the terms of the Acquisition Agreements and the transactions contemplated thereunder are entered into on normal commercial terms, fair and reasonable, and are in the interests of the Company and the Shareholders as a whole. As Mr. Hua Weirong, Mr. Zhou Weiping, Mr. Wu Weihua and Ms. Li Suo, all being Directors of the Company, hold positions in Guolian Group and its subsidiaries, the aforesaid Directors have abstained from voting in respect of the relevant resolutions of the Board. Save as disclosed above, none of the Directors has abstained from voting in respect of the relevant resolutions of the Board to approve the Transactions.

Raising Supporting Funds by issuing A Shares

As of the Latest Practicable Date, the Company had not entered into any agreement with any potential subscriber regarding Raising Supporting Funds by issuing A Shares and the Company has not received any intention from any person to participate in the Raising Supporting Funds by issuing A Shares. If any Connected Person of the Company becomes a subscriber participating in the Raising Supporting Funds by issuing A Shares, such participation will constitute a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The issue of A Shares under the Raising Supporting Funds will be made pursuant to the specific mandate to be sought at the EGM and the Shareholders' Class Meetings.

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2.6 Impact of the Transactions on the Shareholding Structure of the Company

As at the Latest Practicable Date, the total issued share capital of the Company was 2,831,773,168 Shares (comprising 2,389,133,168 A Shares and 442,640,000 H Shares). According to the proposal of the Transactions, the Company will issue 2,640,269,065 A Shares as a result of the Acquisition, and Guolian Group will, directly and indirectly, hold a total of 2,188,061,354 A Shares of the Company after the Acquisition, representing 39.99% of the total share capital of the Company, and will remain as the Controlling Shareholder of the Company. The impact of the Transactions on the shareholding structure of the Company is set out below for illustration purposes:

Name of Shareholder	Shareholdings as at the Latest Practicable Date		Shareholding immediately after the completion of the Acquisition ¹		Shareholding immediately after the completion of the Acquisition and Raising Supporting Funds ²		Shareholding immediately after the completion of the Acquisition and Raising Supporting Funds (assuming that all the subscribers are Connected Persons of the Company) ³	
	Number of Shares	Approximate percentage of total issued share capital ⁴	Number of Shares	Approximate percentage of total issued share capital ⁴	Number of Shares	Approximate percentage of total issued share capital ⁴	Number of Shares	Approximate percentage of total issued share capital ⁴
A Shares								
Guolian Group and its close associates ⁵	1,376,336,123	48.60%	2,188,061,354	39.99%	2,188,061,354	38.24%	2,188,061,354	38.24%
Shares held by other Connected Persons of the Company	0	0%	0	0%	0	0%	250,000,000	4.37%
Public A Shareholders	1,012,797,045	35.77%	2,841,340,879	51.92%	3,091,340,879	54.03%	2,841,340,879	49.66%
Total A Shares	2,389,133,168	84.37%	5,029,402,233	91.91%	5,279,402,233	92.26%	5,279,402,233	92.26%
H Shares								
Shares held by other Connected Persons of the Company ⁶	1,407,501	0.05%	1,407,501	0.03%	1,407,501	0.02%	1,407,501	0.02%
Public H Shareholders	441,232,499	15.58%	441,232,499	8.06%	441,232,499	7.71%	441,232,499	7.71%
Total H Shares	442,640,000	15.63%	442,640,000	8.09%	442,640,000	7.74%	442,640,000	7.74%
Total	2,831,773,168	100.00%	5,472,042,233	100.00%	5,722,042,233	100.00%	5,722,042,233	100.00%

¹ Assuming that there will be no change in the total issued share capital of the Company since the Latest Practicable Date save for the issue of A Shares under the Acquisition Agreements.

² Assuming that (1) the number of A Shares to be issued by the Company under the Raising Supporting Funds proposal is 250 million Shares, (2) there will be no change in the total issued share capital of the Company since the Latest Practicable Date save for the issue of A Shares under the Acquisition Agreements and the Raising Supporting Funds proposal, and (3) the subscribers to the Raising Supporting Funds are and will continue to be the public at the time of subscription of the Shares.

³ Assuming that (1) the number of A Shares to be issued by the Company under the Raising Supporting Funds proposal is 250 million Shares, (2) there will be no change in the total issued share capital of the Company since the Latest Practicable Date save for the issue of A Shares under the Acquisition Agreements and the Raising Supporting Funds proposal, and (3) all the subscribers to the Raising Supporting Funds are Connected Persons of the Company.

⁴ The approximate percentage figures are rounded to the nearest two decimal places and therefore, may not add up to 100% due to rounding.

⁵ As at the Latest Practicable Date, Guolian Group held 543,901,329 A Shares of the Company, and its subsidiaries, Guolian Trust Co., Ltd.* (國聯信託股份有限公司), Wuxi Guolian Municipal Electric Power Co., Ltd.* (無錫市國聯地方電力有限公司), Wuxi Minsheng Investment Co., Ltd.* (無錫民生投資有限公司), Wuxi Cotton Textile Group Co., Ltd.* (無錫一棉紡織集團有限公司), Wuxi Huaguang Environmental & Energy Group Co., Ltd.* (無錫華光環保能源集團股份有限公司), held 390,137,552, 266,899,445, 73,500,000, 72,784,141 and 29,113,656 A Shares of the Company, respectively.

⁶ As at the Latest Practicable Date, Mr. Ge Xiaobo, the chairman of the Company, Ms. Wu Lingyun and Mr. Zhou Min, supervisors of the Company, were deemed to have interests in the H Shares of the Company, respectively due to their participation in the employee stock ownership plan of the Company for the year 2022.

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The Board expects that the percentage of public float of the Company's H Shares will further decrease after the completion of the Transactions. The Company will ensure that there remains an open market in the Company's H Shares according to the Listing Rules and the relevant requirements of the Stock Exchange.

2.7 Reasons for and benefits of the Reorganisation

1. The Transactions are conducive to the implementation of the integration development strategy of Yangtze River Delta

Shanghai is the economic center of the PRC and also an important international financial center. Leveraging the unique advantages of a high-tier city, rich education and industrial resources, a high degree of openness and strong economic vitality, Shanghai has converged the most important financial infrastructure, numerous financial institutions and a large number of "highly sophisticated" talents, and is directly leading the development of the core area of the Yangtze River Delta. Wuxi has always regarded integrating and serving the regional integration of the Yangtze River Delta as a major political responsibility. In recent years, it has actively and deeply integrated with Shanghai, realizing complementary advantages and misalignment development with Shanghai. Through the Transactions, the Company will be integrated as a platform for the synergistic development of Wuxi and Shanghai, which is another major initiative for Wuxi to integrate into the integration strategy of Yangtze River Delta. Not only will it fully utilize the advantages of Shanghai's financial resources and talent concentration to achieve its own development, but it will also give full play to the service functionality of the financial platform of empowering the upgrading of Wuxi's industrial structure, assisting in Wuxi's in-depth integration into the integration development strategy of Yangtze River Delta, better docking the financial, science and technology innovation and industrial resources in the Yangtze River Delta, and accelerating the optimization of local industrial structure and transformation and upgrading of economy.

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2. The Transactions help the Company to realise leapfrog development

Currently, the differentiation and integration of the securities industry is accelerating, the competition among industry participants has become increasingly intense and industry concentration has further increased. At the same time, the internationalization and globalization of the securities industry have increased. With foreign-funded securities firms entering the Chinese market and Chinese-funded securities firms vigorously expanding their overseas business, opportunities and challenges coexist in the securities industry. In an era when securities companies are developing from traditional intermediary businesses to capital intermediary businesses, the market share will continue to be concentrated in large securities firms with leading capital and resources strength. Especially with the rapid development of the derivatives business and market-making business in recent years, securities companies with strong capital strength, large business scale and low financing costs have more obvious leading advantages in market competition. Under the new situation, the Company urgently needs to enhance capital strengths, attract high-end talents, expand its business scale and enrich business resources to realise the leap in comprehensive strengths. The Transactions can create a large securities company with a leading business scale, stronger capital strength and greater market influence, which can fully leverage Wuxi's industrial advantages and shareholder empowerment and advantages of Shanghai's financial resources and talents convergence. The Company will continue to optimize its business structure and regional layout through the integration of its business geographic presence with the Subject Company, sharing of customers and channel resources, and the complementarity and synergy of its business advantages, to realise leapfrog development and obtain opportunities for development and growth in the increasingly intense market competition.

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3. The Transactions can give full play to the synergy between the Company and Minsheng Securities and achieve complementary advantages

Through the Transactions, the Company will be able to give full play to the synergy and complementarity with Minsheng Securities and help the Company's development reaches a new level.

The Company and Minsheng Securities have stronger complementary structural and regional advantages in terms of business.

In terms of business advantages, Minsheng Securities has outstanding strengths in investment banking business. In recent years, Minsheng Securities has adopted the business model of "investment+investment banking+investment research", featuring investment banking business and is supported by research business, and at the same time vigorously develops fixed-income investment business and equity investment business, thus realizing the mutual promotion of investment banking business, institutional research business and equity investment business, and forming a certain degree of advantages, while Guolian Securities has distinctive features and advantages in wealth management, fund investment advisory, asset securitization and derivatives business.

In terms of regional advantages, Minsheng Securities' branch network focuses on covering the Henan region and has stronger market influence in the Henan region, while the Company has stronger market influence and higher market share in Wuxi and southern Jiangsu Province.

In the future, through the effective integration of the businesses of the two brokerage firms, the complementary integration of their business structures and regional advantages will be further strengthened, and the strategic synergy of each party's advantageous resources will be brought into full play, thereby significantly enhancing the market competitiveness of the listed company's platform.

The Company and Minsheng Securities have similar capital strengths but have certain limitations in terms of access to financial institution business, application for business qualification and evaluation of industry classification, making it difficult for them to give full play to their respective resources advantage. The Transactions will promote the optimization and integration of the business channels, customer resources and product services of the two brokerage firms, and complement each other's strong and weak businesses. While enhancing comprehensive capital strengths, they will also give full play to the scalable effect, reduce operating costs, improve operational efficiency and achieve capital-intensive development.

The Company will implement the integration control plan in a reasonable manner to ensure that it will not adversely affect the Company's existing businesses.

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2.8 Information on the Subject Company

The Subject Company, Minsheng Securities, is a joint stock company established in the PRC with limited liability and is principally engaged in the licensed items: securities business, securities investment consultation (for items requiring approval in accordance with the law, commencement of operations is subject to approval by the relevant authorities, and the specific operation items are subject to the approval documents or licences of relevant authorities); general item: securities financial advisory services. As at the Latest Practicable Date, Minsheng Securities was held in aggregate as to 99.26% by the Counterparties and 0.74% by Oceanwide Holdings. The following table sets out the shareholding structure of Minsheng Securities as at the Latest Practicable Date:

No.	Name of shareholders	Number of shares held (shares)	Shareholding ratio
1	Wuxi Guolian Development (Group) Co., Ltd. (無錫市國聯發展(集團)有限公司)	3,470,666,700	30.52%
2	Shanghai Fengquanyu Enterprise Management Co., Ltd. (上海灃泉峪企業管理有限公司)	1,545,359,477	13.59%
3	Xizang Tengyun Investment Management Co., Ltd. (西藏騰雲投資管理有限公司)	558,412,932	4.91%
4	Hangzhou Dongheng Petroleum Co., Ltd. (杭州東恒石油有限公司)	514,327,700	4.52%
5	Shandong High-Tech Venture Capital Co., Ltd. (山東省高新技術創業投資有限公司)	436,202,130	3.84%
6	Shanghai Zhangjiang (Group) Co., Ltd. (上海張江(集團)有限公司)	367,376,929	3.23%
7	Shandong Lucion Investment Holdings Group Co., Ltd. (山東省魯信投資控股集團有限公司)	340,179,000	2.99%
8	Guangzhou Sophia Investment Co., Ltd. (廣州索菲亞投資有限公司)	293,901,542	2.58%

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No.	Name of shareholders	Number of shares held (shares)	Shareholding ratio
9	Taizhou State-owned Capital Operation Group Co., Ltd. (台州市國有資本運營集團有限公司)	220,426,158	1.94%
10	Dazhong Transportation (Group) Co., Ltd. (大眾交通(集團)股份有限公司)	220,426,157	1.94%
11	Qingdao Jinyuan Minfu Equity Investment Partnership (Limited Partnership)(青島金源民福股權投資合夥企業(有限合夥))	210,139,603	1.85%
12	Jiaxing Hourun Zehui Venture Investment Partnership (Limited Partnership)(嘉興厚潤澤匯創業投資合夥企業(有限合夥))	183,688,464	1.62%
13	Xinxiang Bailu Investment Group Co., Ltd. (新鄉白鷺投資集團有限公司)	168,000,000	1.48%
14	Shenneng (Group) Company Limited (申能(集團)有限公司)	146,950,772	1.29%
15	Shanghai Huayi Group Investment Co., Ltd. (上海華誼集團投資有限公司)	146,950,772	1.29%
16	Luoyang Lier Refractories Co., Ltd. (洛陽利爾耐火材料有限公司)	146,950,771	1.29%
17	Shanghai Xiongzhong Investment Management Partnership (Limited Partnership) (上海雄築投資管理合夥企業(有限合夥))	145,481,264	1.28%
18	Shandong International Trust Co., Ltd. (山東省國際信託股份有限公司)	132,715,017	1.17%
19	Orient International Enterprise Ltd. (東方國際創業股份有限公司)	132,255,695	1.16%
20	Shandong Lucion Industrial Group Co., Ltd. (山東魯信實業集團有限公司)	111,407,608	0.98%

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No.	Name of shareholders	Number of shares held (shares)	Shareholding ratio
21	Huafeng Group Co., Ltd. (華峰集團有限公司)	110,213,079	0.97%
22	Shanghai Shuiyao Enterprise Management Consulting Service Co., Ltd. (上海水遙企 業管理諮詢服務有限責任公司)	110,213,078	0.97%
23	Yankuang Capital Management Co., Ltd. (兗礦資本管理有限公司)	106,539,309	0.94%
24	Jiaxing Dening Shenghui Equity Investment Partnership (Limited Partnership)(嘉興德寧 生暉股權投資合夥企業(有限合夥))	105,069,801	0.92%
25	Shaoxing Yuewang Enterprise Management Consulting Partnership (Limited Partnership)(紹興越旺企業管理諮詢合夥 企業(有限合夥))	105,000,000	0.92%
26	Gongqingcheng Renhe Zhisheng Equity Investment Partnership (Limited Partnership)(共青城人和智勝股權投資合 夥企業(有限合夥))	92,578,986	0.81%
27	Orient International (Holding) Co., Ltd. (東方國際(集團)有限公司)	88,170,463	0.78%
28	Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司)	83,967,330	0.74%
29	Jiaxing Dening Zhengxin Equity Investment Partnership (Limited Partnership)(嘉興德寧 正鑫股權投資合夥企業(有限合夥))	83,027,194	0.73%
30	Shanghai Zhangjiang High-Tech Park Development Co., Ltd. (上海張江高科技園 區開發股份有限公司)	73,475,386	0.65%
31	Shanghai Pudong Innovative Investment Development (Group) Co., Ltd. (上海浦東創新投資發展(集團)有限公司)	73,475,386	0.65%
32	Shanghai International Port (Group) Co., Ltd. (上海國際港務(集團)股份有限公司)	73,475,386	0.65%
33	Shanghai Yunzhu Investment Co., Ltd. (上海韻築投資有限公司)	73,475,386	0.65%

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No.	Name of shareholders	Number of shares held (shares)	Shareholding ratio
34	Shanghai Jiushi Investment Management Co., Ltd. (上海久事投資管理有限公司)	73,475,386	0.65%
35	Time Publishing and Media Co., Ltd. (時代出版傳媒股份有限公司)	73,475,385	0.65%
36	Dazzle Fashion Co., Ltd. (地素時尚股份有限公司)	73,475,385	0.65%
37	Qingdao Ocean Innovation Industry Investment Fund Co., Ltd. (青島海洋創新產業投資基金有限公司)	73,475,385	0.65%
38	Hangzhou Chongfu Zhongcai Investment Partnership (Limited Partnership)(杭州崇福眾財投資合夥企業(有限合夥))	73,475,385	0.65%
39	Hubei Huacang Hongjia Equity Investment Fund Partnership (Limited Partnership)(湖北華倉宏嘉股權投資基金合夥企業(有限合夥))	62,454,078	0.55%
40	Gongqingcheng Minxin Investment Partnership (Limited Partnership)(共青城民信投資合夥企業(有限合夥))	56,709,912	0.50%
41	Gongqingcheng Minlong Investment Partnership (Limited Partnership)(共青城民隆投資合夥企業(有限合夥))	42,207,884	0.37%
42	Gongqingcheng Minxin Investment Partnership (Limited Partnership)(共青城民新投資合夥企業(有限合夥))	41,374,494	0.36%
43	Sichuan Dingxiang Equity Investment Fund Co., Ltd. (四川鼎祥股權投資基金有限公司)	36,737,692	0.32%
44	Chengye Zhiyuan (Dongying) Equity Investment Fund Centre (Limited Partnership)(橙葉志遠(東營)股權投資基金中心(有限合夥))	36,737,692	0.32%
45	Lanxi Puhua Huiyang Investment Partnership (Limited Partnership)(蘭溪普華暉陽投資合夥企業(有限合夥))	36,737,692	0.32%
46	Jiaxing Dening Hongyang Phase I Equity Investment Partnership (Limited Partnership)(嘉興德寧宏陽一期股權投資合夥企業(有限合夥))	22,042,615	0.19%
Total		<u>11,372,878,460</u>	<u>100.00%</u>

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Based on the audited financial information of Minsheng Securities for the years ended 31 December 2021, 2022 and 2023 and the three months ended 31 March 2024 prepared according to International Financial Reporting Standards, the net assets and total assets of Minsheng Securities as at 31 December 2021, 2022 and 2023 and 31 March 2024, and profit before tax and profit after tax of Minsheng Securities for the years ended 31 December 2021, 2022 and 2023 and the three months ended 31 March 2024 are set out as follows:

RMB thousand

	As at 31 December 2021	As at 31 December 2022	As at 31 December 2023	As at 31 March 2024
Net assets	15,074,656	14,972,215	15,604,972	16,075,509
Total assets	54,401,599	58,402,685	59,455,172	58,349,838
				For the three months ended
	For the year ended 31 December 2021	For the year ended 31 December 2022	For the year ended 31 December 2023	31 March 2024
Profit before tax	1,266,399	138,541	754,940	404,819
Profit after tax	1,005,476	191,229	641,982	326,355

Upon completion of the Acquisition, the Company will hold 99.26% shares of Minsheng Securities and Minsheng Securities will become a subsidiary of the Company and the financial information of Minsheng Securities will be consolidated into the consolidated financial statements of the Group.

The original acquisition cost of the 3,470,666,700 shares of Minsheng Securities (i.e. the transaction price of the 3,470,666,700 shares of Minsheng Securities acquired by Guolian Group through judicial auction on 15 March 2023) by Guolian Group was RMB9,105,426,723. At that time, the Company did not have sufficient liquidity to bid for such shares of Minsheng Securities.

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2.9 Information on the Parties to the Acquisition Agreements

Information on the Company

The Company is engaged in the following principal activities: securities brokerage, securities investment consultation, financial advisory in relation to securities trading and securities investment activities, proprietary securities trading, the sales of securities investment funds on commission basis, margin financing and securities lending business, provision of intermediary business for futures companies, the sales of financial products on commission basis, and securities (limited to treasury bonds, policy financial bonds, debt instruments issued by non-financial enterprises) underwriting business.

Information on Guolian Group

Guolian Group is a wholly state-owned enterprise group established in the PRC. Guolian Group is principally engaged in capital and assets operation, external investment with proprietary funds, trade consultancy, and enterprise management service. As at the Latest Practicable Date, its ultimate beneficial owner was the State-owned Assets Supervision and Administration Commission of the Municipal People's Government of Wuxi (無錫市人民政府國有資產監督管理委員會).

Information on Fengquanyu

Fengquanyu is a company established in the PRC with limited liability and is principally engaged in corporate management, corporate management consultancy, and information consultancy services. As at the Latest Practicable Date, it was held as to 40%, 30% and 30% equity interests by Yang Yanliang (楊延良), Yang Zhenyu (楊振宇) and Yang Zhenxing (楊振興), respectively.

Information on Xizang Tengyun Investment Management Co., Ltd. (西藏騰雲投資管理有限公司)

Xizang Tengyun Investment Management Co., Ltd. is a company established in the PRC with limited liability and is principally engaged in equity investment in non-listed enterprises, holding of shares in listed companies by way of subscription of non-publicly issued shares or equity transfers, and related consultancy services; financial and legal consultation, asset management, entrusted management of equity investment projects; project investment and corporate management. As at the Latest Practicable Date, it was indirectly held as to 60% and 40% equity interests by Huang Tao (黃濤) and Huang Shiyong (黃世熒), respectively.

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Information on Hangzhou Dongheng Petroleum Co., Ltd. (杭州東恒石油有限公司)

Hangzhou Dongheng Petroleum Co., Ltd. is a company established in the PRC with limited liability and is principally engaged in licensed items: wholesale of refined oil products, port operations, hazardous chemicals operations, wholesale of crude oil, and alcoholic beverages operations. General items: wholesale of refined oil products (excluding hazardous chemicals), sales of petroleum products (excluding hazardous chemicals), sales of chemical products (excluding permitted chemical products), sales of metal materials, sales of construction materials, retail of hardware products, port cargo loading and unloading activities, equity investment, and information consultancy services (excluding permitted information consultancy services). As at the Latest Practicable Date, its ultimate beneficial owner was Zhao Jianrong (趙建榮).

Information on Shandong High-Tech Venture Capital Co., Ltd. (山東省高新技術創業投資有限公司)

Shandong High-Tech Venture Capital Co., Ltd. is a company established in the PRC with limited liability and is principally engaged in venture capital investment, acting as an agent for other venture capital enterprises and other organizations or individuals in venture capital investment, venture capital investment consultancy, provision of venture management services for venture enterprises, participation in the establishment of venture capital investment enterprises and venture capital investment management consultancy organizations. As at the Latest Practicable Date, its ultimate beneficial owner was the Finance Department of Shandong Province (山東省財政廳).

Information on Shanghai Zhangjiang (Group) Co., Ltd. (上海張江(集團)有限公司)

Shanghai Zhangjiang (Group) Co., Ltd. is a wholly state-owned company established in the PRC and is principally engaged in licensed items: real estate development and operations, construction engineering, and construction engineering design. General items: technology intermediary services, technology services, technology development, technology consulting, technology exchange, technology transfer, technology promotion; non-residential real estate leasing, residential leasing, property management, import and export of goods, import and export of technology, information consulting services (excluding permitted information consulting services), information technology consulting services, marketing planning, commercial complex management services, sales of construction materials, sales of lightweight construction materials, sales of construction waterproofing membranes, sales of metal accessories for construction, sales of non-ferrous metal alloys, sales of high-performance non-ferrous metals and alloy materials, sales of metal structures, sales of metal materials, and sales of metal products. As at the Latest Practicable Date, its ultimate beneficial owner was Shanghai Pudong New District State-owned Assets Supervision and Administration Commission (上海市浦東新區國有資產監督管理委員會).

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Information on Shandong Lucion Investment Holdings Group Co., Ltd. (山東省魯信投資控股集團有限公司)

Shandong Lucion Investment Holdings Group Co., Ltd. is a company established in the PRC with limited liability and is principally engaged in engaging in investment activities with proprietary funds, socio-economic consulting services, asset management services invested with proprietary funds, non-financial guarantee services, residential leasing, leasing of non-residential real estate, and property management. As at the Latest Practicable Date, its ultimate beneficial owner was the Finance Department of Shandong Province (山東省財政廳).

Information on Guangzhou Sophia Investment Co., Ltd. (廣州索菲亞投資有限公司)

Guangzhou Sophia Investment Co., Ltd. is a company established in the PRC with limited liability and is principally engaged in supply chain management services, marketing planning, market research (excluding foreign-related research), financing consulting services, engaging in investment activities with proprietary funds, venture capital investment (limited to investing in unlisted enterprises), domestic trade agency, import and export of goods, and import and export of technology. As at the Latest Practicable Date, it was a wholly-owned subsidiary of Suofeiya Home Collection Co., Ltd. (索菲亞家居股份有限公司)(002572.SZ).

Information on Taizhou State-owned Capital Operation Group Co., Ltd. (台州市國有資本運營集團有限公司)

Taizhou State-owned Capital Operation Group Co., Ltd. is a company established in the PRC with limited liability and is principally engaged in investment and asset management, investment consulting services (financing deposits, financing guarantee, entrusted wealth management and other financial services shall not be provided to the general public without approval from the financial and other regulatory authorities), asset management and disposal, and equity management. As at the Latest Practicable Date, its ultimate beneficial owner was the State-owned Assets Supervision and Administration Commission of the Municipal People's Government of Taizhou (台州市人民政府國有資產監督管理委員會).

Information on Dazhong Transportation (Group) Co., Ltd. (大眾交通(集團)股份有限公司)

Dazhong Transportation (Group) Co., Ltd. (600611.SH) is a joint stock company established in the PRC with limited liability and listed on the Shanghai Stock Exchange, which is principally engaged in enterprise operation and management consulting, modern logistics, transport (taxi and inter-provincial chartered buses), related vehicle maintenance (limited to branch operations), car wash, car park, motel business (limited to branch operations), motor vehicle driver training (limited to branch operations), and investment in and establishing enterprises in comply with national industrial policy (specific items to be reported separately for approval).

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Information on Qingdao Jinyuan Minfu Equity Investment Partnership (Limited Partnership)(青島金源民福股權投資合夥企業(有限合夥))

Qingdao Jinyuan Minfu Equity Investment Partnership (Limited Partnership) is a limited partnership established in the PRC and is principally engaged in equity investment, investment consulting (non-securities business) (the above items are subject to registration by the Asset Management Association of China, and financing guarantee, deposit-taking, entrusted wealth management and other financial services shall not be engaged in without approval from the financial regulatory authorities). As at the Latest Practicable Date, its general partner was Beijing Jinhui Xingye Investment Management Co., Ltd. (北京金匯興業投資管理有限公司) and its limited partners were Shanxi Lu'an Ruitai Investment Co., Ltd. (山西潞安瑞泰投資有限責任公司), Lu'an International Finance and Leasing (Hengqin) Co., Ltd. (潞安國際融資租賃(橫琴)有限責任公司), Lu'An Hong Kong Investment Trading Limited (潞安香港投資貿易有限公司) and Xinjiang Lujuze Agricultural Technology Service Partnership (Limited Partnership)(新疆魯苜澤農業技術服務合夥企業(有限合夥)).

Information on Hourun Zehui

Hourun Zehui is a limited partnership established in the PRC and is principally engaged in venture capital investment (limited to investing in unlisted enterprises). As at the Latest Practicable Date, its general partner was Beijing HouRunDe Assets Management Centre (General Partnership)(北京厚潤德資產管理中心(普通合夥)) and its limited partner was Tian Sanhong (田三紅).

Information on Xinxiang Bailu Investment Group Co., Ltd. (新鄉白鷺投資集團有限公司)

Xinxiang Bailu Investment Group Co., Ltd. is a company established in the PRC with limited liability and is principally engaged in investment, investment management, investment consulting, asset management, weaving, printing and dyeing, manufacturing, sale, import and export of various fibres and related garments, apparel and industrial products, manufacturing, sales, import and export of various related raw materials, production equipment, fittings, instruments, meters and components, sale and import of various related production technologies and side-products, lease of buildings, equipment, land and other assets, repair of buildings and structures. As at the Latest Practicable Date, its ultimate beneficial owner was Xinxiang Finance Bureau (新鄉市財政局).

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Information on Shenneng (Group) Company Limited (申能(集團)有限公司)

Shenneng (Group) Company Limited is a company established in the PRC with limited liability and is principally engaged in investment, development and operational management of electricity and energy infrastructure industries, investment and development of natural gas resources, investment in city gas pipeline network, investment management of high-tech industries, industrial investment, asset operation and domestic trade (except for special regulations). As at the Latest Practicable Date, its ultimate beneficial owner was State-owned Assets Supervision and Administration Commission of Shanghai (上海市國有資產監督管理委員會).

Information on Shanghai Huayi Group Investment Co., Ltd. (上海華誼集團投資有限公司)

Shanghai Huayi Group Investment Co., Ltd. is a company established in the PRC with limited liability and is principally engaged in corporate investment management, investment consulting, chemical trading (excluding dangerous goods), and property rights brokerage. As at the Latest Practicable Date, its ultimate beneficial owner was State-owned Assets Supervision and Administration Commission of Shanghai (上海市國有資產監督管理委員會).

Information on Luoyang Lier Refractories Co., Ltd. (洛陽利爾耐火材料有限公司)

Luoyang Lier Refractories Co., Ltd. is a company established in the PRC with limited liability and is principally engaged in development, production, sales and recycling of refractories, wearproof materials, ceramic materials, energy-saving and temperature preservation materials and metallurgical furnace materials (operated under a valid license) and related construction and design services, research and development, production, and sales of electrical and mechanical equipment and industrial furnaces, sales of construction materials, metal materials, chemical products (excluding flammables, explosives and precursor chemicals), sales of motor vehicles (excluding motor cars), import and export of goods or technologies (except for those goods and technologies which should be subject to approval and permit for operation or import and export as required by national laws and regulations). As at the Latest Practicable Date, it was a wholly-owned subsidiary of Beijing Lirr High Temperature Materials Co., Ltd. (北京利爾高溫材料股份有限公司)(002392.SZ).

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Information on Shanghai Xiongzhu Investment Management Partnership (Limited Partnership)(上海雄築投資管理合夥企業(有限合夥))

Shanghai Xiongzhu Investment Management Partnership (Limited Partnership) is a limited partnership established in the PRC and is principally engaged in investment management, consulting, industrial investment, financial consulting (not allowed to engage in agency bookkeeping), business consulting (except brokerage), and convention and exhibition services. As at the Latest Practicable Date, its general partner was Shanghai Free Trade Zone Equity Investment Fund Management Co., Ltd. (上海自貿區股權投資基金管理有限公司) and its limited partners were Ningbo Meishan Bonded Port District Ang Sheng Investment Management Partnership (Limited Partnership)(寧波梅山保稅港區昂晟投資管理合夥企業(有限合夥)), Ningbo Pai Neng Enterprise Management Consulting Partnership (Limited Partnership)(寧波湃能企業管理諮詢合夥企業(有限合夥)), Xiamen Zewo Investment Partnership (Limited Partnership)(廈門澤渥投資合夥企業(有限合夥)), Shanghai Free Trade Zone Phase III Equity Investment Fund Partnership (Limited Partnership)(上海自貿試驗區三期股權投資基金合夥企業(有限合夥)), Zhang Jianliang (章建良), Liu Xiaofeng (劉曉峰), Yao Guowu (姚國武) and Zhang Suzhen (張素珍).

Information on Shandong International Trust Co., Ltd. (山東省國際信託股份有限公司)

Shandong International Trust Co., Ltd. (1697.HK) is a joint stock company established in the PRC with limited liability and listed on the Main Board of the Stock Exchange, which is principally engaged in provision of integrated financial services and wealth management services.

Information on Orient International Enterprise Ltd. (東方國際創業股份有限公司)

Orient International Enterprise Ltd. (600278.SH) is a joint stock company established in the PRC with limited liability and listed on the Shanghai Stock Exchange, which is principally engaged in import and export of goods, supply chain management services, import and export agency, offshore trading, sales of knitted fabrics, sales of knitted fabrics and raw materials, sales of leather products, sales of bags and luggage, wholesale of footwears and hats, sales of apparel accessories, wholesale of garments and apparel, manufacture of garments, retail sales of garments and apparel, professional design services, textile processing of fabrics, research and development of biochemical technology, production of chemical products (excluding permitted chemical products), sales of chemical products (excluding permitted chemical products), wholesale of daily necessities, sales of daily necessities, sales of daily merchandise, asset management services for investment with own funds, sales of food products (only pre-packaged food products are sold), domestic trade agency, non-residential real estate leasing, and sales of Class II medical devices.

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Information on Shandong Lucion Industrial Group Co., Ltd. (山東魯信實業集團有限公司)

Shandong Lucion Industrial Group Co., Ltd. is a company established in the PRC with limited liability and is principally engaged in external investment and management within the scope of laws and regulations, corporate management consulting services, commodity information consulting services. As at the Latest Practicable Date, its ultimate beneficial owner was Finance Department of Shandong Province (山東省財政廳).

Information on Huafeng Group Co., Ltd. (華峰集團有限公司)

Huafeng Group Co., Ltd. is a company established in the PRC with limited liability and is mainly engaged in general items: synthetic materials manufacturing (excluding hazardous chemicals), sales of synthetic materials, research and development of new materials technology, sales of chemical products (excluding permitted chemical products), plastics products manufacturing, sales of plastics products, sales of synthetic fibre, engineering and technology research and experimental development, sales of metal materials, technical services, technology development, technology consulting, technology exchange, technology transfer, technology promotion, enterprise management, enterprise management consulting, engineering management services, property management, brand management, import and export of goods, import and export of technology (except for those items which are subject to approval in accordance with the law, to carry out business activities independently with business licenses in accordance with the law). The operation of the following is limited to branches: permitted items: hazardous chemicals production. As at the Latest Practicable Date, its ultimate beneficial owner was You Xiaoping (尤小平).

Information on Shanghai Shuiyao Enterprise Management Consulting Service Co., Ltd. (上海水遙企業管理諮詢服務有限責任公司)

Shanghai Shuiyao Enterprise Management Consulting Service Co., Ltd. is a company established in the PRC with limited liability and is principally engaged in enterprise management, enterprise management consulting, and information consulting services (excluding permitted information consulting services). As at the Latest Practicable Date, its ultimate beneficial owner was Zhao Hongxiu (趙洪修).

Information on Yankuang Capital

Yankuang Capital is a company established in the PRC with limited liability and is principally engaged in industrial investment, investment management, asset management, hotel management, property management, investment consulting, business information consulting, financial consulting, enterprise management consulting, corporate image planning, convention and exhibition services, leasing of own equipment (not allowed to engage in financial leasing). As at the Latest Practicable Date, its ultimate beneficial owner was State-owned Assets Supervision and Administration Commission of the Municipal People's Government of Shandong.

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Information on Jiaxing Dening Shenghui Equity Investment Partnership (Limited Partnership)(嘉興德寧生暉股權投資合夥企業(有限合夥))

Jiaxing Dening Shenghui Equity Investment Partnership (Limited Partnership) is a limited partnership established in the PRC and is principally engaged in equity investment and related consulting services. As at the Latest Practicable Date, its general partner was Dening Private Equity Fund Management (Jiaxing) Partnership (Limited Partnership)(德寧私募基金管理(嘉興)合夥企業(有限合夥)) and its limited partners were Xiong Lijun (熊麗君), Ye Lihua (葉麗華), Zhao Yajun (趙亞軍), Zhao Shanshi (趙山石), Wu Zheng (吳崢), Huang Min (黃敏), Zhu Jihong (朱繼紅), Tan Chao (談超), Zhu Huiming (祝惠銘), Zhang Suzhen (張素珍), Wang Zhixiang (王志翔), Sun Guoqin (孫國琴) and Lou Mingming (樓銘銘).

Information on Shaoxing Yuewang Enterprise Management Consulting Partnership (Limited Partnership)(紹興越旺企業管理諮詢合夥企業(有限合夥))

Shaoxing Yuewang Enterprise Management Consulting Partnership (Limited Partnership) is a limited partnership established in the PRC and is principally engaged in enterprise management consulting (excluding investment and asset management), business information consulting, economic information consulting (excluding finance, securities, futures and funds). As at the Latest Practicable Date, its general partner was Shaoxing Keqiao Zhelu Equity Investment Partnership (Limited Partnership)(紹興柯橋浙祿股權投資合夥企業(有限合夥)), and its limited partners were Zheyue Asset Management Co., Ltd. (浙越資產管理有限公司), Shaoxing Mongkok Real Estate Co., Ltd. (紹興旺角房產置業有限公司), Jin Chaoying (金超英), Zhang Shaojie (張少傑) and Ji Kaifeng (季愷峰).

Information on Gongqingcheng Renhe Zhisheng Equity Investment Partnership (Limited Partnership)(共青城人和智勝股權投資合夥企業(有限合夥))

Gongqingcheng Renhe Zhisheng Equity Investment Partnership (Limited Partnership) is a limited partnership established in the PRC and is principally engaged in equity investment, project investment, and investment management. (deposit-taking, financing guarantee, entrusted wealth management and collection (financing) from the public and other financial business shall not be engaged in without approval from the financial and other regulatory authorities). As at the Latest Practicable Date, its general partner was Luo Hongping (羅宏平) and its limited partners were Lu Yanlong (遼彥龍), Shen Jiadong (沈加東), Wang Yongquan (王永全), Qiao Xiangming (喬相鳴), Zhao Mengzhou (趙夢周), Li Jingquan (李敬泉), He Aiqin (賀愛琴), Xia Xinyu (夏鑫玉), Song Ligang (宋曆剛), Cai Shengqin (蔡聖芹) and Zhang Lihong (張麗虹).

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Information on Orient International (Holding) Co., Ltd. (東方國際(集團)有限公司)

Orient International (Holding) Co., Ltd. is a company established in the PRC with limited liability and is principally engaged in operating and acting as an agent for the import and export of textile and garment commodities, undertaking Sino-foreign equity joint operating, co-operative production, and “Three-plus-one” business (i.e. processing and compensation trade), operating technology import and export business, and contracting of foreign projects in the light textile and garment industries, domestic international tendering projects, dispatching of various types of foreign labour, undertaking international freight forwarding agency business, property right brokerage, and leasing of own housing. As at the Latest Practicable Date, its ultimate beneficial owner was State-owned Assets Supervision and Administration Commission of Shanghai (上海市國有資產監督管理委員會).

Information on Jiaxing Dening Zhengxin Equity Investment Partnership (Limited Partnership)(嘉興德寧正鑫股權投資合夥企業(有限合夥))

Jiaxing Dening Zhengxin Equity Investment Partnership (Limited Partnership) is a limited partnership established in the PRC and is principally engaged in equity investment and related consulting services. As at the Latest Practicable Date, its general partner was Dening Private Equity Fund Management (Jiaxing) Partnership (Limited Partnership)(德寧私募基金管理(嘉興)合夥企業(有限合夥)) and its limited partners were Hubei E Lv Investment Venture Capital Co., Ltd. (湖北省鄂旅投創業投資有限責任公司), Du Xu (杜旭) and Shaanxi Technological Progress Investment Company Limited (陝西省技術進步投資有限責任公司).

Information on Shanghai Zhangjiang High-Tech Park Development Co., Ltd. (上海張江高科技園區開發股份有限公司)

Shanghai Zhangjiang High-Tech Park Development Co., Ltd. (600895.SH) is a joint stock company established in the PRC with limited liability and listed on the Shanghai Stock Exchange, and is principally engaged in the licensed items: real estate development and operations. General items: engaging in investment activities with proprietary funds, investment management, asset management services invested with proprietary funds, corporate headquarters management, leasing of nonresidential real estate, residential leasing, construction, leasing and operational management of public rental housing within the city, land remediation services, leasing of land use rights, park management services, entrepreneurial space services, property management, hotel management, car park services, commercial complex management services, operation of sports venues and facilities (excluding high-risk sports), municipal facilities management, engineering management services, information system integration services, cloud computing equipment technology services, technology consulting

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services for artificial intelligence public service platform, artificial intelligence innovation and entrepreneurship service platform, sales of integrated circuits, design of integrated circuits, research and experimental development of engineering and technology, socio-economic consulting services, technology intermediary services, marketing planning, enterprise management consulting, information consulting services (excluding licensed information consulting services), installation service of general machinery and equipment, sales of machinery and equipment, sales of specialized electronic equipment, sales of construction materials, leasing services (excluding licensed leasing services), housing demolition and relocation services, domestic trade agency, sales agency, import and export of goods, import and export of technology, technology services, technology development, technology consultation, technology exchange, technology transfer, technology promotion, artificial intelligence public data platform.

Information on Shanghai Pudong Innovative Investment Development (Group) Co., Ltd. (上海浦東創新投資發展(集團)有限公司)

Shanghai Pudong Innovative Investment Development (Group) Co., Ltd. is a company established in the PRC with limited liability and is principally engaged in various types of asset investment, capital operation and asset management, industry research, and socio-economic consulting. As at the Latest Practicable Date, its ultimate beneficial owner was Shanghai Pudong New District State-owned Assets Supervision and Administration Commission (上海市浦東新區國有資產監督管理委員會).

Information on Shanghai International Port (Group) Co., Ltd. (上海國際港務(集團)股份有限公司)

Shanghai International Port (Group) Co., Ltd. (600018.SH) is a joint stock company established in the PRC with limited liability and listed on the Shanghai Stock Exchange, and is principally engaged in the loading and unloading (including transloading), storage, transshipment and land and water transport of domestic and overseas cargoes (including containers), unpacking, cleaning, repair, manufacture and leasing of containers, international shipping, warehousing, storage, processing, distribution and logistics information management, provision of facilities and services for passengers in respect of vessel waiting, going aboard and disembarking, in-harbour leading and towing for ships, shipping agency, freight forwarding agency, provision of ship port services such as supply of fuel materials and household goods to ships, leasing of port facilities, port information and technology consulting services, construction, management and operation of port terminals, wholesale and import and export of port lifting equipment, handling machinery, mechanical and electrical equipment and accessories.

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Information on Shanghai Yunzhu Investment Co., Ltd. (上海韻築投資有限公司)

Shanghai Yunzhu Investment Co., Ltd. is a company established in the PRC with limited liability and is principally engaged in technology development, technology consulting, technology transfer, technology services in the professional sectors of new energy and new materials, entrepreneurial investment, industrial investment, investment management, investment consulting, financial management (not allowed to engage in agency bookkeeping), asset management and enterprise management consulting. As at the Latest Practicable Date, its ultimate beneficial owner was State-owned Assets Supervision and Administration Commission of Shanghai (上海市國有資產監督管理委員會).

Information on Shanghai Jiushi Investment Management Co., Ltd. (上海久事投資管理有限公司)

Shanghai Jiushi Investment Management Co., Ltd. is a company established in the PRC with limited liability and is principally engaged in industrial investment, investment consulting and asset management (excluding finance). As at the Latest Practicable Date, its ultimate beneficial owner was State-owned Assets Supervision and Administration Commission of Shanghai (上海市國有資產監督管理委員會).

Information on Time Publishing and Media Co., Ltd. (時代出版傳媒股份有限公司)

Time Publishing and Media Co., Ltd. (600551.SH) is a joint stock company established in the PRC with limited liability and listed on the Shanghai Stock Exchange, and is principally engaged in asset management, operation, investment and management of assets or equity of its wholly-owned and controlled subsidiaries, and financing consulting services, management of the publication, sales, logistics and distribution, and chain operation of books, periodicals, newspapers, electronic publications, audio-visual products, and network publications of its subsidiaries at home and abroad, copyright agency, book processing, display and exhibition services, wholesale and retail of cultural supplies, trading of publishing and printing materials, education and training consulting services, advertising, publishing consulting services, general distribution of books, scientific research, development, promotion and application of emerging media, development, production, sale and consulting services and technology transfer of electronics and information, opto-electro-mechanical integration, chemicals (excluding dangerous goods), new materials, bio-engineering, environmental protection, energy conservation, medical devices (only operated by Zhongjia branch office), nuclear instruments, electrical and electronic appliances, mechanical vacuum, ion beams, microwave communications, automatic control, radiation processing, KG-type textile printing and dyeing auxiliaries, environmentally friendly architectural coatings, construction of coating and decorative works, property leasing.

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Information on Dazzle Fashion Co., Ltd. (地素時尚股份有限公司)

Dazzle Fashion Co., Ltd. (603587.SH) is a joint stock company established in the PRC with limited liability and listed on the Shanghai Stock Exchange, and is principally engaged in the sales of apparel, leather products, luggage, shoes, hats, eyewear, synthetic jewellery, toys, household ornaments, general merchandise, furniture, lightings, stationery, cosmetics, electronic products, computer hardware and software, and decorative materials, engaged in the sales of apparel, leather products, luggage, shoes, hats, eyewear, synthetic jewellery, toys, household ornaments, general merchandise, furniture, lightings, stationery, cosmetics, electronic products, computer hardware and software, and decorative materials via the form of e-commerce, engaged in the import and export of goods and technology, clothing and accessories design, graphic design, cultural and artistic exchanges and planning (excluding brokerage), technology development, technology transfer, technology consulting, technology services in the professional sectors such as clothing and apparel, electronic technology, computer hardware and software and accessories, computer network, economic information consulting, enterprise management consulting, business marketing planning, display and exhibition services, warehousing services (excluding dangerous goods).

Information on Qingdao Ocean Innovation Industry Investment Fund Co., Ltd. (青島海洋創新產業投資基金有限公司)

Qingdao Ocean Innovation Industry Investment Fund Co., Ltd. is a company established in the PRC with limited liability and is principally engaged in external investment with proprietary funds, investment consulting, investment management and financial advisory services, asset (or equity) entrusted management business, asset (or debt) restructuring business (deposit-taking, financing guarantee, entrusted wealth management and other financial business shall not be engaged in without approval from the financial regulatory authorities). As at the Latest Practicable Date, its ultimate beneficial owner was the State-owned Assets Supervision and Administration Commission of Qingdao Municipal People's Government (青島市人民政府國有資產監督管理委員會).

Information on Hangzhou Chongfu Zhongcai Investment Partnership (Limited Partnership)(杭州崇福眾財投資合夥企業(有限合夥))

Hangzhou Chongfu Zhongcai Investment Partnership (Limited Partnership) is a limited partnership established in the PRC and is principally engaged in equity investment, investment management and investment consulting (other than securities and futures). As at the Latest Practicable Date, its general partner was Hangzhou Chongfu Investment Management Co., Ltd. (杭州崇福投資管理有限公司) and its limited partners were Chen Tao (陳濤), Cheng Fengfa (程鳳法), Miao Lijun (繆麗君), Sheng Weiqin (盛偉琴), Fan Zhiqiang (範志強), Zhang Ziliang (張淄良) and Chen Jianqing (陳建青).

LETTER FROM THE BOARD

Information on Hubei Huacang Hongjia Equity Investment Fund Partnership (Limited Partnership)(湖北華倉宏嘉股權投資基金合夥企業(有限合夥))

Hubei Huacang Hongjia Equity Investment Fund Partnership (Limited Partnership) is a limited partnership established in the PRC and is principally engaged in the activities of equity investment, investment management and asset management with private equity funds (commencement of operations is subject to the completion of the registration and filing to Asset Management Association of China), and engaged in investment activities with proprietary funds. As at the Latest Practicable Date, its general partner was Hubei Huachang Equity Investment Fund Management Co., Ltd. (湖北華倉股權投資基金管理有限公司) and its limited partners were Tongguan Investment (Shanghai) Co., Ltd. (銅冠投資(上海)有限公司), Lu Li (魯力), Wang Weiping (汪巍平), Wang Guoxian (王國憲), Tang Lin (唐琳) and Zhu Juanjie (朱雋杰).

Information on Gongqingcheng 1 (共青城民信)

Gongqingcheng 1 is a limited partnership established in the PRC and is principally engaged in investment activities with proprietary funds. As at the Latest Practicable Date, its general partner was Wang Wei (王衛) and its limited partners were 41 natural persons, including Yang Weidong (楊衛東), Fan Qingqing (樊晴晴), Wang Xu (王旭), Wang Xuechun (王學春) and Cai Zhenzhong (蔡振忠).

Information on Gongqingcheng Minlong

Gongqingcheng Minlong is a limited partnership established in the PRC and is principally engaged in investment activities with proprietary funds. As at the Latest Practicable Date, its general partner was Xiong Leiming (熊雷鳴) and its limited partners were 41 natural persons, including Shi Bing (石兵), Wang Fajun (王發軍), Liu Hongsong (劉洪松), Liang Jian (梁健) and Dan Chang (丹昶).

Information on Gongqingcheng 2 (共青城民新)

Gongqingcheng 2 is a limited partnership established in the PRC and is principally engaged in investment activities with proprietary funds. As at the Latest Practicable Date, its general partner was Jing Zhong (景忠) and its limited partners were 33 natural persons, including Shang Wenyan (尚文彥), Hu Tiancun (胡天存), Zheng Liang (鄭亮), Kong Qiang (孔強) and Li Jie (李杰).

Information on Sichuan Dingxiang Equity Investment Fund Co., Ltd. (四川鼎祥股權投資基金有限公司)

Sichuan Dingxiang Equity Investment Fund Co., Ltd. is a company established in the PRC with limited liability and is principally engaged in the investment of equity in non-public transactions such as equity in unlisted enterprises and non-public issuance of equity in listed companies as well as related advisory services. As at the Latest Practicable Date, its ultimate beneficial owner was Song Jiajun (宋佳駿).

LETTER FROM THE BOARD

Information on Chengye Zhiyuan (Dongying) Equity Investment Fund Centre (Limited Partnership)(橙葉志遠(東營)股權投資基金中心(有限合夥))

Chengye Zhiyuan (Dongying) Equity Investment Fund Centre (Limited Partnership) is a limited partnership established in the PRC and is principally engaged in the investment of equity in unlisted enterprises, investment in non-public issuance of shares of listed companies and related advisory services. As at the Latest Practicable Date, its general partner was Beijing Chengye Private Equity Fund Management Co., Ltd. (北京橙葉私募基金管理有限公司) and its limited partner was Beijing Hengyu Lianchuang Technology Co., Ltd. (北京恒宇聯創科技有限公司).

Information on Lanxi Puhua Huiyang Investment Partnership (Limited Partnership)(蘭溪普華暉陽投資合夥企業(有限合夥))

Lanxi Puhua Huiyang Investment Partnership (Limited Partnership) is a limited partnership established in the PRC and is principally engaged in the investment business and equity investment as permitted by the national laws, regulations and policies (deposit-taking, financing guarantee, entrusted wealth management and collection (financing) from the public and other financial business shall not be engaged in without approval from the financial and other regulatory authorities). As at the Latest Practicable Date, its general partner was Hangzhou Puyang Investment Management Co., Ltd. (杭州普陽投資管理有限公司) and its limited partners were Yin Meijuan (尹美娟), Xu Chengdi (徐城迪) and Zhou Yuying (周玉英).

Information on Jiaxing Dening Hongyang Phase I Equity Investment Partnership (Limited Partnership)(嘉興德寧宏陽一期股權投資合夥企業(有限合夥))

Jiaxing Dening Hongyang Phase I Equity Investment Partnership (Limited Partnership) is a limited partnership established in the PRC and is principally engaged in equity investment and related advisory services. As at the Latest Practicable Date, its general partner was Dening Private Equity Fund Management (Jiaxing) Partnership (Limited Partnership)(德寧私募基金管理(嘉興)合夥企業(有限合夥)) and its limited partner was Jingzhou Chuxin Investment Co., Ltd. (荊州市楚鑫投資有限公司).

3. RESOLUTION ON THE REORGANISATION CONSTITUTING A RELATED PARTY TRANSACTION

Among the Counterparties to the Acquisition, Guolian Group is the Controlling Shareholder of the Company. Upon completion of the Acquisition, the proportion of the Company's Shares held by Fengquanyu is expected to exceed 5%. According to the relevant requirements of the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (《上海證券交易所股票上市規則》), Guolian Group and Fengquanyu are related parties of the Company and the Reorganisation constitutes a related party transaction. It is hereby proposed at the EGM for consideration and approval.

LETTER FROM THE BOARD

4. RESOLUTION ON THE REPORT ON ACQUISITION OF ASSETS BY ISSUING SHARES AND RAISING SUPPORTING FUNDS BY GUOLIAN SECURITIES CO., LTD. AND RELATED PARTY TRANSACTION (DRAFT) (《國聯證券股份有限公司發行股份購買資產並募集配套資金暨關聯交易報告書(草案)》) AND ITS SUMMARY

To complete the Reorganisation, the Company has prepared the Report on Acquisition of Assets by Issuing Shares and Raising Supporting Funds by Guolian Securities Co., Ltd. and Related Party Transaction (Draft)(《國聯證券股份有限公司發行股份購買資產並募集配套資金暨關聯交易報告書(草案)》) and its summary in accordance with the relevant requirements of the Securities Law, Administrative Measures for Major Assets Reorganisation of Listed Companies (《上市公司重大資產重組管理辦法》), Guidelines No. 26 on the Content and Format of Information Disclosure by Companies Offering Securities to the Public - Major Assets Reorganisation of Listed Companies (《公開發行證券的公司信息披露內容與格式準則第26號—上市公司重大資產重組》) and other laws, regulations and regulatory documents, and will make corresponding supplemental information and amendments (if necessary) based on the review opinions of the regulatory authorities. It is hereby proposed at the EGM for consideration and approval. For the full text of the Report on Acquisition of Assets by Issuing Shares and Raising Supporting Funds by Guolian Securities Co., Ltd. and Related Party Transaction (Draft) (《國聯證券股份有限公司發行股份購買資產並募集配套資金暨關聯交易報告書(草案)》) and its summary, please refer to the Company's overseas regulatory announcement dated 8 August 2024.

5. RESOLUTION ON THE EXECUTION OF THE TRANSACTION AGREEMENT WITH EFFECTIVE CONDITIONS

On 8 August 2024, the Company and the Counterparties entered into the Acquisition Agreements regarding the Acquisition. Apart from the terms set out in the “Specific Proposal for the Acquisition of Assets by Issuing Shares” above, the principal terms and conditions of the Acquisition Agreements also include:

- Parties:**
- (1) the Company, as the transferee; and
 - (2) the Counterparties, as the transferors.

To the best of the Directors' knowledge, information and belief and after having made all reasonable inquiries, as at the Latest Practicable Date, the other parties, other than Guolian Group, and their respective ultimate beneficial owners, were third parties independent of the Company and its associates (as defined in the Listing Rules).

LETTER FROM THE BOARD

- Conditions precedent:** The Acquisition Agreements shall take effect from the date on which all of the following conditions precedent have been fulfilled or satisfied:
- (1) The Acquisition has been approved by the Board, the general meeting, the A Shareholders' class meeting and the H Shareholders' class meeting of the Company.
 - (2) The Acquisition has been approved by the authorized decision-making authority of the Counterparties (if involved).
 - (3) The valuation results of the Subject Assets have been filed with the authorized state-owned assets supervision regulatory.
 - (4) The Acquisition has been approved by the authorized state-owned assets supervision regulatory.
 - (5) The further decrease in the public float of H Shares involved in the issuance of Shares is subject to the approval of the Stock Exchange.
 - (6) The announcement and circular of the Acquisition must obtain all necessary approvals from the Stock Exchange.
 - (7) The Acquisition has been reviewed and approved by the Shanghai Stock Exchange.
 - (8) The registration of the Acquisition has been approved by the CSRC.
 - (9) The qualification of shareholders of securities, futures and funds and changes in shareholders have been approved by the relevant authorities of the CSRC.
 - (10) Matters relating to the declaration of operator concentration involved in the Acquisition have been examined and approved by the State Anti-Monopoly Bureau (if involved).
 - (11) Other approvals or ratification that may be involved as required by relevant laws and regulations or regulatory authorities.

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As of the Latest Practicable Date, the above conditions (3) and (5) had been fulfilled. As of the Latest Practicable Date, save for the fact that the Acquisition was still subject to the consideration and approval by the general meeting of Luxin Venture Capital Group Co., Ltd. (魯信創業投資集團股份有限公司)(600783.SH), which is the controlling shareholder of Shandong High-Tech Venture Capital Co., Ltd. (山東省高新技術創業投資有限公司) and Dazhong Transportation (Group) Co., Ltd. (大眾交通(集團)股份有限公司)(600611.SH) (the aforesaid two Counterparties in aggregate held 656,628,287 shares of Minsheng Securities, representing 5.77% of the total share capital of Minsheng Securities), the remaining Counterparties had completed the necessary consideration and approval procedures for the Acquisition.

Completion:

Upon the fulfillment of the above effective conditions as stipulated in the Acquisition Agreements, the Counterparties shall urge the Subject Company to deliver the equity certificates to the Company and record the Company in the shareholder register of the Subject Company according to the provisions of the Acquisition Agreements. The Company shall complete the delivery of the Shares to be issued to the Counterparties according to the provisions of the Acquisition Agreements, and register the Shares to be issued in the name of the Counterparties.

Both parties agree and confirm that, unless otherwise agreed in the Acquisition Agreements, the rights and risks of the Subject Assets shall be transferred from the Completion Date. The Company shall become a shareholder of the Subject Company from the Completion Date and shall enjoy full shareholder's rights in respect of such equity interests, and the risks of the Subject Assets shall be borne by the Company from the Completion Date.

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Within 20 Working Days after the fulfillment of all the aforesaid effective conditions as set out in the Acquisition Agreements, the Counterparties shall cooperate with the Company in signing all the documents such as the transfer agreement of the Subject Assets, the resolution of the shareholders' meeting, etc., which are required for the transfer of the Subject Assets to the Company according to the organizational documents of the Subject Company and the provisions of the relevant laws, regulations and regulatory documents, and shall urge the Subject Company to deliver the equity certificates to the Company and record the Company in the shareholder register of the Subject Company. The Counterparties shall cooperate in the review of securities company's equity change/review of shareholders' qualifications and provide relevant basic information, equity structure information, explanations, undertakings and other documents (if required) according to the relevant laws, regulations and regulatory documents.

Both parties shall proceed with the issue of the Shares in the Acquisition as soon as possible after the transfer of all the Subject Assets involved in the Acquisition to the Company and endeavour to complete the relevant procedures of the issuance within 20 Working Days, but not later than 30 Working Days, including but not limited to procedures of Shares issuance, registration and listing on the Shanghai Stock Exchange and share registrars, as well as the relevant procedures such as reporting and filing with the CSRC and its dispatched agencies.

The Company will enter into the Acquisition Agreements with each of the Counterparties respectively and each of the Acquisition Agreements will be executed independently of each other, and any lapse, cancellation or failure to complete the transaction by a single Counterparty will not affect the performance of the Acquisition Agreements with the other Counterparties. As each of the Acquisition Agreements contains identical completion terms, the acquisition of the Subject Assets by issuing A Shares to 45 Counterparties is all scheduled to be completed within the period as agreed in the Acquisition Agreements, and the A Shares to be issued by the Company will be listed on the Shanghai Stock Exchange at the same time.

LETTER FROM THE BOARD

6. RESOLUTION ON THE APPROVAL OF THE PRO FORMA REVIEW REPORT, AUDIT REPORT AND VALUATION REPORT IN RELATION TO THE REORGANISATION

For the purpose of the Reorganisation, the Company has prepared the pro forma consolidated financial statements in accordance with the Accounting Standards for Business Enterprises of the PRC and IFRSs, respectively, and the aforesaid financial statements have been reviewed and a pro forma review report has been issued by ShineWing and SHINEWING HK, respectively, and the pro forma consolidated financial statements prepared in accordance with IFRSs are set out in Appendix V to this circular. Minsheng Securities has prepared the financial reports for years 2022, 2023 and January to March 2024 in accordance with the Auditing Standards for Certified Public Accountants in PRC and has prepared the financial reports for the years 2021, 2022, 2023 and January to March 2024 in accordance with IFRSs, and the foregoing financial reports have been audited by ShineWing and SHINEWING HK, respectively. The financial reports prepared in accordance with IFRSs are set out in Appendix IV to this circular.

For the purpose of the Reorganisation and in accordance with the relevant requirements, China United Assets evaluated the Subject Assets under the Transactions and issued the Asset Valuation Report on the Value of Entire Shareholders' Equity in Minsheng Securities Co., Ltd. Involved in the Proposed Acquisition of Shares of Minsheng Securities Co., Ltd. Held by Wuxi Guolian Development (Group) Co., Ltd. (無錫市國聯發展(集團)有限公司) and Other Shareholders by Issuing Shares by Guolian Securities Co., Ltd. (Zhong Lian Ping Bao Zi [2024] No. 1372), the full text of which is set out in Appendix I to this circular.

7. RESOLUTION ON THE INDEPENDENCE OF THE VALUATION INSTITUTION, THE REASONABLENESS OF THE PREMISE OF THE VALUATION ASSUMPTIONS, THE RELEVANCE OF THE VALUATION APPROACHES TO THE VALUATION PURPOSE AND THE FAIRNESS OF THE APPRAISAL VALUE

For the purpose of the Reorganisation, the Company has engaged China United Assets as the valuation institution for the Reorganisation. The independence of the valuation institution, the reasonableness of the premise of the valuation assumptions, the relevance of the valuation approaches to the valuation purpose and the fairness of the appraisal value are set out below:

1. The valuation institution is independent

Apart from normal business relationships, China United Assets, the valuation institution engaged for the Reorganisation, and its valuers handling the valuation have no relations with the Company, the Counterparties to the Reorganisation and the parties involved, and there is no real and expected interest or conflict of interest affecting their provision of services. The procedures for selecting and engaging the valuation institution are in compliance and the valuation institution is independent.

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2. The premise of the valuation assumptions is reasonable

The premise of the valuation assumptions in the valuation report issued by China United Assets for the Reorganisation can be implemented in accordance with relevant national laws and regulations, complies with common market practices and asset valuation standards, and is in line with the actual situation of the valuation subject, and the premise of the valuation assumptions is reasonable.

3. Relevance of the valuation approaches to the valuation purpose

The purpose of the valuation is to determine the market value of the Subject Assets as at the Valuation Benchmark Date, and provide a value reference for the Reorganisation. The scope of assets actually valued by China United Assets is consistent with the scope of assets entrusted for valuation. The valuation institution has implemented corresponding valuation procedures during the valuation process, followed the principles of independence, objectivity, scientificity and fairness, adopted approaches that are compliant and consistent with the actual situation of the Subject Assets. The selected reference data and information are reliable. The valuation approaches are appropriately selected, the valuation conclusions are reasonable, and the valuation approaches have strong relevance to the valuation purpose.

4. Fairness of appraisal value

The valuation institution for the Reorganisation meets the independence requirements, complies with the provisions of the Securities Law and is competent. The valuation has implemented the necessary valuation procedures. The reasons for the selection of the valuation approaches are sufficient. The principles of the evaluation value analysis and the model adopted are in line with the actual situation of the Subject Assets. The valuation basis and valuation conclusions are reasonable. The valuation results objectively and fairly reflect the actual situation of the valuation subject as at the Valuation Benchmark Date and the valuation results are fair.

The transaction price of the Subject Assets under the Reorganisation shall be determined by the negotiation among the parties to the transaction based on the valuation results of the valuation report issued by the asset valuation institution and filed with the competent state-owned asset supervisory and regulatory authorities, less the amount of cash dividends distributed and the cash paid for the repurchase of shares by Minsheng Securities during the Transitional Period after the Valuation Benchmark Date. The transaction price is fair and reasonable, and no circumstance exists that will jeopardize the interests of the Company and the majority of the minority Shareholders.

LETTER FROM THE BOARD

8. RESOLUTION ON THE TRANSACTIONS CONSTITUTING A MAJOR ASSETS REORGANISATION BUT NOT A REORGANISATION FOR LISTING

The ratios of the audited total assets and net assets corresponding to the Subject Assets under the Transactions as of the end of the latest period and the operating income of the latest year to the relevant financial indicators of the audited consolidated financial statements of the Company for the latest accounting year are as follows:

Unit: RMB10 thousand

Item	The Company End of 2023	Subject Assets End of March 2024	Transaction Consideration	Percentage of
				Financial Indicators
Total assets	8,712,887.48	5,834,983.80	2,949,180.57	66.97%
Net assets	1,776,868.96	1,604,896.87	2,949,180.57	165.98%
	Year 2023	Year 2023		
Operating income	295,546.14	375,659.73	–	127.11%

Note: In accordance with the Administrative Measures for Major Assets Reorganisation of Listed Companies (《上市公司重大資產重組管理辦法》), the indicators for the total assets and net assets of the Subject Company shall select the higher of the carrying amount as at the end of March 2024 and the transaction consideration.

According to the above table, the total assets of the Subject Company accounted for 66.97% of the relevant indicators as at the end of the most recent accounting year of the Company. The consideration for the Transactions accounts for 165.98% of the net assets attributable to the Shareholders of the Company on a consolidated basis as of the end of the most recent accounting year of the Company. The operating income of the Subject Company accounted for 127.11% of the relevant indicators of the Company in the most recent accounting year and exceeded RMB50.0 million. According to the relevant requirements of Administrative Measures for Major Assets Reorganisation of Listed Companies (《上市公司重大資產重組管理辦法》), the Transactions constitute a major asset reorganisation of the Company.

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During the 36 months before the Transactions, the actual controller of the Company was the State-owned Assets Supervision and Administration Commission of the Municipal People's Government of Wuxi (無錫市人民政府國有資產監督管理委員會) (“Wuxi SASAC”) without any change. Upon completion of the Transactions, the actual controller of the Company will remain Wuxi SASAC. The Transactions will not result in a change of the actual controller of the Company and therefore the Transactions do not constitute a reorganisation for listing purposes as stipulated in Article 13 of the Administrative Measures for Major Assets Reorganisation of Listed Companies (《上市公司重大資產重組管理辦法》).

9. RESOLUTION ON THE COMPLIANCE OF THE REORGANISATION OF THE COMPANY WITH THE REQUIREMENTS OF ARTICLES 11 AND 43 OF THE ADMINISTRATIVE MEASURES FOR MAJOR ASSETS REORGANISATION OF LISTED COMPANIES (《上市公司重大資產重組管理辦法》)

The Board has prudently analyzed whether the Reorganisation has complied with the requirements of Articles 11 and 43 of the Administrative Measures for Major Assets Reorganisation of Listed Companies (《上市公司重大資產重組管理辦法》) and is of the view that:

1. The Reorganisation has complied with the requirements of Article 11 of the Administrative Measures for Major Assets Reorganisation of Listed Companies

- (1) The Reorganisation has complied with the national industrial policy and the requirements of laws and administrative regulations relating to environmental protection, land administration, anti-trust, foreign investment and external investment, etc.;
- (2) Upon the completion of the Reorganisation, the Company will continue its subsistence and still fulfill the conditions for listing of Shares, and therefore the Reorganisation will not result in the Company failing to meet the conditions for listing of Shares;
- (3) The transaction price of the Subject Assets under the Reorganisation is determined based on the valuation results of the valuation report issued by the asset valuation institution and filed with the competent state-owned asset supervisory and regulatory authorities and upon negotiation among the parties. The pricing of the assets will be fair, and there will be no circumstances that will jeopardize the legitimate rights and interests of the Company and the Shareholders;
- (4) The Subject Assets under the Acquisition of Assets by Issuing Shares are the 99.26% shares of Minsheng Securities held by 45 shareholders other than Oceanwide Holdings in aggregate, including Guolian Group and Fengquanyu.

LETTER FROM THE BOARD

The ownership of the Subject Assets involved in the Reorganisation is clear. There are no legal impediments to the transfer of the assets, and the handling of the relevant debts and liabilities is legal;

- (5) The Reorganisation is conducive to enhancing the Company's ability to continue its operations, and there are no circumstances that may cause the Company's principal assets to be cash or have no specific business operations after the Reorganisation;
- (6) The Reorganisation is conducive to the Company's continuous independence from the actual controller and its related parties in terms of business, assets, finance, personnel and organization, and complies with the relevant requirements of the CSRC regarding the independence of companies;
- (7) The Reorganisation is conducive to forming or maintaining a sound and effective corporate governance structure of the Company.

2. The Reorganisation has complied with the requirements of Article 43 of the Administrative Measures for Major Assets Reorganisation of Listed Companies (《上市公司重大資產重組管理辦法》)

- (1) The Reorganisation is conducive to improving the quality of the Company's assets, improving its financial position and enhancing its ability to continue operation; The Reorganisation is conducive to reducing related party transactions of the Company, avoiding inter-trade competition and enhancing independence;
- (2) An unqualified audit report has been issued by an accounting firm for the latest financial accounting report of the Company;
- (3) The Company and its current Directors and senior management are not suspected of crimes being investigated by the judicial authorities nor suspected of violating the laws and regulations being investigated by the CSRC;
- (4) The assets acquired by the Company by issuing Shares are the 99.26% shares of Minsheng Securities. The shares of Minsheng Securities held by the Counterparties are not subject to any restriction of rights such as pledge, and there are no circumstances such as seizure or freezing by judicial authorities which may restrict or prohibit the Counterparties from transferring the shares of Minsheng Securities to the Company. The assets acquired by the Company by issuing Shares are operating assets with clear ownership and subject to the duly fulfillment of the relevant legal procedures, there will be no legal obstacles to the transfer of the equity interests in Minsheng Securities;
- (5) The Reorganisation has complied with other conditions stipulated by the CSRC.

LETTER FROM THE BOARD

In summary, the Board is of the view that the Reorganisation has complied with Articles 11 and 43 of the Administrative Measures for Major Assets Reorganisation of Listed Companies (《上市公司重大資產重組管理辦法》).

10. RESOLUTION ON THE COMPLIANCE OF THE REORGANISATION WITH ARTICLE 4 OF GUIDELINES NO. 9 ON SUPERVISION FOR LISTED COMPANIES – REGULATORY REQUIREMENTS FOR LISTED COMPANIES PLANNING AND IMPLEMENTING MAJOR ASSETS REORGANISATION (《上市公司監管指引第9號 – 上市公司籌劃和實施重大資產重組的監管要求》)

The Board conducted a prudent analysis on whether the Reorganisation is in compliance with Article 4 of Guidelines No. 9 on Supervision for Listed Companies – Regulatory Requirements for Listed Companies Planning and Implementing Major Assets Reorganisation (《上市公司監管指引第9號 – 上市公司籌劃和實施重大資產重組的監管要求》) and is of the view that:

1. The Subject Assets of the Reorganisation are 99.26% shares of Minsheng Securities. Minsheng Securities is a non-banking financial institution engaging in the securities business, and the relevant principal businesses in which it is engaged have obtained the approvals or ratifications of the CSRC and its dispatched agencies, the People's Bank of China, the Securities Association of China, the China Futures Association, the Asset Management Association of China, the State Administration of Foreign Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange and other regulatory authorities, and are valid up to now. Apart from the aforesaid industry access, the principal businesses of Minsheng Securities do not involve any relevant reporting and approvals in relation to project initiation, environmental protection, use of land, planning, construction and engineering. The relevant approvals involved in the Reorganisation have been disclosed in detail in the Report on Acquisition of Assets by Issuing Shares and Raising Supporting Funds by Guolian Securities Co., Ltd. and Related Party Transaction (Draft)(《國聯證券股份有限公司發行股份購買資產並募集配套資金暨關聯交易報告書(草案)》), and gave a special reminder regarding the risk that approval for the Reorganisation may not be obtained.
2. The Subject Assets of the Reorganisation are the 99.26% shares of Minsheng Securities held by 45 shareholders other than Oceanwide Holdings, including Guolian Group and Fengquanyu. The Counterparties to the Reorganisation legally own the complete rights to the Subject Assets, and there are no circumstances restricting or prohibiting the transfer of the shares to be transferred to the Company, such as pledge or freezing, and there are no circumstances under which the Counterparties' capital contribution is false or affects its legal continuity.
3. The Reorganisation is conducive to enhancing the integrity of the Company's assets and maintaining the Company's independence in terms of personnel, procurement, production, sales and intellectual property rights.

LETTER FROM THE BOARD

4. The Reorganisation is conducive to improving the Company's financial position, enhancing its ability to sustain its operations, highlighting its principal business and strengthening its ability to resist risks, and to enhancing its independence, reducing related party transactions and avoiding competition in the same industry.

In summary, the Reorganisation complies with the relevant provisions under Article 4 of Guidelines No. 9 on Supervision for Listed Companies – Regulatory Requirements for Listed Companies Planning and Implementing Major Assets Reorganisation (《上市公司監管指引第9號 – 上市公司籌劃和實施重大資產重組的監管要求》).

11. RESOLUTION ON THE COMPLIANCE OF THE REORGANISATION WITH ARTICLE 11 OF THE ADMINISTRATIVE MEASURES FOR THE ISSUANCE AND REGISTRATION OF SECURITIES BY LISTED COMPANIES (《上市公司證券發行註冊管理辦法》)

The Board conducted a prudent analysis on whether the Reorganisation is in compliance with Article 11 of the Administrative Measures for the Issuance and Registration of Securities by Listed Companies (《上市公司證券發行註冊管理辦法》) and is of the view that:

Up till now, the Company does not have the following circumstances prohibiting issuing Shares to specific subscribers under Article 11 of the Administrative Measures for the Issuance and Registration of Securities by Listed Companies (《上市公司證券發行註冊管理辦法》):

- (1) It fails to rectify any unauthorised change to the purpose of the raised capital last time, or obtain approval at the shareholders' meeting;
- (2) The preparation and disclosure of the latest financial statements do not comply with the provisions of the Accounting Standards for Business Enterprises or relevant information disclosure rules in any material aspect; an audit report with a negative opinion or unable to express an opinion is issued for the latest financial statements; an audit report with a qualified opinion is issued for the latest financial statements, and the significant adverse effect of the matter involved in the qualified opinion on the listed company has not been eliminated yet;
- (3) Any of its incumbent directors, supervisors and senior management members received an administrative penalty from the CSRC in the past three years, or public censure from a stock exchange in the most recent year;
- (4) The listed company or the incumbent directors, supervisors and senior management members is under investigation in a case filed by judicial authorities on suspicion of committing a crime or under investigation in a case filed by the CSRC on suspicion of a violation of laws and regulations;

LETTER FROM THE BOARD

- (5) The Controlling Shareholder or actual controller committed any significant illegal activity that seriously damaged the interests of the listed company or the legitimate rights and interests of investors in the past three years;
- (6) There was a significant illegal activity in the past three years that seriously damaged the legitimate rights and interests of investors or the public interests.

Accordingly, the Reorganisation is in compliance with Article 11 of the Administrative Measures for the Issuance and Registration of Securities by Listed Companies (《上市公司證券發行註冊管理辦法》).

12. RESOLUTION ON THE REPORT ON THE USE OF PROCEEDS PREVIOUSLY RAISED BY THE COMPANY

The Board prepared the special report on the use of proceeds previously raised as of 30 June 2024 in accordance with the requirements of the Guidelines for the Application of Regulatory Rules – Issuance No. 7 (《監管規則適用指引—發行類第7號》) which is set out in Appendix VI to this circular.

13. RESOLUTION ON THE REMEDIAL MEASURES AND UNDERTAKINGS IN RESPECT OF THE DILUTION OF CURRENT RETURNS OF THE REORGANISATION

In accordance with the relevant requirements of Opinions of the General Office of the State Council on Further Strengthening the Work of Protection of the Legitimate Rights and Interests of Minority Investors in the Capital Markets (Guo Ban Fa [2013] No. 110) (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》(國辦發[2013]110號)), the Certain Opinions of the State Council on Further Promoting the Sound Development of Capital Markets (Guo Fa [2014] No. 17) (《國務院關於進一步促進資本市場健康發展的若干意見》(國發[2014]17號)) and the Guiding Opinions on Matters concerning the Dilution of Current Return of the Initial Offering, Refinancing and Major Asset Reorganisation (CSRC Announcement [2015] No. 31)(《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》(證監會公告[2015]31號)), to protect the right to information of minority investors and safeguard the interests of minority investors, the Company conscientiously analyzed the impact of the Reorganisation on the dilution of current returns and proposed specific return remedial measures which are set out as follows:

I. Basic information of the Reorganisation

The Company proposed to acquire the 99.26% shares of Minsheng Securities held by 45 entities other than Oceanwide Holdings, including Guolian Group and Fengquanyu, by issuing A shares, and raise supporting funds.

LETTER FROM THE BOARD

II. Impact of the Reorganisation on the dilution of earnings per share of the Company for the current period

According to the Company's audit report for the year 2023, 2024 first quarterly report and the Review Report on the Pro Forma Consolidated Statements of Guolian Securities Co., Ltd. for January to March 2024 and the year 2023 issued by ShineWing (No. XYZH/2024BJAB1B0481), the key financial data of the Company before and after the Transactions are set out below:

Unit: RMB10 thousand

Items	31 March 2024/January-March 2024			31 December 2023/Year 2023		
	Before the Transactions	After the Transactions	Changes	Before the Transactions	After the Transactions	Changes
Total assets	9,323,201.27	16,528,666.75	77.29%	8,712,887.48	16,036,060.86	84.05%
Total liabilities	7,496,436.41	11,742,165.83	56.64%	6,900,531.69	11,310,187.85	63.90%
Owners' equity	1,826,764.86	4,786,500.92	162.02%	1,812,355.79	4,725,873.00	160.76%
Shareholders' equity attributable to the parent company	1,791,067.36	4,736,255.78	164.44%	1,776,868.96	4,676,225.12	163.17%
Operating income	17,342.04	123,673.36	613.14%	295,546.14	671,191.72	127.10%
Total profit	-29,940.77	9,511.08	131.77%	82,541.71	153,825.93	86.36%
Net profit attributable to shareholders of the parent company	-21,875.43	9,643.11	144.08%	67,131.91	127,403.63	89.78%
Basic earnings per share (RMB/share)	-0.0772	0.0176	122.80%	0.2371	0.2328	-1.81%
Gearing ratio	78.30%	66.57%	-14.98%	76.79%	66.05%	-13.99%

Note: Gearing ratio = (total liabilities – amount of agency sales of securities – payables for underwriting)/ (total assets – amount of agency sales of securities – payables for underwriting)

After the Transactions, the asset size of the Company and net profit attributable to the parent company increased to a certain extent, which will be conducive to the enhancement of the Company's risk resistance ability and ability to continue as a going concern, and the quality of the Company's assets and the overall results of operations will improve, which will be in the interests of all Shareholders of the Company. However, in the event that the operating efficiency of the Subject Company fails to meet the expectations in the future, the financial indicators such as earnings per share may be decreased after completion of the Transactions as compared with the pre-transaction period. If the aforesaid situation occurs, the Company's financial indicators such as earnings per share will be subject to the risk of being diluted, so investors are advised to pay attention to the relevant risks.

LETTER FROM THE BOARD

III. Measures taken by the Company to prevent the dilution of returns for the current period following the Reorganisation and to enhance its ability to obtain returns in the future

To safeguard the legitimate rights and interests of the Company and all Shareholders, the Company intends to take the following remedial measures to enhance the sustainable profitability of the Company in the event of a dilution of return for the current period:

1. *Accelerating the completion of the integration of the Subject Company to enhance the profitability of the Company*

Upon completion of the Transactions, the Subject Company will become a holding subsidiary of the Company. The Company will, on the premise of ensuring its control over the Subject Company and its operational stability, expedite the optimisation and integration of the Subject Company to maximise scale effect and business synergies, steadily promote and implement the development strategy of the Company, enhance the operational efficiency of the Company, expand the market size, further increase market share and brand influence, and increase the market competitiveness and profitability of the Company.

2. *Constantly improving corporate governance and providing systematic guarantees for the development of the Company*

The Company has established a relatively comprehensive corporate governance structure with standardized daily operations and management. It has a sound and highly efficient mechanism for operating the shareholders' general meeting, the Board, the supervisory committee and the management, and it has set up an independent and efficient organisational structure appropriate to the Company's operation and formulated the duties and responsibilities of the corresponding positions, with clear responsibilities and synergies among various functional departments. The organisational structure of the Company has been properly deployed and is running effectively. There is a clear division of powers and duties among the shareholders' general meeting, the Board, the supervisory committee and the management, which formed checks and balances and created a reasonable, complete and effective corporate governance and operation and management structure.

The Company will continue to strictly comply with the requirements of the relevant laws, regulations and regulatory documents of the capital market, continue to improve its corporate governance structure, effectively protect the rights and interests of investors, especially minority investors, and provide systematic safeguards for the sustainable development of the Company.

LETTER FROM THE BOARD

3. Actively improving the profit distribution policy and strengthening the investor return mechanism

To improve the profit distribution system of the Company, facilitate the establishment of a more scientific and reasonable mechanism for profit distribution and decision-making by the Company, and better safeguard the interests of Shareholders and investors, the Company has specified the profit distribution policy and cash dividends and other provisions in the Articles of Association in accordance with the requirements of the Notice on Matters Regarding Further Implementing Cash Dividend Distribution of Listed Companies (Zheng Jian Fa [2012] No. 37) (《關於進一步落實上市公司現金分紅有關事項的通知》(證監發[2012]37號)) of the CSRC, the Guidelines No. 3 on Supervision for Listed Companies – Distribution of Cash Dividends of Listed Companies (2023 Revision) (CSRC Announcement [2023] No. 61) (《上市公司監管指引第3號—上市公司現金分紅(2023年修訂)》(中國證券監督管理委員會公告[2023] 61號)) and other relevant laws, regulations and regulatory documents, and taking into account of the actual situation. The Company will strictly implement the relevant profit distribution policy and attach importance to reasonable returns to investors and also take into account the overall interests of all Shareholders and the sustainable development of the Company.

At the same time, all Directors and senior management of the Company and the Controlling Shareholder of the Company have issued the Letter of Undertakings in relation to the Remedial Measures to Address the Dilution of Return for the Current Period Following the Reorganisation (《關於本次重組攤薄即期回報採取填補措施的承諾函》).

IV. Undertakings of the Directors, senior management and Controlling Shareholders of the Company in relation to the remedial measures to address the dilution of return for the current period following the Reorganisation

(I) Undertakings of the Directors and senior management in relation to the remedial measures to address the dilution of return of the Company can be practically fulfilled

The Directors and senior management of the Company have made the following undertakings:

- “1. I undertake not to transfer any benefits to other entities or individuals with no consideration or under unfair terms and shall not damage the interests of listed companies in any other manner.
2. I undertake to restrict the duty-related consumption activities of myself.
3. I undertake not to utilize any assets of listed companies for any investments or consumption activities unrelated to the performance of my duties.

LETTER FROM THE BOARD

4. I undertake to support the remuneration system formulated by the Board or the Remuneration and Nomination Committee to be linked to the execution of remedial measures for dilution of return of listed company.
5. I undertake that if the listed company intends to implement equity incentive in the future, the exercise conditions will be linked to the execution of remedial measures for dilution of return of the listed company.
6. If I violate the above undertakings and cause losses to listed companies or investors, I am willing to bear the corresponding compensation liabilities according to the law.

After the issuance of these undertakings, if the contents of the above undertakings are inconsistent with the latest regulatory requirements under the relevant laws and regulations or the regulatory requirements of the CSRC, I will abide by the requirements of the relevant laws and regulations or regulatory requirements.”

(II) Undertakings of the Controlling Shareholders of the Company in relation to remedial measures to address the dilution of return for the current period following the Reorganisation

Guolian Group, the Controlling Shareholder of the Company, has made the following undertakings:

- “1. The company will not exceed its authority to intervene in the operation and management activities of listed companies, nor will encroach on the interests of listed companies;
2. If the company violates the above undertakings and causes losses to listed companies or investors, the company is willing to bear the corresponding compensation liabilities according to the law.

After the issuance of these undertakings, if the contents of the above undertakings are inconsistent with the latest regulatory requirements under the relevant laws and regulations or the regulatory requirements of the CSRC, the Company will abide by the requirements of the relevant laws and regulations or regulatory requirements.”

LETTER FROM THE BOARD

14. RESOLUTION ON PROPOSING AT THE SHAREHOLDERS' MEETING TO AUTHORIZE THE BOARD AND ITS AUTHORIZED PERSON(S) TO DEAL WITH MATTERS RELATING TO THE MAJOR ASSETS REORGANISATION

For the purpose of ensuring the orderly and efficient progress of the matters relating to the Reorganisation, the Board intends to propose at the general meeting of the Company to authorize the Board and its authorized person(s) to deal with the matters relating to the Reorganisation, including but not limited to:

1. formulate, adjust and implement the specific proposal for the Acquisition of Assets by Issuing Shares in accordance with the relevant provisions and the resolutions of the general meeting within the scope of authorisation permitted by laws, regulations and regulatory documents, including but not limited to determining or adjusting the transaction price of the Subject Assets, the scope of the Subject Assets, the Counterparties, the issue price, the issue size, the commencement and termination dates of the issuance and other matters in connection with the Acquisition of Assets by Issuing Shares in accordance with specific circumstances; formulate, adjust and implement specific proposal for Raising Supporting Funds, including but not limited to determining or adjusting the commencement and termination dates of the issuance, issue size, issue price, target subscribers, special account for funds to be raised, amount of supporting funds raised, use of supporting Funds raised and other matters relating to the issue proposal for Raising Supporting Funds in accordance with specific circumstances;
2. determine and engage independent financial advisers, legal advisers and other intermediaries, and sign all contracts, agreements and other important documents relating to the Reorganisation (including but not limited to independent financial adviser agreements, underwriting agreements, raised funds supervision agreements, and agreements on the engagement of other intermediaries, etc.);
3. handle and execute the specific matters of the Reorganisation with absolute discretion according to the proposal considered and approved at the general meeting, including but not limited to signing agreements relating to the Reorganisation, providing undertakings and other documents in respect of the Reorganisation, and fulfilling the information disclosure obligations;
4. revise, supplement, sign, submit, present and execute all agreements and documents relating to the Reorganisation, and approve and sign the relevant audit reports, review reports, valuation reports and other documents;

LETTER FROM THE BOARD

5. make relevant adjustments or termination decisions to the specific proposal of the Reorganisation within the scope of the resolution of the general meeting based on the new policies and regulations of the securities regulatory authorities and actual conditions of the securities market during the effective period of the resolution of the general meeting of the Company, in the event of any change in the policy requirements of regulatory authorities or market conditions;
6. handle reporting matters relating to the Reorganisation, including but not limited to producing, revising, signing, supplementing, submitting, presenting, executing and announcing the relevant reporting documents and other legal documents relating to the Reorganisation in accordance with the requirements of the regulatory authorities;
7. handle and determine matters relating to the specific implementation of the Reorganisation with absolute discretion in accordance with the registration status with the CSRC and market conditions, and based on the proposal considered and approved at the general meeting of the Company, including but not limited to handling the relevant governmental approvals, filings, notifications and related matters such as the transfer of assets, share registration and registration of changes in registered capital relating to the Reorganisation;
8. amend the relevant provisions of the Articles of Association and conduct relevant filing procedures according to the results of the issuance upon completion of the Reorganisation;
9. handle matters relating to the registration, lock-up and listing of the shares issued under the Reorganisation with the securities registration and clearing institutions and the Shanghai Stock Exchange upon completion of the Reorganisation;
10. deal with all other matters pertaining to the Reorganisation subject to laws, regulations, pertinent regulatory documents and the Articles of Association.

At the same time, to ensure the smooth progress of the work relating to the Reorganisation, the Board proposes at the general meeting to agree that, while the Board is granted the aforesaid authorisation, within the scope of the aforesaid authorisation (unless otherwise stipulated by the relevant laws and regulations), it shall immediately delegate the authorisation to the chairman of the Board or other persons authorized by the Board to decide, handle and deal with all the aforesaid matters relating to the Reorganisation.

The authorisation shall be valid for a period of 12 months from the date of consideration and approval at the general meeting. If the Company fails to complete the Acquisition within the validity period of the resolutions, the Company shall seek further approval on the Acquisition and Raising Supporting Funds at the general meeting; if the Company completes the Acquisition within the validity period of the resolutions but fails to complete the Raising Supporting Funds, the Company shall seek further approval on the Raising Supporting Funds at the general meeting.

LETTER FROM THE BOARD

EGM, A SHAREHOLDERS' CLASS MEETING AND H SHAREHOLDERS' CLASS MEETING

The notices convening the EGM and the H Shareholders' Class Meeting of the Company to be held at the conference room on the 1st Floor, No. 8 Jinrong One Street, Wuxi, Jiangsu Province, the PRC at 1:30 p.m. on Wednesday, 4 September 2024 are set out on pages 721 to 725 and pages 726 to 729 of this circular.

If you intend to appoint a proxy to attend and/or vote at the meeting, you are requested to complete and return the form of proxy in accordance with the instruction printed thereon not later than 1:30 p.m. on Tuesday, 3 September 2024 (Hong Kong time).

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

In order to determine the list of Shareholders who are entitled to attend the EGM and the H Shareholders' Class Meeting, the Company will close the register of members of H Shares during the period from Friday, 30 August 2024 to Wednesday, 4 September 2024 (both days inclusive), during which time no registration of Shares will be made. For Shareholders who wish to attend the EGM and the H Shareholders' Class Meeting, the relevant share certificates accompanied by all transfer documents must be lodged with Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for H Shareholders) before 4:30 p.m. on Thursday, 29 August 2024. Shareholders registered in Computershare Hong Kong Investor Services Limited on Friday, 30 August 2024 are entitled to attend the EGM and the H Shareholders' Class Meeting.

VOTING BY POLL

In accordance with Rule 13.39(4) of the Listing Rules, any vote at the EGM and the H Shareholders' Class Meeting shall be conducted by way of poll. Therefore, the chairman of the EGM and the H Shareholders' Class Meeting shall exercise his authority to, in accordance with the Articles of Association, request to vote by poll on the resolutions proposed at the EGM and the H Shareholders' Class Meeting. The results of the vote by poll will be published on the Company's website and the HKEXnews website of the Stock Exchange after the meeting.

LETTER FROM THE BOARD

According to Rule 14A.36 of the Listing Rules, any shareholder having a material interest in a transaction shall abstain from voting on the relevant resolution. As of the Latest Practicable Date, to the reasonable knowledge of the Company, Guolian Group and its associates, Guolian Trust Co., Ltd., Wuxi Guolian Municipal Electric Power Co., Ltd., Wuxi Minsheng Investment Co., Ltd., Wuxi Cotton Textile Group Co., Ltd. and Wuxi Huaguang Environmental & Energy Group Co., Ltd. (which in aggregate held 1,376,336,123 A Shares of the Company, representing approximately 48.60% of the total issued share capital of the Company as of the Latest Practicable Date) are materially interested in the Acquisition Agreements and the transactions contemplated thereunder and will abstain from voting on the relevant resolutions at the EGM and the Shareholders' Class Meetings in respect of the Acquisition. The specific resolutions include the followings: (1) resolution on the fulfilment of the conditions by the Company for acquisition of assets by issuing shares and raising supporting funds; (2) resolution on the adjusted proposal for acquisition of assets by issuing shares and raising supporting funds and related party transaction; (3) resolution on the Reorganisation constituting a related party transaction; (4) resolution on the Report on Acquisition of Assets by Issuing Shares and Raising Supporting Funds by Guolian Securities Co., Ltd. and Related Party Transaction (Draft)(《國聯證券股份有限公司發行股份購買資產並募集配套資金暨關聯交易報告書(草案)》) and its summary; (5) resolution on the execution of the transaction agreement with effective conditions; (6) resolution on the approval of the pro forma review report, audit report and valuation report in relation to the Reorganisation; (7) resolution on the independence of the valuation institution, the reasonableness of the premise of the valuation assumptions, the relevance of the valuation approaches to the valuation purpose and the fairness of the appraisal value; (8) resolution on the Transactions constituting a major assets reorganisation but not a reorganisation for listing; (9) resolution on the compliance of the Reorganisation of the Company with the requirements of Articles 11 and 43 of the Administrative Measures for Major Assets Reorganisation of Listed Companies (《上市公司重大資產重組管理辦法》); (10) resolution on the compliance of the Reorganisation with Article 4 of Guidelines No. 9 on Supervision for Listed Companies – Regulatory Requirements for Listed Companies Planning and Implementing Major Assets Reorganisation (《上市公司監管指引第9號—上市公司籌劃和實施重大資產重組的監管要求》); (11) resolution on the compliance of the Reorganisation with Article 11 of the Administrative Measures for the Issuance and Registration of Securities by Listed Companies (《上市公司證券發行註冊管理辦法》); (12) resolution on the report on the use of proceeds previously raised by the Company; (13) resolution on the remedial measures and undertakings in respect of the dilution of current returns of the Reorganisation; and (14) resolution on proposing at the shareholders' meeting to authorize the Board and its authorized person(s) to deal with matters relating to the major assets reorganisation. Save as disclosed above, as of the Latest Practicable Date, none of the Counterparties held Shares of the Company and none of the Shareholders are considered to be required to abstain from voting on the relevant resolutions at the EGM or Shareholders' Class Meetings.

LETTER FROM THE BOARD

RECOMMENDATION

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

Yours faithfully,
By order of the Board
Guolian Securities Co., Ltd.
Ge Xiaobo
Chairman

Wuxi, Jiangsu Province, the PRC

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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

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

(Stock Code: 01456)

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 99.26% SHARES OF MINSHENG SECURITIES BY ISSUING A SHARES

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders in respect of the connected transaction in relation to the acquisition of 99.26% shares of Minsheng Securities by issuing A Shares, the details of which are set out in the “Letter from the Board” in the circular dated 20 August 2024 to the Shareholders (the “**Circular**”). Unless the context otherwise requires, the terms used herein shall have the same meanings as those defined in the Circular.

Your attention is drawn to the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of the same matter as set out in the “Letter from Gram Capital” in the Circular. Having taken into account the Letter from Gram Capital, we are of the view that although the Acquisition is not carried out in the ordinary and usual course of business of the Company, the terms of Acquisition Agreements and the transactions contemplated thereunder have been entered into on normal commercial terms, are fair and reasonable and 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 resolutions to approve the Acquisition Agreements and the transactions contemplated thereunder at the EGM and the H Shareholders’ Class Meeting.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Wu Xingyu
*Independent Non-executive
Director*

Mr. Chu, Howard Ho Hwa
*Independent Non-executive
Director*

Mr. Gao Wei
*Independent Non-executive
Director*

20 August 2024

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition of Assets by Issuing Shares for the purpose of inclusion in this circular.



Room 1209, 12/F.Nan Fung Tower
88 Connaught Road Central
173 Des Voeux Road Central
Hong Kong

20 August 2024

*To: The independent board committee and the independent shareholders
of Guolian Securities Co., Ltd.*

Dear Sir/Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition of Assets by Issuing Shares, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 20 August 2024 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 8 August 2024, the Company entered into the Acquisition Agreements with the Counterparties (including Guolian Group), pursuant to which the Company had conditionally agreed to acquire, and the Counterparties had conditionally agreed to sell, 99.26% shares of Minsheng Securities at total consideration of approximately RMB29,491.8 million by way of the issuance of A Shares by the Company to the Counterparties.

With reference to the Board Letter, the Acquisition of Assets by Issuing Shares constitutes a very substantial acquisition and connected transaction of the Company and is therefore subject to reporting, announcement and independent shareholders’ approval requirements under Chapters 14 and 14A of the Listing Rules.

LETTER FROM GRAM CAPITAL

The Independent Board Committee comprising Mr. Wu Xingyu, Mr. Chu, Howard Ho Hwa and Mr. Gao Wei (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Acquisition of Assets by Issuing Shares are on normal commercial terms and are fair and reasonable; (ii) whether the Acquisition of Assets by Issuing Shares is in the interests of the Company and the Shareholders as a whole and is conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the Acquisition of Assets by Issuing Shares at the EGM and the H Shareholders' Class Meeting. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

We were not aware of any relationships or interests between Gram Capital and the Company during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as a hindrance to Gram Capital's independence to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Acquisition of Assets by Issuing Shares. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

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We have not made any independent evaluation or appraisal of the assets and liabilities of Minsheng Securities, and we have not been furnished with any such evaluation or appraisal, save as and except for the Asset Valuation Report prepared by China United Assets as set out in Appendices I and II to the Circular. Since we are not experts in the valuation of assets or business, we have relied solely upon the Asset Valuation Report for the valuation of 100% equity interests in Minsheng Securities as at 31 March 2024 (i.e. the Valuation Benchmark Date).

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the 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 therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Counterparties, Minsheng Securities or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Acquisition of Assets by Issuing Shares. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources.

LETTER FROM GRAM CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Acquisition of Assets by Issuing Shares, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Acquisition of Assets by Issuing Shares

Information on the Group

With reference to the Company's annual report for the years ended 31 December 2023 ("FY2023") (the "2023 Annual Report"), the Company is a joint stock financial institution incorporated in Jiangsu Province, the PRC, the A shares of which are listed on the Shanghai Stock Exchange and the H shares of which are listed on the Stock Exchange. As stated in the Board Letter, the Company is engaged in the following principal activities: securities brokerage, securities investment consultation, financial advisory in relation to securities trading and securities investment activities, proprietary securities trading, the sales of securities investment funds on commission basis, margin financing and securities lending business, provision of intermediary business for futures companies, the sales of financial products on commission basis, and securities (limited to treasury bonds, policy financial bonds, debt instruments issued by non-financial enterprises) underwriting business.

FY2023

Set out below are the audited consolidated financial information of the Group for the two years ended 31 December 2023 as extracted from the 2023 Annual Report:

	For the year ended 31 December 2023 RMB'000	For the year ended 31 December 2022 RMB'000	Year-on-year change %
Total revenue, net investment gains and other income	4,385,566	3,930,127	11.59
– Commission and fee income	1,805,286	1,559,943	15.73
– Interest income	1,330,276	1,208,535	10.07
– Net investment gains	1,243,463	1,158,719	7.31
– Other income	6,541	2,930	123.24
Profit for the year attributable to the Shareholders	671,319	767,285	(12.51)

As depicted from the above table, the Group's total revenue, net investment gains and other income was approximately RMB4,386 million for FY2023, representing an increase of approximately 11.59% as compared to that for the year ended 31 December 2022 ("FY2022"), primarily due to the increase in commission and fee income, interest income and net investment gains.

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We noted from the 2023 Annual Report that:

- (i) the increase in the Group's commission and fee income was mainly due to increase in income from asset management business as a result of the Group's acquisition of 75.5% equity interest in ZhongRong Fund Management Company Limited (now known as Guolian Fund Management Company Limited);
- (ii) the increase in the Group's interest income was mainly due to (a) increase in interest income from debt instruments at fair value through other comprehensive income as the Group strictly controlled its credit risk and adhered to the philosophy of prudent investment; and (b) increase in the scale of bond pledged repurchases, resulting in the corresponding increase in interest income from financial assets held under resale agreement; and
- (iii) the increase in the Group's net investment gains was mainly due to increase in unrealised fair value gain on financial instruments at fair value through profit or loss, particularly, from derivative financial instruments.

Notwithstanding the aforesaid increase in the Group's total revenue, net investment gains and other income, the Group's profit for FY2023 attributable to the Shareholders decreased by approximately 12.51% as compared to that for FY2022. With reference to the 2023 Annual Report, such decrease was mainly due to increase in interest expenses, staff costs and other operating expenses, partially offset by (i) increase in total revenue, net investment gains and other income as aforementioned; (ii) increase in other gains; and (iii) decrease in income tax expense.

Preliminary results for 1H2024

Pursuant to the Company's announcement dated 9 July 2024, upon the preliminary calculations by the financial department of the Company, the net profit attributable to owners of the parent company for the first half of 2024 ("**1H2024**") is expected to be approximately RMB82.6 million, representing a decrease of approximately RMB517.7 million or 86.24% as compared with that for the corresponding period of 2023 (statutory disclosure information).

The abovementioned decrease was mainly due to the fact that during 1H2024:

- with unfavourable performance of indices and trading sentiment in the domestic securities market, as well as a downward trend in investors' risk appetite, the profit of the Company's securities investment business declined as a result of the volatility of the securities market.

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- the Company's capital and asset size expanded steadily, its financial leverage increased reasonably and its business structure became more diversified. The Company will continue to adhere to the principle of "risk measurable, controllable and tolerable", continue to promote the transformation and upgrading of its business model, closely follow the market trends and continue to enhance the core competitiveness of its major businesses and the ability to serve the real economy.

Information on the Counterparties

As at the Latest Practicable Date, Counterparties includes 45 entities, including Guolian Group. Information on the Counterparties is set out under the section headed "2.9 Information on the Parties to the Acquisition Agreements" of the Board Letter.

With reference to the Board Letter, Guolian Group is a wholly state-owned enterprise group established in the PRC. Guolian Group is principally engaged in capital and assets operation, external investment with proprietary funds, trade consultancy, and enterprise management service. As at the Latest Practicable Date, its ultimate beneficial owner was the State-owned Assets Supervision and Administration Commission of the Municipal People's Government of Wuxi (無錫市人民政府國有資產監督管理委員會).

As at the Latest Practicable Date, Guolian Group is directly and indirectly interested in 48.60% of the shares of the Company. Guolian Group is a controlling Shareholder and a connected person of the Company.

Information on Minsheng Securities

With reference to the Board Letter, Minsheng Securities is a joint stock company established in the PRC with limited liability and is principally engaged in the licensed item: securities business and securities investment consultation (for items requiring approval in accordance with the law, commencement of operations is subject to approval by the relevant authorities, and the specific operation items are subject to the approval documents or licences of relevant authorities); general item: securities financial advisory services.

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Set out below are the consolidated financial information of Minsheng Securities for the two years ended 31 December 2023 and for the three months ended 31 March 2024 (with comparative figures), as extracted from Appendix IV to the Circular:

	For the year ended 31 December 2023 RMB'000 (audited)	For the year ended 31 December 2022 RMB'000 (audited)	Year-on-year change %	For the three months ended 31 March 2024 RMB'000 (audited)	For the three months ended 31 March 2023 RMB'000 (unaudited)	Year-on-year change %
Total revenue, net investment gains and other income	4,622,024	3,526,492	31.07	1,328,199	1,568,172	(15.30)
– Commission and fee income	3,545,075	2,777,069	27.66	607,208	750,365	(19.08)
– Interest income under effective interest method	703,606	721,342	(2.46)	160,429	175,343	(8.51)
– Net investment gains	369,487	19,229	1,821.51	558,813	640,892	(12.81)
– Other income	3,856	8,852	(56.44)	1,749	1,572	11.26
Net profit attributable to shareholders of Minsheng Securities	639,166	189,882	236.61	325,961	552,126	(40.96)

As depicted from the above table, Minsheng Securities' total revenue, net investment gains and other income was approximately RMB4,622 million for FY2023, representing an increase of approximately 31.07% as compared to that for FY2022, which attributable to an increase in commission and fee income and net investments gains.

The increase in commission and fee income for FY2023 was mainly due to the fact that there was an increase of 35.29% in net commission and fee income from leasing of trading unit seats in FY2023 as compared to that for FY2022. In recent years, Minsheng Securities has increased its investment in research and sales business, introduced new teams and enhanced its service support, resulting in significant enhancement of its research and sales capabilities and increasing market influence, which correspondingly contributed to the increase in Minsheng Securities' income from leasing of trading unit seats in 2023.

Despite the net investment gains for FY2023 represented a significant increase of over 18 times as compared to FY2022, the net investment gains for FY2022 represented less than 5% as that for the year ended 31 December 2021. The aforesaid fluctuation was due to the fact that relevant gains from financial assets held by Minsheng Securities were allocated according to the financial assets' own agreement on gains allocation (e.g. interest rates and frequency of interest payments on bonds) or actual operating conditions (e.g. stock issuers, funds, etc.), which varied to a certain extent from year to year. In addition, Minsheng Securities made independent judgments and dynamically adjusted its investment strategy based on the macroeconomic operation and the overall operation of the market, which resulted in differences in the gains obtained or even certain losses incurred by it in disposing of the relevant financial assets.

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Due to the increase in total revenue, net investment gains and other income for FY2023 as compared to FY2022, Minsheng Securities recorded a significant increase of approximately 236.61% in net profit attributable to shareholders of Minsheng Securities for FY2023 as compared to FY2022.

As at 31 March 2024, Minsheng Securities recorded total assets of approximately RMB58,350 million, total liabilities of approximately RMB42,274 million and total equity of approximately RMB16,076 million.

Please refer to section headed “Financial Review” as set out in appendix VIII to the Circular for further details of Minsheng Securities.

2. Reasons for and benefits of Acquisition of Assets by Issuing Shares

Summarised below are the reasons for and benefits of the Acquisition of Assets by Issuing Shares as extracted from the section headed “2.7 Reasons for and benefits of the Reorganisation” of the Board Letter:

- (i) Through the Acquisition of Assets by Issuing Shares and the Raising Supporting Funds (i.e. the Transactions), the Company will be integrated as a platform for the synergistic development of Wuxi and Shanghai, which is another major initiative for Wuxi to integrate into the integration strategy of Yangtze River Delta. Not only will it fully utilize the advantages of Shanghai’s financial resources and talent concentration to achieve its own development, but it will also give full play to the service functionality of the financial platform of empowering the upgrading of Wuxi’s industrial structure, assisting in Wuxi’s in-depth integration into the integration development strategy of Yangtze River Delta, better docking the financial, science and technology innovation and industrial resources in the Yangtze River Delta, and accelerating the optimization of local industrial structure and transformation and upgrading of economy.
- (ii) The Transactions can create a large securities company with a leading business scale, stronger capital strength and greater market influence, which can fully leverage Wuxi’s industrial advantages and shareholder empowerment and advantages of Shanghai’s financial resources and talents convergence. The Company will continue to optimize its business structure and regional layout through the integration of its business geographic presence with the Subject Company, sharing of customers and channel resources, and the complementarity and synergy of its business advantages, to realise leapfrog development and obtain opportunities for development and growth in the increasingly intense market competition.
- (iii) Through the Transactions, the Company will be able to give full play to the synergy and complementarity with Minsheng Securities and help the Company’s development reaches a new level.

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- (iv) The Company and Minsheng Securities have stronger complementary structural and regional advantages in terms of business.
- (v) In the future, through the effective integration of the businesses of the two brokerage firms, the complementary integration of their business structures and regional advantages will be further strengthened, and the strategic synergy of each party's advantageous resources will be brought into full play, thereby significantly enhancing the market competitiveness of the listed company's platform.
- (vi) The Transactions will promote the optimization and integration of the business channels, customer resources and product services of the two brokerage firms, and complement each other's strong and weak businesses. While enhancing comprehensive capital strengths, they will also give full play to the scalable effect, reduce operating costs, improve operational efficiency and achieve capital-intensive development.

In recent years, the PRC government issued various policies regarding the PRC financial and securities industry as set out below:

In November 2023, the website of the Central People's Government of the PRC issued an article named 《著力打造現代金融機構和市場體系》 (Strive to Build a Modern Financial Institution and Market System*), which outlined that cultivating world-class investment banks and investment institutions is an inherent requirement for better performing the hub function of the capital market and promoting the registration-based initial public offering regime to take deeper root and become more substantive.

In March 2024, CSRC issued 《關於加強證券公司和公募基金監管加快推進建設一流投資銀行和投資機構的意見(試行)》 (Opinions on Strengthening the Regulation of Securities Companies and Public Funds, and Accelerating the Construction of World-Class Investment Banks and Investment Institutions (Trial Implementation)*), which outlined that the PRC government should (i) appropriately expand the capital space for high-quality financial institutions, and support leading financial institutions to optimize and strengthen themselves through mergers and acquisitions and organizational innovation; and (ii) encourage small and medium-sized financial institutions to pursue differentiated development and specialized operations.

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In April 2024, the State Council of the PRC issued 《關於加強監管防範風險推動資本市場高品質發展的若干意見》(Several Opinions on Strengthening Supervision, Preventing Risks, and Promoting High-Quality Development of the Capital Market*), which stated that the PRC government should (i) promote the high-quality development of securities and fund institutions, and drive the industry to strengthen investment banking capabilities and wealth management capabilities; (ii) support leading financial institutions to enhance their core competitiveness through mergers and acquisitions and organizational innovation; and (iii) encourage small and medium-sized financial institutions to pursue differentiated development and specialized operations.

According to the Raising Supporting Funds, after deducting the intermediaries' fees and transaction taxes, all of the raised supporting funds will be used for capital increase in Minsheng Securities, which will then be used for the development of Minsheng Securities' business for (a) wealth management business with amount of not more than RMB1 billion; and (b) information technology with amount of not more than RMB1 billion. In the event that the supporting funds ultimately determined and raised are less than RMB2 billion, the Board will determine the allocation ratio of the raised supporting funds within the scope of the authorisation granted by the general meeting. The business operations of the Company and Minsheng Securities will not be materially and adversely affected as a result. The Company will, depending on the circumstances and based on the overall capital requirements for the subsequent development after the completion of the Reorganisation, use its own funds or raise funds through debt instruments.

As stated in the section headed “3. Working Capital” under Appendix III to the Circular, the Directors are of the opinion that, after taking into account the expected completion of the Acquisition and the financial resources available to the Enlarged Group, the working capital available to the Enlarged Group is sufficient for the Enlarged Group's requirements for at least 12 months from the date of the Circular (i.e. 20 August 2024). The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

Having considered the above factors, in particular, (i) the synergies and the complementary strengths derived from the Acquisition of Assets by Issuing Shares as indicated above; (ii) the supportive government-issued policies regarding the PRC financial and securities industry above; and (iii) as mentioned above the business operations of the Company and Minsheng Securities will not be materially and adversely affected in the event that the supporting funds ultimately determined and raised are less than RMB2 billion, we are of the view that although the Acquisition of Assets by Issuing Shares is not conducted in the ordinary and usual course of business of the Company, it is in the interests of the Company and its Shareholders as a whole.

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3. Principal terms of Acquisition of Assets by Issuing Shares

Set out below are the principal terms of Acquisition of Assets by Issuing Shares, details of which are set out in the Board Letter:

Date

8 August 2024

Parties

- (1) The Company (as transferee); and
- (2) The Counterparties (as transferors)

With reference to the Board Letter, as at the Latest Practicable Date, the other parties, other than Guolian Group and their respective ultimate beneficial owners, were third parties independent of the Company and its associates (as defined in the Listing Rules).

Subject matter

The Subject Assets of the Acquisition of Assets by Issuing Shares are all the shares of Minsheng Securities held by shareholders of Minsheng Securities other than Oceanwide Holdings, representing 99.26% of the total share capital of Minsheng Securities in aggregate.

With reference to the Board Letter, as the shares of Minsheng Securities held by Oceanwide Holdings were subject to pledge and judicial freezing and could not be released in a timely manner prior to the Transactions, the Framework Agreement for the Acquisition of Assets by Issuing Shares was terminated by both parties through friendly negotiations and Oceanwide Holdings withdrew from the Acquisition and will not participate in the Acquisition with the 0.74% shares of Minsheng Securities held by it (corresponding to 83,967,330 shares of Minsheng Securities). The Company at present has no plan to acquire 0.74% shares of Minsheng Securities held by Oceanwide Holdings.

As the Company shall obtain controlling interest in Minsheng Securities through the Acquisition of Assets by Issuing Shares and there are no directors nominated by Oceanwide Holdings, the Company does not expect the holding of 0.74% equity interests in Minsheng Securities by Oceanwide Holdings will materially affect the future operation of Minsheng Securities.

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Consideration

The consideration of the Acquisition of Assets by Issuing Shares is approximately RMB29,491.8 million in total.

With reference to the Board Letter, the transaction price of the Subject Assets shall be determined by the negotiation among the parties to the transaction based on the valuation results of the valuation report issued by an asset valuation institution in compliance with the requirements of the Securities Law and filed with the competent state-owned asset supervisory and regulatory authorities, less the amount of cash dividends distributed and the cash paid for the repurchase of shares by Minsheng Securities during the Transitional Period after the Valuation Benchmark Date, and based on the proportion of shares of the Subject Company held by the Counterparties. The Asset Valuation Report adopts the valuation results under the market approach as the final valuation conclusion, i.e. the assessment value of the entire shareholders' equity of Minsheng Securities as of the Valuation Benchmark Date is RMB29,888,785,700, which have been filed with competent state-owned asset supervisory and regulatory authorities.

Given that Minsheng Securities has distributed cash dividends of RMB170,593,200 and paid RMB7,025,700 in cash for the repurchase of shares after the Valuation Benchmark Date, it has been determined through friendly negotiation among the parties to the transactions that the transaction price of the Subject Assets for each shareholder of Minsheng Securities participating in the Acquisition of Assets by Issuing Shares = (assessment value of equity interest in Minsheng Securities filed with the competent state-owned asset supervisory and regulatory authorities of RMB29,888,785,700 – profit distribution of Minsheng Securities after the Valuation Benchmark Date of RMB170,593,200 – cash paid for repurchase of shares of RMB7,025,700) × the proportion of shares of Minsheng Securities held by the Counterparties. Based on the foregoing valuation results, the transaction price of Minsheng Securities is approximately RMB29,491.8 million.

The Acquisition of Assets by Issuing Shares entirely adopts the approach of issuing A Shares to the Counterparties in paying the transaction consideration. The number of consideration shares is 2,640,269,065 A Shares, of which 811,725,231 A Shares will be issued to Guolian Group. Details of allocation of the consideration shares are set out under the section headed “2.2.7 Number of shares to be issued” of the Board Letter.

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Valuation

To assess the fairness and reasonableness of the consideration, we obtained and reviewed the Asset Valuation Report prepared by China United Assets from the Company and noted that the Valuation as at 31 March 2024 was approximately RMB29,888,785,700.

For our due diligence purpose, we conducted the following works:

- (i) obtained and reviewed China United Assets' qualification in relation to the preparation of the Asset Valuation Report;
- (ii) enquired China United Assets' current and prior relationship with the Group, the Counterparties and Minsheng Securities;
- (iii) reviewed the terms of China United Assets' engagement;
- (iv) discussed with China United Assets the steps and due diligence measures taken by China United Assets for conducting the Asset Valuation Report; and
- (v) discussed with China United Assets regarding the bases, methodology and assumptions adopted in the Asset Valuation Report.

Qualification and independence

We performed due diligence on the qualification of China United Assets and the competency and experience of the persons in charge of the Asset Valuation Report. Based on the information provided by China United Assets, we noted that (i) China United Assets is an entity registered as an asset appraisal institution with the China Appraisal Society with the approval from the Ministry of Finance of the PRC and the CSRC to carry out securities and futures related appraisal activities; (ii) the signatories of the Asset Valuation Report are registered as a public valuer under China Appraisal Society and have over five years of experience in asset valuation; and (iii) China United Assets had provided numerous valuation services to listed companies in Hong Kong and in the PRC, including state-owned enterprises. Therefore, we are satisfied with China United Assets' qualification for the preparation of the Asset Valuation Report.

We also enquired into China United Assets as to its independence from the Group, the Counterparties and Minsheng Securities and we were given the understanding that China United Assets is an independent third party of the Group, the Counterparties and Minsheng Securities. As also confirmed by China United Assets, China United Assets was not aware of any relationship or interest between itself and the Group or any other parties that would reasonably be considered as hindrance to its independence to act as China United Assets.

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Furthermore, we reviewed and noted from the engagement letter among the Company, certain of the Counterparties, and China United Assets, that the scope of work of China United Assets is appropriate to form the opinion required to be given and there was no limitation on the scope of work which might adversely impact the degree of assurance given by China United Assets in the Asset Valuation Report.

From the engagement letter and other relevant information provided by China United Assets, we are satisfied with the terms of engagement of China United Assets and their qualification and independence for the preparation of the Asset Valuation Report.

Methodology

We noted from the Asset Valuation Report that the Asset Valuation Report was prepared by China United Assets in accordance with various requirements and standards, including the Asset Evaluation Standards – Basic Standards* (《資產評估基本準則》) (the “**Valuation Standards**”) issued by the Ministry of Finance of the PRC. According to the Valuation Standards, the applicability of each fundamental valuation approaches of assets valuation, namely income approach, market approach and asset-based approach, should be analysed and selected by the valuer.

In preparing the Asset Valuation Report, China United Assets concluded the Valuation using market approach. We noted from the Asset Valuation Report that in assessing the Valuation, China United Assets considered each of the fundamental valuation approaches and we understood that:

- Income approach refers to the discount or capitalisation of the valuation subject’s expected income to determine the value of valuation subject. As the securities industry (which Minsheng Securities is principally engaged in) is greatly affected by external markets and fiscal policies, the future cash flows of Minsheng Securities cannot be reliably predicted and thus income approach was not applicable for the Valuation.
- Market approach refers to the comparison of the valuation subject with comparable listed companies or comparable transactions to determine the value of the valuation subject. As there are sufficient transactions which the transaction targets are comparable to Minsheng Securities, market approach is applicable for the Valuation.
- Asset-based approach refers to the valuation method which the identifiable asset and liabilities of the valuation subject are assessed individually to determine the value of the valuation subject. As (i) asset-based approach reflects the value of the valuation subject from the perspective of the construction or acquisition of the enterprise and such value represents the costs to replicate the enterprise; and (ii) there were sufficient information for China United Assets to conduct the Valuation using asset-based approach, asset-based approach is applicable for the Valuation.

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Despite that both market approach and asset-based approach are applicable for the Valuation, China United Assets concluded the Valuation using market approach on the basis that (i) the valuation results under market approach reflects the market practices in determining the transaction prices under fair and normal transactions; (ii) the references made under market approach are companies that are comparable to Minsheng Securities and the short-term or cyclical effects from industry fluctuation can be eliminated; and (iii) the valuation process under market approach is more intuitive as the comparable transactions or comparable companies are directly from the capital market, the valuation results could reflect the investor's expectation of value of the transaction target.

Given the aforesaid and that there are sufficient comparable companies and transactions with similar business scope as Minsheng Securities, we are of the view that the use of market approach to conclude the Valuation to be appropriate.

Bases, assumptions and parameters

We noted that trading multiples analyses (including price-to-earnings ratio (“**PER**”), price-to-book value ratio (“**PBR**”), price-to-sales ratio (“**PSR**”)) are commonly adopted methods for the purpose of assessing the fairness and reasonableness of valuation of target assets. According to the Asset Valuation Report, China United Assets considered the aforesaid three trading multiples analyses and had further assessed the applicability of each of PER, PBR and PSR, by conducting a correlation regression analysis on the correlation between the market capitalisation of listed companies in the PRC that are comparable to Minsheng Securities and their respective price indicators under PER, PBR and PSR, excluding companies that (i) were listed for less than two years prior to the Valuation Benchmark Date; and (ii) had substantially larger market capitalisation. Based on the assessment results of China United Assets, the correlation between market capitalisation and the net assets attributable to shareholders of the subject company had the highest correlation coefficient and goodness of fit among the indicators for PER, PBR and PSR. Accordingly, PBR is adopted as the value ratio for the Valuation. Furthermore, we noted from the Valuation Report that the financial industry is affected by various aspects such as policies and markets, and the profit and revenue of companies operate within the financial industry fluctuated greatly in recent years. Thus, the use of PER and PSR lack stability and are less representative. We also understood that PBR is one of the commonly adopted valuation multiples for capital intensive businesses such as financial institutions. On the basis of the foregoing, we consider the adoption of PBR for the purpose of arriving at the Valuation to be reasonable and we conducted further analyses on the aspect of PBR below.

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We understood from China United Assets that there are two commonly adopted valuation methods under market approach, namely comparable companies comparison method and comparable transactions comparison method. The comparable transactions comparison method is adopted for the Valuation as there are sufficient transaction cases with transaction targets that engaged in similar line of business as Minsheng Securities, which have certain degree of comparability in terms of the valuation and conditions affecting the price indicators.

We examined the selection criteria of the comparable transactions adopted by China United Assets for the purpose of the Valuation. We noted that China United Assets had first selected 15 transactions based on the following selection criteria: (i) the transaction targets are principally engaged in the securities industry with similar business activities as Minsheng Securities; (ii) approved or completed transactions that were first announced by listed companies in the PRC during the period from 1 January 2020 to 31 March 2024; and (iii) sufficient transaction information such as the transaction price or financial information of the transaction targets are available from public sources. We consider the selection criteria to be reasonable on the basis that it would allow China United Assets to identify sufficient transactions with transactions targets comparable to Minsheng Securities that are conducted and completed in recent timeframe prior to the Valuation Benchmark Date to reflect the recent market practices.

After China United Assets had selected 15 transactions based on the aforesaid criteria, China United Assets had excluded transactions that (i) transaction size was less than RMB1 billion; (ii) sought for minority interests in the transaction targets (i.e. less than 15% equity interest sought); or (iii) had significant greater PBR than the industry average. After the aforesaid screening process, China United Assets arrived at 5 comparable transactions for comparison (the “**Comparable Transactions**”).

We noted from 《資產評估執業準則—資產評估方法》(The Practice Standards for Assets Appraisal – Asset Appraisal Approaches*) that valuer should select comparable references based on the characteristics of the appraisal object and the following principles, (i) the comparables are the same as or comparable to the appraisal object in terms of (a) the trading market; and (b) value-influencing factors; (ii) the number of aforesaid comparables are appropriate; (iii) the transaction date of comparable is close to the valuation base date; (iv) the type and purpose of transaction of the comparables are suitable; and (v) the consideration of comparables are normal or adjustable-to-normal.

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For our due diligence purpose, we obtained and reviewed the announcements of the Comparable Transactions. After reviewing the followings including announcements of the Comparable Transactions and business nature of the target companies of the Comparable Transactions, we noted that the transaction date, the transaction type, target companies' business nature of the Comparable Transactions met the selection criteria as mentioned above.

We noted that China United Assets applied (i) price adjustment to the Comparable Transactions based on difference in transaction dates and transaction methods; and (ii) comparability adjustment based on the difference in business and assets scale of the underlying transaction targets (in terms of revenue, total assets and number of subsidiaries, branches and operating departments), to arrive at the adjusted PBR of the Comparable Transactions. Based on our review on the financial information of the target companies of the Comparable Transactions and the comparison analyses between Comparable Transactions and the Acquisition of Assets by Issuing Shares, we noted that there are differences in the scale of target companies, operational scale (e.g. number of branches), financial performance (e.g. revenue and total assets), operating risks (e.g. regulatory requirement ratios, such as capital leverage ratio, risk coverage ratio, liquidity coverage ratio, net stable capital ratio) although the target companies of the Comparable Transactions are with the similar business structure, operation model and the enterprise's life cycle as compared to Minsheng Securities. Therefore, we consider the price adjustments and comparability adjustment are appropriate and necessary to reflect the inherent difference of each Comparable Transactions and they are applied based on China United Assets professional judgement and experience. We also understood from China United Assets that the application of the price adjustments and comparability adjustment are required by valuation standards as adhered by China United Assets.

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Set out below are details of the Comparable Transactions, as extracted from the Asset Valuation Report:

First announcement date	Name of target company	Business scope	Percentage of interest sought	Transaction progress	PBR	Price adjustment	Comparability adjustment	Adjusted PBR
15 March 2023	Minsheng Securities (the “Previous Acquisition”)	Securities Brokerage	30.30%	Completed	1.95	0.9909	1.0176	1.97
25 April 2022	JZ Securities Co., Ltd.*	Securities Brokerage	72.50%	Completed	1.77	0.9659	1.2038	2.06
8 October 2021	New Times Securities Co., Ltd.*	Securities Brokerage	98.24%	Completed	1.40	0.9642	1.2211	1.65
29 September 2021	Huarong Securities Co., Ltd.*	Securities Brokerage	71.99%	Completed	1.51	0.9659	1.0722	1.56
14 January 2020	Shanghai Securities Company Limited	Securities Brokerage	51.00%	Completed	1.93	0.9876	1.1120	2.12
	Average							1.87

Having arrived at the average adjusted PBR of the Comparable Transactions of approximately 1.87 times (the “**Adopted PBR**”), China United Assets then multiplied that by Minsheng Securities’ adjusted consolidated net assets attributable to shareholders (adjusted for the share repurchase and share cancellation conducted by Minsheng Securities subsequent to the Valuation Benchmark Date) to arrive at the Valuation of RMB29,888,785,700.

During our discussion with China United Assets, we did not identify any major factor which caused us to doubt the fairness and reasonableness of the methodology, bases, assumptions and parameters adopted in the Asset Valuation Report.

Comparable companies

As part of our due diligence work, we conducted an independent search on companies listed on (i) Shanghai Stock Exchange or Shenzhen Stock Exchange; or (ii) both Stock Exchange and Shanghai Stock Exchange/Shenzhen Stock Exchange that are principally engaged in similar line of business as Minsheng Securities with market capitalisation ranging from RMB10 billion to RMB50 billion as at the Valuation Benchmark Date. We found 33 companies listed below which met the aforesaid criteria and they are exhaustive (the “**Comparable Companies**”).

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Set out below are PBR of the Comparable Companies based on their closing prices and then latest available net asset value attributable to shareholders of the company (excluding other equity instruments) as at the Valuation Benchmark Date:

Company name (Stock code)	Principal business	PBR	Market capitalization (RMB billion)
Northeast Securities Co., Ltd. (000686.SZ)	Securities and futures brokerage business, securities proprietary trading business, investment banking business, asset management business and other businesses	0.87	15.94
Guangdong Golden Dragon Development Inc. (000712.SZ)	Wealth management business, institutional services business, proprietary investment business and overseas businesses	4.04	10.46
Guoyuan Securities Company Limited (000728.SZ)	Wealth management business, securities and alternative investment business, investment banking business, futures business, asset management business, credit business, overseas business, headquarters and other businesses.	0.83	28.54
Sealand Securities Co., Ltd. (000750.SZ)	Securities brokerage business, investment banking business, investment business, asset management business, futures business, headquarters support, and other businesses	0.97	21.33

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Company name (Stock code)	Principal business	PBR	Market capitalization (RMB billion)
Changjiang Securities Company Limited (000783.SZ)	Wealth management business, securities proprietary trading business, investment banking business, asset management business, securities credit business, overseas securities business, headquarters support, and other businesses	0.93	28.37
Shanxi Securities Company Limited (002500.SZ)	Wealth management business, investment banking business, investment trading business, asset management business and other businesses	1.03	18.06
Guosheng Financial Holding Inc. (002670.SZ)	Proprietary investment business and wealth management business, institutional services business	1.66	18.11
Western Securities Co., Ltd. (002673.SZ)	Wealth management business, investment banking business, institutional services business, asset management business and proprietary investment business	1.12	31.11
First Capital Securities Co., Ltd. (002797.SZ)	Wealth management business, proprietary trading business, investment banking business, asset management business, and other businesses	1.53	22.65

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Company name (Stock code)	Principal business	PBR	Market capitalization (RMB billion)
Huaxi Securities Co., Ltd. (002926.SZ)	Wealth management business, proprietary investment business, investment banking business and credit business	0.85	19.40
China Great Wall Securities Co., Ltd. (002939.SZ)	Wealth management business, investment banking business, asset management business, securities investment and trading business and other businesses	1.06	30.02
Chinalin Securities Co., Ltd (002945.SZ)	Securities and futures brokerage business, securities investment business, investment banking business, asset management and investment management business	4.86	31.56
Xiangcai Co., Ltd (600095.SH)	Wealth credit business, investment banking business, proprietary investment business, asset management business, futures company business, international company business and other businesses	1.64	19.56

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Company name (Stock code)	Principal business	PBR	Market capitalization (RMB billion)
Sinolink Securities Co., Ltd. (600109.SH)	Brokerage and securities financial business, securities proprietary trading business, investment banking business, asset management business, alternative investment and private equity investment management business, overseas business and other businesses	0.99	31.69
Polaris Bay Group Co., Ltd. (600155.SH)	Investment banking business, securities brokerage business, asset management business, securities proprietary trading business, futures business, private equity investment business and other businesses	0.82	16.15
Southwest Securities Co., Ltd. (600369.SH)	Brokerage business, investment banking business and asset management business	1.01	25.78
Shanghai Chinafortune Co., Ltd (600621.SH)	Securities brokerage business, credit business, equity investment business, fixed income investment business, over-the-counter derivatives business, investment banking business, asset management business and other businesses	1.94	15.02

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Company name (Stock code)	Principal business	PBR	Market capitalization (RMB billion)
Caida Securities Co.,Ltd. (600906.SH)	Securities and futures brokerage business, investment banking business, proprietary business and asset management business	1.99	22.94
Huaan Securities Co., Ltd. (600909.SH)	Securities brokerage business, securities proprietary business, investment banking business, asset management business, other businesses and private equity fund business	1.04	21.56
Zhongtai Securities Co., Ltd. (600918.SH)	Wealth management and institutional business, investment banking business, asset management business, securities investment business, futures business and private equity investment fund business	1.26	46.41
Cinda Securities Co., Ltd. (601059.SH)	Asset management business, fixed income business, investment banking business, securities brokerage and credit business, private equity fund management and alternative investment business, proprietary investment and trading business	2.77	49.16

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Company name (Stock code)	Principal business	PBR	Market capitalization (RMB billion)
The Pacific Securities Co., Ltd (601099.SH)	Securities brokerage business, futures business, securities proprietary business, investment banking business, asset management business and securities financial business	2.27	21.54
Caitong Securities Co., Ltd (601108.SH)	Securities brokerage business, credit business, securities investment business, investment banking business, asset management business, equity investment business and securities research business	1.04	34.55
Tianfeng Securities Co., Ltd. (601162.SH)	Wealth management business, corporate financial services business, sales trading and investment business, investment management business and research business	1.05	25.04
Dongxing Securities Corporation Limited (601198.SH)	Brokerage business, investment banking business, securities business and asset management business	0.97	25.83
Hongta Securities Co., Ltd. (601236.SH)	Brokerage and wealth management business, credit business, investment banking business, asset management business and investment business	1.46	33.68

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Company name (Stock code)	Principal business	PBR	Market capitalization (RMB billion)
Central China Securities Co., Ltd. (601375.SH and 1375.HK)	Securities business, investment business and financial technology business	0.98	13.69
Industrial Securities Co., Ltd. (601377.SH)	Wealth management business segment, corporate finance business segment, asset management business segment, FICC business segment, equity business segment and international business	0.89	46.98
Guolian Securities Co., Ltd. (601456.SH and 1456.HK)	Wealth management business, credit trading business, investment business, investment banking business, asset management business and other businesses	1.60	28.34
Soochow Securities Co., Ltd. (601555.SH)	Wealth management business, investment banking business, investment and sales trading business and asset management business	0.86	34.04
BOC International (China) Co., Ltd. (601696.SH)	Securities-related businesses and other businesses	1.63	27.97
Zheshang Securities Co., Ltd. (601878.SH)	Securities brokerage business, investment banking business, investment management business and alternative investment	1.69	43.90

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Company name (Stock code)	Principal business	PBR	Market capitalization (RMB billion)
Nanjing Securities Co., Ltd. (601990.SH)	Securities brokerage business, futures brokerage business, securities investment business, investment banking business, credit trading business, asset management business, investment consulting business, structured entity business, private equity business and alternative investment	1.69	28.57
Maximum		4.86	
Minimum		0.82	
Average		1.50	
Median		1.06	
The Acquisition of Assets by Issuing Shares		1.87	29.71
	(i.e. the Adopted PBR)		

Source: Wind Financial Terminal

We notice from the above table that the implied PBR fell within range of PBRs of the Comparable Companies, which indicated that the consideration of the Acquisition of Assets by Issuing Shares is not overpriced in the aspect of PBR.

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Comparison with the Previous Acquisition

As noted from the Board Letter and the Valuation Report, Guolian Group acquired 3,470,666,700 shares of Minsheng Securities through judicial auction in 2023 (i.e. the Previous Acquisition) at a consideration of approximately RMB9.1 billion, implying (i) a PBR of approximately 1.95 times (the “**Previous Implied PBR**”) based on the then net assets of Minsheng Securities attributable to its shareholders; and (ii) an adjusted PBR of approximately 1.97 times (the “**Previous Adjusted PBR**”) based on the Previous Implied PBR and the adjustment factors considered by China United Assets as detailed in the subsection headed “Bases, assumptions and parameters” of the section headed “Valuation” above.

The Adopted PBR of approximately 1.87 times is lower than both the Previous Implied PBR of approximately 1.95 times and the Previous Adjusted PBR of approximately 1.97 times.

Other works

Upon our further request, we obtained the shareholders’ approval of Minsheng Securities in respect of cash dividend distribution and repurchase of shares of Minsheng Securities, together with the payment records of repurchase. Pursuant to the aforesaid documents, we acknowledged that (i) the cash dividend was approximately RMB170.5932 million; and (ii) the repurchase consideration was approximately RMB7.0257 million.

Our conclusion on consideration

Having considered (i) our independent work performed on the Asset Valuation Report and that the consideration of approximately RMB29,491.8 million represents the Valuation as at the Valuation Benchmark Date (i.e. 31 March 2024) after taking into account of (a) cash dividend and repurchase consideration paid by Minsheng Securities after the Valuation Benchmark Date; and (b) the 99.26% equity interests of Minsheng Securities to be acquired by the Company; and (ii) the comparison of the Adopted PBR with those of the Previous Acquisition, we are of the view that the consideration of Acquisition of Assets by Issuing Shares is fair and reasonable.

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Issue Price

The Acquisition of Assets by Issuing Shares entirely adopts the approach of issuing A Shares to the Counterparties in paying the transaction consideration.

The class of shares to be issued for the Acquisition are domestically listed Renminbi ordinary shares (A Shares) with a nominal value of RMB1.00 each, to be listed on the Shanghai Stock Exchange.

The issue price is RMB11.17 per A Share.

With reference to the Board Letter, the price determination date of the Acquisition of Assets by Issuing Shares (i.e. the Price Determination Date) is the date of announcement on the resolutions at the sixteenth meeting of the fifth session of the Board of the Company. According to the requirements of 《上市公司重大資產重組管理辦法》(The Administrative Measures for Major Assets Reorganisation of Listed Companies*, the “**Administrative Measures**”), the price at which shares issued by a listed company shall not be less than 80% of the market reference price. The market reference price is one of the average transaction prices of the Company’s A Shares for the 20 trading days, 60 trading days or 120 trading days preceding the date of announcement on the Board’s resolutions for the Acquisition of Assets by Issuing Shares. The average transaction price of the Company’s A Shares for certain trading days preceding the date of announcement on the Board’s resolutions = total trading amount of the Company’s A Shares for certain trading days preceding the date of announcement on the resolutions/total trading volume of the Company’s A Shares for certain trading days preceding the date of announcement of the resolutions.

The average trading price of A Shares for the 20, 60 and 120 trading days prior to the Price Determination Date were approximately RMB10.80 per A Share, RMB11.08 per A Share and RMB11.31 per A Share, the 80% of which were approximately RMB8.64 per A Share, RMB8.86 per A Share and RMB9.05 per A Share, respectively.

Upon negotiation among the parties to the transaction, the issue price of the A Shares for the Acquisition is the average trading price of the A Shares for the 120 trading days preceding the Price Determination Date, i.e. RMB11.31 per share, which complies with the relevant provisions of the Administrative Measures. The Company held its annual general meeting for the year 2023 on 19 June 2024, which considered and approved the Profit Distribution Proposal for the Year 2023, under which a cash dividend of RMB1.42 (tax inclusive) per 10 shares will be distributed to all Shareholders. As at the Latest Practicable Date, the profit distribution of the Company has been implemented and the issue price of the Acquisition has been adjusted on an ex-dividend basis accordingly to RMB11.17 per share.

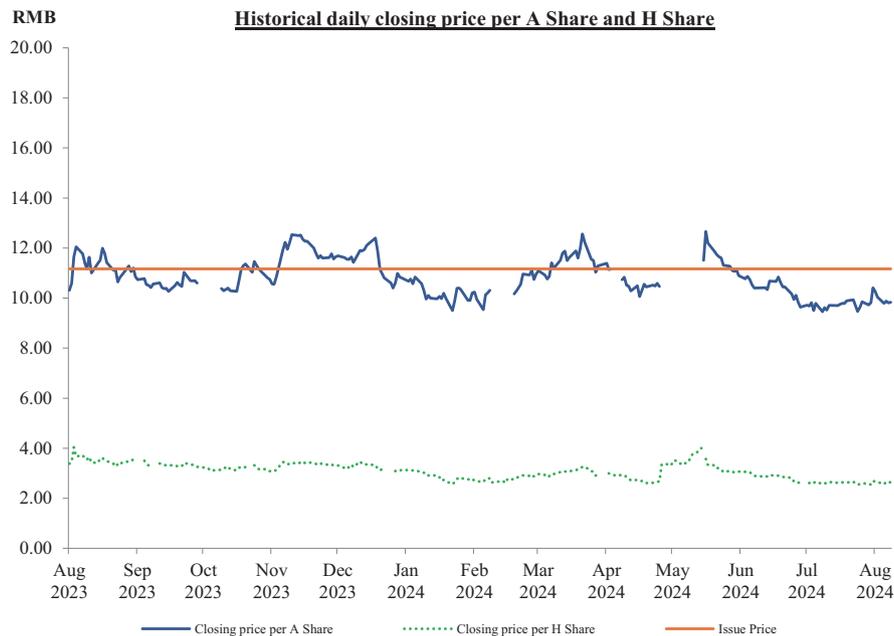
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The Issue Price of RMB11.17 per A Shares represents:

- (i) a premium of approximately 11.70% over the closing price of RMB10.00 per Share as quoted on the Shanghai Stock Exchange as at the Latest Practicable Date;
- (ii) a premium of approximately 13.63% to the closing price of RMB9.83 per A Share as quoted on the Shanghai Stock Exchange as at the date of the Acquisition Agreements;
- (iii) a premium of approximately 13.17% to the average closing price of RMB9.87 per A Share as quoted on the Shanghai Stock Exchange for the last five trading days immediately before the date of the Acquisition Agreements;
- (iv) a premium of approximately 13.52% to the average closing price of RMB9.84 per A Share as quoted on the Shanghai Stock Exchange for the last 20 trading days immediately before the date of the Acquisition Agreements;
- (v) a premium of approximately 8.13% over the average closing price of RMB10.33 per A Share as quoted on the Shanghai Stock Exchange for the last 60 trading days immediate before the date of the Acquisition Agreements; and
- (vi) a premium of approximately 5.18% over the average closing price of RMB10.62 per A Share as quoted on the Shanghai Stock Exchange for the last 120 trading days immediate before the date of the Acquisition Agreements.

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In order to assess the fairness and reasonableness of the Issue Price, we reviewed the daily closing price of the A Shares and H Shares as quoted on the Shanghai Stock Exchange and the Stock Exchange from 1 August 2023, being approximately one year prior to the date of the Acquisition Agreements, up to and including the date of the Acquisition Agreements (the “**Review Period**”), which is commonly adopted for analysis and the duration of such period (number of trading days) is sufficient for us to perform a thorough analysis on the historical closing price of Shares. The comparison of the daily closing price of Shares and the Issue Price is illustrated as follows:



Source: Wind Financial Terminal

Note: trading of A Shares was halted from the start of trading hours on Shanghai Stock Exchange on 26 April 2024 (the “**Trading Halt**”) and resumed from the start of trading hours on Shanghai Stock Exchange on 15 May 2024.

During the Review Period, the lowest and highest closing prices of A Shares were RMB9.46 per A Share recorded on 8 July 2024 and RMB12.66 per A Share recorded on 16 May 2024, respectively. The Issue Price of RMB11.17 per A Share is within the A Shares’ closing price range during the Review Period and is higher than the closing prices of A Shares for 163 trading days out of the total of 239 A Shares’ trading days during the Review Period; and was significantly higher than the closing prices of H Shares during the whole Review Period.

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From the start of the Review Period, the closing prices of A Shares increased substantially and reached RMB12.05 per A Share on 4 August 2023.

The closing prices of A Shares formed a decreasing trend and fluctuated between RMB10.27 per A Share to RMB11.99 per A Share during the period from 7 August 2023 to 16 October 2023, followed by an increasing trend during the period from 17 October 2023 to 18 December 2023 where the closing price of A Shares reached RMB12.40 per A Share on 18 December 2023.

Since 19 December 2023, the closing prices of A Shares formed a decreasing trend and reached RMB9.54 per A Share on 5 February 2024, before it rebounded and reached RMB12.56 per A Share on 21 March 2024. Following the publication of the Company's annual results announcement for FY2023, the closing prices of A Shares formed another decreasing trend until it reached RMB10.46 per A Share on the date before the Trading Halt.

Following the publication of the Company's announcement in relation to the entering into of the Framework Agreement, the closing price of A Shares sharply increased to RMB12.66 per A Share (being the highest during the Review Period) before it formed another decreasing trend and reached RMB9.83 per A Share on 8 August 2024 (i.e. the date of the Acquisition Agreements).

During the Review Period where both the A Shares and H Shares were concurrently traded on the respective market, the closing price of A Shares represented premium ranging from approximately 189% to 302% over the closing price of H Shares.

As part of our analysis, we also identified completed acquisition transactions involved the issuance of A shares as consideration (the "**Comparable Acquisitions**"), that were announced by companies listed on the main board of the Shanghai Stock Exchange or both Shanghai Stock Exchange & Stock Exchange during the Review Period, which is commonly adopted for analysis and reflects the recent market practice up to the date of the Acquisition Agreements. We found 7 transactions which met the said criteria and they are exhaustive. Despite that the businesses, operations and prospects of the Group are not the same as the subject companies of the Comparable Acquisitions, the Comparable Acquisitions can demonstrate the market practices of issuance of A shares as consideration by companies listed on the main board of the Shanghai Stock Exchange during the Review Period.

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Company name (stock code)	Date of completion	Price determination date	Discount of the issue price over/ to the average closing price per share for the last 20 trading days up to and including the last trading date immediately preceding the price determination date in relation to the respective issuance (the "LTD Discount")		Discount of the issue price over/ to the average closing price per share for the last 60 trading days up to and including the last trading date immediately preceding the price determination date in relation to the respective issuance (the "20 Days Discount")		Premium/ (discount) of the issue price over/ to the average closing price per share for the last 120 trading days up to and including the last trading date immediately preceding the price determination date in relation to the respective issuance (the "60 Days Premium/ Discount")	Premium/ (discount) of the issue price over/ to the average closing price per share for the last 120 trading days up to and including the last trading date immediately preceding the price determination date in relation to the respective issuance (the "120 Days Premium/ Discount")
			(%)	(%)	(%)	(%)	(%)	(%)
Avicopter Plc. (600038.SH)	23 May 2024	16 March 2023	(20.23)	(21.84)	(21.48)	(21.89)	(19.67)	
Chongqing Department Store Co., Ltd. (600729.SH)	9 March 2024	22 December 2022	(16.60)	(15.27)	(13.76)	(8.85)	(11.23)	
Wuhan Yangtze Communications Industry Group Co., Ltd. (600345.SH)	19 December 2023	13 August 2022	(17.01)	(17.01)	(15.53)	(11.48)	(8.96)	
CCCC Design and Consulting Group Co., Ltd. (600720.SH)	1 December 2023	12 May 2022	(9.77)	(2.69)	(1.41)	(0.22)	1.48	
Jiangsu Changling Hydraulic Co., Ltd. (605389.SH)	8 September 2023	11 February 2023	(2.24)	(2.24)	(1.36)	1.94	2.93	
CSSC Science and Technology Co., Ltd. (600072.SH)	22 August 2023	10 October 2022	(6.49)	(2.88)	(12.27)	(11.90)	(8.46)	
Shanghai Lujiazui Finance and Trade Zone Development Co., Ltd. (600663.SH)	10 August 2023	16 December 2022	(20.16)	(13.91)	(12.03)	(9.34)	(10.66)	
	Maximum:		(2.24)	(2.24)	(1.36)	1.94	2.93	
	Minimum:		(20.23)	(21.84)	(21.48)	(21.89)	(19.67)	
	Average:		(13.21)	(10.83)	(11.12)	(8.82)	(7.80)	
	Median:		(16.60)	(13.91)	(12.27)	(9.34)	(8.96)	
Issue Price			13.63	13.17	13.52	8.13	5.18	

Source: Wind Financial Terminal

As depicted in the above table:

- (i) the LTD Discount of the Comparable Acquisitions ranged from discount of approximately 20.23% to discount of approximately 2.24%, with average discount of approximately 13.21% and median discount of approximately 16.60%;
- (ii) the 5 Days Discount of the Comparable Acquisitions ranged from discount of approximately 21.84% to discount of approximately 2.24%, with average discount of approximately 10.83% and median discount of approximately 13.91%;

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- (iii) the 20 Days Discount of the Comparable Acquisitions ranged from discount of approximately 21.48% to discount of approximately 1.36%, with average discount of approximately 11.12% and median discount of approximately 12.27%;
- (v) the 60 Days Premium/Discount of the Comparable Acquisitions ranged from discount of approximately 21.89% to premium of approximately 1.94%, with average discount of approximately 8.82% and median discount of approximately 9.34%; and
- (vi) the 120 Days Premium/Discount of the Comparable Acquisitions ranged from discount of approximately 19.67% to premium of approximately 2.93%, with average discount of approximately 7.80% and median discount of approximately 8.96%.

The Issue Price, which represented (i) a premium of approximately 13.63% to the closing price as at the date of the Acquisition Agreements; (ii) a premium of approximately 13.17% to the average closing price for the last five trading days immediately before the date of the Acquisition Agreements; (iii) a premium of approximately 13.52% to the average closing price for the last 20 trading days immediately before the date of the Acquisition Agreements; (iv) a premium of approximately 8.13% over the average closing price for the last 60 trading days immediately before the date of the Acquisition Agreements; and (v) a premium of approximately 5.18% over the average closing price for the last 120 trading days immediately before the date of the Acquisition Agreements, are all above the market ranges of the Comparable Acquisitions.

In view of that (i) the comparison between the Issue Price and the Company's recent closing prices as mentioned above; (ii) during the Review Period, the Issue Price was above the daily closing prices of the A Shares for 163 trading days out of the total 239 A Shares' trading days; and was significantly higher than the closing prices of H Shares during the whole Review Period; (iii) the premium of the Issue Price over the Company's recent market prices (i.e. closing price as at the Last Trading Day and average closing price for the last five, 20, 60 and 120 trading days immediately before the date of the Acquisition Agreements) are all above the market ranges of the Comparable Acquisitions; (iv) number of issued H Shares and number of H Shares held by public H Shareholders remains unchanged; and (v) a higher Issue Price, in particular as compared to the H Share closing price, would lead to a less dilution effect to the overall shareholding of the public H Shareholders, we are of the opinion that the Issue Price is fair and reasonable.

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Adjustment to the Issue Price

In the event that the Company distributes dividends, grants bonus shares, converts capital reserve into share capital, allots shares or carries out any other ex-right or ex-dividend activities during the period commencing from the Price Determination Date of the Acquisition of Assets by Issuing Shares to the issue date, the issue price will be adjusted accordingly in accordance with the relevant rules of the CSRC and the Shanghai Stock Exchange, with the calculation results rounded up to the nearest cent. Details of adjustment formula are set out under the section headed “2.2.6 Price determination date and issue price” of the Board Letter.

We also noted from the Comparable Acquisitions that the issue price thereunder will also be adjusted subject to the abovementioned circumstances. Accordingly, we consider the adjustment mechanism to be fair and reasonable.

Completion

Upon the fulfillment of conditions as stipulated in the Acquisition Agreements (details of which are set out under the sub-section headed “Conditions precedent” of the section headed “5. RESOLUTION ON THE EXECUTION OF THE TRANSACTION AGREEMENT WITH EFFECTIVE CONDITIONS” of the Board Letter), the Counterparties shall urge the Subject Company to deliver the equity certificates to the Company and record the Company in the shareholder register of the Subject Company according to the provisions of the Acquisition Agreements. The Company shall complete the delivery of the Shares to be issued to the Counterparties according to the provisions of the Acquisition Agreements, and register the shares issued in the name of the Counterparties.

The parties agree and confirm that, unless otherwise agreed in the Acquisition Agreements, the rights and risks of Minsheng Securities shall be transferred from the Completion Date. The Company shall become a shareholder of the Subject Company from the Completion Date and shall enjoy full shareholders’ rights in respect of such equity interests, and the risks of Minsheng Securities shall be borne by the Company from the Completion Date.

Profit or loss arrangement during Transitional Period

With reference to the Board Letter, any profit or loss arising from the Subject Assets during the Transitional Period will be enjoyed or borne by the Company.

Having considered that the consideration for the Acquisition of Assets by Issuing Shares were determined based on, among other things, the valuation of 100% equity interests in Minsheng Securities as at 31 March 2024 (i.e., the commencement of the Transitional Period), we are of the view that the arrangement for profit or loss during the Transitional Period to be reasonable.

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Lock-up period

The Company's Shares subscribed for by Guolian Group with the Subject Assets in the Acquisition of Assets by Issuing Shares cannot be transferred for a period of (1) 60 months from the date of acquisition of the Subject Assets by Guolian Group (date of acquisition of shareholdings) or (2) 36 months from the completion date of the issuance of the new Shares under the Acquisition (whichever is later); provided that the transfers shall not be restricted therefrom as permitted by applicable laws. The lock-up period for the Company's Shares held by Guolian Group shall be automatically extended for at least 6 months if the closing price of the Company's A Shares is lower than the issue price for 20 consecutive trading days within 6 months after the completion of the Transactions or if the closing price of the Company's shares at the end of the 6 months after the completion of the Reorganisation is lower than the issue price.

According to the Administrative Measures, any consideration shares issued by listed companies to, among other things, their controlling shareholders, beneficial owners or their controlled connected parties, shall not be transferred within 36 months commencing from the date of issuance of such consideration shares. If the closing prices of A shares are below the issue price of consideration shares for 20 consecutive trading days within the six-month period commencing from date of completion of acquisition, or the closing price of the A shares as at the end of the above-mentioned six-month period is below the issue price of the consideration shares, the lock-up period will be automatically extended for at least 6 months.

In addition, according to 《證券公司行政許可審核工作指引第10號—證券公司增資擴股和股權變更》(Guidelines for Administrative Licensing Review of Securities Companies No. 10 – Capital Increase and Equity Change of Securities Companies*), the participating shareholders (入股股東) (who is the controlling shareholder of the securities company, or shareholder controlled by it or its de facto owner) shall not transfer their shares in the securities company within 60 months from the date of obtaining such shares.

Based on the above, the lock-up arrangement for Guolian Group is in compliance with the relevant requirement by PRC regulations.

Having considered that (i) the lock-up arrangement for Guolian Group is required by relevant PRC regulations; and (ii) the lock-up arrangement for Guolian Group is stricter than the lock-up arrangement for other Counterparties, we consider such arrangement for Guolian Group is justifiable.

LETTER FROM GRAM CAPITAL

Our conclusion on terms of the Acquisition of Assets by Issuing Shares

Having reviewed and considered (i) the terms of the Acquisition of Assets by Issuing Shares, in particular the key terms as listed above (including the consideration of the Acquisition of Assets by Issuing Shares and issue price being fair and reasonable, the profit or loss arrangement during the Transitional Period to be reasonable, lock-up arrangement for Guolian Group being justifiable; and no abnormal term observed); and (ii) that save for the consideration and number of consideration shares, other terms of the Acquisition Agreements between the Company and Guolian Group are substantially the same as or stricter than those of the Acquisition Agreements among the Company and other Counterparties, we are of the view that the terms of the Transactions are on normal commercial terms and are fair and reasonable.

4. Possible financial effects of the Acquisition of Assets by Issuing Shares

Upon the completion of the Acquisition of Assets by Issuing Shares, the Company will hold 99.26% shares of Minsheng Securities and Minsheng Securities will become a subsidiary of the Company and the financial information of Minsheng Securities will be consolidated into the consolidated financial statements of the Group.

As extracted from the 2023 Annual Report, (i) the audited consolidated total assets and total liabilities of the Group were approximately RMB87.1 billion and RMB69.0 billion as at 31 December 2023 respectively; and (ii) the profit for the year attributable to the Shareholders for FY2023 was approximately RMB671.3 million.

The unaudited pro forma financial information of the enlarged Group (the “**Pro Forma Information**”) is included in Appendix V to the Circular. According to the Pro Forma Information:

- the unaudited consolidated total assets and total liabilities of the enlarged Group would be approximately RMB159.1 billion and RMB111.4 billion respectively as if the Acquisition of Assets by Issuing Shares had been completed on 31 December 2023;
- the unaudited profit for the year attributable to the Shareholders would be approximately RMB1,232.8 million as if the Acquisition of Assets by Issuing Shares had been completed on 1 January 2023.

It should be noted that the aforesaid analyses are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon completion of the Acquisition of Assets by Issuing Shares.

LETTER FROM GRAM CAPITAL

5. Possible dilution effects on the existing public Shareholders

According to the table set out under the section headed “2.6 Impact of the Transactions on the Shareholding Structure of the Company” of the Board Letter, the shareholding interests held by the public H Shareholders would be diluted by (i) approximately 7.52 percentage points as a result of the Acquisition of Assets by Issuing Shares on the assumption that no other change in the share capital of the Company since the Latest Practicable Date; or (ii) approximately 7.87 percentage points as a result of the Transactions on the assumption that no other change in the share capital of the Company since the Latest Practicable Date.

Nonetheless, in view of (i) the reasons for and the possible benefits of the Acquisition of Assets by Issuing Shares; (ii) the terms of the Acquisition of Assets by Issuing Shares being fair and reasonable (e.g. (a) our analyses on consideration of Acquisition of Assets by Issuing Shares, issue price, lock-up arrangement; (b) save for the consideration and number of consideration shares, other terms of the Acquisition Agreements between the Company and Guolian Group are substantially the same as or stricter than those of the Acquisition Agreements among the Company and other Counterparties); (iii) our assessment and independent work done on point (i) and (ii) as mentioned above; (iv) gearing ratio as at 31 December 2023 would substantially decrease from 76.79% before the Transactions to 66.05% after the Transactions, basic earnings per share would slightly decrease from RMB0.2371 per Share for FY023 before the Transactions to RMB0.2328 after the Transactions, shareholders’ equity attributable to the parent company per Share would substantially increase from RMB6.2748 per Share to RMB8.1723 per Share according to the “Remedial measures and undertakings in respect of the dilution of current returns of the Reorganisation”, and (v) number of issued H Shares and number of H Shares held by public H Shareholders remains unchanged, we are of the view that the aforementioned level of dilution to the shareholding interests of the existing public Shareholders is acceptable.

LETTER FROM GRAM CAPITAL

RECOMMENDATION

Having taken into account that above factors and reasons, we are of the opinion that (i) the terms of the Acquisition of Assets by Issuing Shares are on normal commercial terms and are fair and reasonable; and (ii) although the Acquisition of Assets by Issuing Shares is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant special resolutions to be proposed at the EGM and the H Shareholders' Class Meeting to approve the Acquisition of Assets by Issuing Shares and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

** for identification purpose only*

The report is prepared in accordance with the Standards for Asset Appraisal of PRC (《中國資產評估準則》)

**ASSET VALUATION REPORT ON THE VALUE OF ENTIRE
SHAREHOLDERS' EQUITY IN MINSHENG SECURITIES CO., LTD. INVOLVED IN
THE PROPOSED ACQUISITION OF SHARES
OF MINSHENG SECURITIES CO., LTD.
HELD BY WUXI GUOLIAN DEVELOPMENT (GROUP) CO., LTD.
(無錫市國聯發展(集團)有限公司) AND OTHER SHAREHOLDERS
BY ISSUING SHARES BY GUOLIAN SECURITIES CO., LTD.**

Zhong Lian Ping Bao Zi [2024] No. 1372

Volume 1 of 1

China United Assets Appraisal Group Co., Ltd.

18 June 2024

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DISCLAIMER

- I. The asset valuation report is prepared in accordance with the Basic Standards of Asset Valuation (《資產評估基本準則》) issued by the Ministry of Finance and the Asset Valuation Practicing Standards (《資產評估執業準則》) and the Code of Professional Ethics (《職業道德準則》) issued by China Appraisal Society.
- II. The principals or other users of the Asset Valuation Report shall use the Asset Valuation Report in accordance with the provisions of laws and administrative regulations and the scope of use specified herein. If the principals or other users of the Asset Valuation Report use the Asset Valuation Report in violation of the foregoing provisions, the asset valuation institution and its asset valuation professionals shall not be liable.

The Asset Valuation Report shall only be used by the principals, other users of the Asset Valuation Report as agreed in the asset valuation commission contract and users of the Asset Valuation Report as stipulated in laws and administrative regulations. Save as aforesaid, no other institutions or individuals shall become users of the Asset Valuation Report.

The asset valuation institution and asset valuers advise that users of the Asset Valuation Report shall correctly understand and use the valuation conclusion, the report is not equal to the realizable price of the valuation subject and shall not be regarded as a guarantee for the realizable price of the valuation subject.

- III. The list of assets and liabilities included in the valuation scope, as well as the ownership certificates and other information required for the valuation, have been declared by the principals and valuation entity and confirmed by them through affixing their seals, signatories or other means permitted by law; the principals and other relevant parties shall be responsible for the authenticity, completeness and legality of the information provided by them according to law.
- IV. The asset valuation institution and asset valuers have no existing or expected interests in the valuation subject of the Asset Valuation Report. There is no existing or expected interest in the relevant parties, and therefore there is no prejudice against the relevant parties.

- V. The asset valuers have conducted an on-site investigation on the valuation subject of the Asset Valuation Report and the assets involved. Necessary attention has been paid to the legal ownership of the valuation subject and the assets involved, and the legal ownership information of the valuation subject and the assets involved has been verified. The issues identified have been truthfully disclosed, and the principals and other relevant parties have been requested to improve their title to meet the requirements for issuing the Asset Valuation Report.
- VI. The analyses, judgments and results in the Asset Valuation Report issued by the asset valuation institution are subject to the assumptions and limitations contained therein. Users of the Asset Valuation Report shall fully consider the assumptions, limitations and notes on specific matters set out in the Asset Valuation Report and their impact on the valuation conclusion.
- VII. The asset valuation institution and asset valuers have complied with the laws, administrative regulations and asset valuation standards, abided by the principles of independence, objectivity and fairness, and have assumed responsibilities for the Asset Valuation Report issued in accordance with laws.

**ASSET VALUATION REPORT ON THE VALUE OF ENTIRE
SHAREHOLDERS' EQUITY IN MINSHENG SECURITIES CO., LTD. INVOLVED IN
THE PROPOSED ACQUISITION OF SHARES
OF MINSHENG SECURITIES CO., LTD.
HELD BY WUXI GUOLIAN DEVELOPMENT (GROUP) CO., LTD.
(無錫市國聯發展(集團)有限公司) AND OTHER SHAREHOLDERS
BY ISSUING SHARES BY GUOLIAN SECURITIES CO., LTD.
Zhong Lian Ping Bao Zi [2024] No. 1372**

SUMMARY

Jointly entrusted by Guolian Securities Co., Ltd., Wuxi Guolian Development (Group) Co., Ltd. (無錫市國聯發展(集團)有限公司), Shanghai Zhangjiang (Group) Co., Ltd. (上海張江(集團)有限公司), Shanghai Zhangjiang High-Tech Park Development Co., Ltd. (上海張江高科技園區開發股份有限公司), Shanghai Pudong Innovative Investment Development (Group) Co., Ltd. (上海浦東創新投資發展(集團)有限公司), Taizhou State-owned Capital Operation Group Co., Ltd. (台州市國有資本運營集團有限公司) and Qingdao Jinyuan Minfu Equity Investment Partnership (Limited Partnership)(青島金源民福股權投資合夥企業(有限合夥)), China United Assets Appraisal Group Co., Ltd. conducted a valuation of the market value of the entire shareholders' equity in Minsheng Securities Co., Ltd. as of the Valuation Benchmark Date, in respect of the economic activities involving the proposed acquisition of shares of Minsheng Securities Co., Ltd. by issuing shares by Guolian Securities Co., Ltd., including 3,470,666,700 shares held by Wuxi Guolian Development (Group) Co., Ltd. (無錫市國聯發展(集團)有限公司), 1,545,359,477 shares held by Shanghai Fengquanyu Enterprise Management Co., Ltd. (上海灃泉峪企業管理有限公司), and the corresponding shares held by other shareholders.

According to the Resolution of the Sixteenth Meeting of the Fifth Session of the Board of Guolian Securities Co., Ltd. (《國聯證券股份有限公司第五屆董事會第十六次會議決議》) dated 14 May 2024 of Guolian Securities Co., Ltd., Guolian Securities Co., Ltd. proposed to acquire the shares of Minsheng Securities Co., Ltd. held by Wuxi Guolian Development (Group) Co., Ltd. (無錫市國聯發展(集團)有限公司) and other shareholders by issuing shares. The purpose of this asset valuation is to reflect the market value of the entire shareholders' equity of Minsheng Securities Co., Ltd. as at the Valuation Benchmark Date to provide a value reference basis for the above economic activities.

The valuation subject is the value of entire shareholders' equity in Minsheng Securities Co., Ltd. The valuation scope comprises all the assets and liabilities of Minsheng Securities Co., Ltd., including current assets and non-current assets and liabilities.

The Valuation Benchmark Date is 31 March 2024.

The value type of this valuation is defined as market value.

Based on the premise of continuous use and the open market, in conjunction with the actual situation of the valuation subject, and taking into account various factors affecting the valuation, Minsheng Securities Co., Ltd. was valued in its entirety by adopting the asset-based approach and the market approach, and was then calibrated and compared, and the valuation results under the market approach were selected as the final valuation conclusion, taking into account the prerequisites of the valuation approaches and meeting the purpose of valuation.

Based on the judgments of the asset holders and the management of the enterprise on the future development trend and business planning, the valuation procedures such as checking and verification, site inspection, market investigation and enquiry, and assessment and estimation have been carried out to arrive at the valuation conclusion of the value of the entire shareholders' equity in Minsheng Securities Co., Ltd. as at 31 March 2024, the Valuation Benchmark Date, as set out below:

The carrying amount of net assets in the parent company's statement was RMB15,293,215,600, and the assessment value amounted to RMB29,888,785,700, representing an appreciation of RMB14,595,570,100 or 95.44% in valuation. The net assets attributable to the parent company were RMB16,048,968,700 on a consolidated basis, representing an appreciation of RMB13,839,817,000 or 86.23% in valuation.

When using the valuation conclusions, users of the report are particularly reminded of the special matters, significant subsequent events and their impact on the valuation as set out herein. For details, please refer to XI "NOTES ON SPECIAL MATTERS" for the full text of this report.

Pursuant to the laws and regulations relating to asset valuation, asset valuation reports involving statutory valuation business shall be used after performing the procedures for supervision and management of asset valuation by the principals in accordance with the requirements of the laws and regulations. The valuation results are valid for use for one year, i.e. from 31 March 2024 to 30 March 2025.

The above has been extracted from the full text of the Asset Valuation Report. To understand the details of this valuation engagement and to have a correct understanding of the valuation conclusion, you should carefully read the full text of the Asset Valuation Report.

**ASSET VALUATION REPORT ON THE VALUE OF ENTIRE SHAREHOLDERS'
EQUITY IN MINSHENG SECURITIES CO., LTD. INVOLVED IN THE PROPOSED
ACQUISITION OF SHARES OF MINSHENG SECURITIES CO., LTD.
HELD BY WUXI GUOLIAN DEVELOPMENT (GROUP) CO., LTD.
(無錫市國聯發展(集團)有限公司) AND OTHER SHAREHOLDERS
BY ISSUING SHARES BY GUOLIAN SECURITIES CO., LTD.**

Zhong Lian Ping Bao Zi [2024] No. 1372

Guolian Securities Co., Ltd., Wuxi Guolian Development (Group) Co., Ltd. (無錫市國聯發展(集團)有限公司), Shanghai Zhangjiang (Group) Co., Ltd. (上海張江(集團)有限公司), Shanghai Zhangjiang High-Tech Park Development Co., Ltd. (上海張江高科技園區開發股份有限公司), Shanghai Pudong Innovative Investment Development (Group) Co., Ltd. (上海浦東創新投資發展(集團)有限公司), Taizhou State-owned Capital Operation Group Co., Ltd. (台州市國有資本運營集團有限公司) and Qingdao Jinyuan Minfu Equity Investment Partnership (Limited Partnership)(青島金源民福股權投資合夥企業(有限合夥)):

Jointly entrusted by the companies, China United Assets Appraisal Group Co., Ltd. has, in accordance with the provisions of relevant laws, administrative regulations and asset valuation standards, and adhering to the principles of independence, objectivity and impartiality, adopted the asset-based approach and the market approach and following the requisite valuation procedures, conducted a valuation of the market value of the entire shareholders' equity in Minsheng Securities Co., Ltd. as at 31 March 2024, the Valuation Benchmark Date, in respect of the economic activities involving the proposed acquisition of shares of Minsheng Securities Co., Ltd. by issuing shares by Guolian Securities Co., Ltd., including 3,470,666,700 shares held by Wuxi Guolian Development (Group) Co., Ltd. (無錫市國聯發展(集團)有限公司), 1,545,359,477 shares held by Shanghai Fengquanyu Enterprise Management Co., Ltd. (上海灃泉峪企業管理有限公司), and the corresponding shares held by other shareholders. The valuation of the assets is reported as follows:

**I. PRINCIPALS, VALUATION ENTITY AND OTHER USERS OF THE ASSET
VALUATION REPORT**

The principal I of this asset valuation is Guolian Securities Co., Ltd., the principal II is Wuxi Guolian Development (Group) Co., Ltd. (無錫市國聯發展(集團)有限公司), the principal III is Shanghai Zhangjiang (Group) Co., Ltd. (上海張江(集團)有限公司), the principal IV is Shanghai Zhangjiang High-Tech Park Development Co., Ltd. (上海張江高科技園區開發股份有限公司), the principal V is Shanghai Pudong Innovative Investment Development (Group) Co., Ltd. (上海浦東創新投資發展(集團)有限公司), the principal VI is Taizhou State-owned Capital Operation Group Co., Ltd. (台州市國有資本運營集團有限公司), the principal VII is Qingdao Jinyuan Minfu Equity Investment Partnership (Limited Partnership)(青島金源民福股權投資合夥企業(有限合夥)), and the valuation entity is Minsheng Securities Co., Ltd.

(I) Overview of Principal I

Name: Guolian Securities Co., Ltd. (hereinafter referred to as “**Guolian Securities**”)

Type: Joint stock limited company (listed, state-controlled)

Address: No. 8 Jinrong One Street, Wuxi

Legal representative: Ge Xiaobo

Registered capital: RMB2,831,773,168

Date of establishment: 8 January 1999

Duration of operation: 29 January 2002 to non-fixed term

Social credit code: 91320200135914870B

Business scope: Licensed items: securities business, securities investment consultation, sales of public securities investment funds and bond market business (for items requiring approval in accordance with the law, commencement of operations is subject to approval by the relevant authorities, and the specific items are subject to the approval results). General items: securities financial advisory services and provision of intermediary business for futures companies by securities companies (except for items requiring approval according to the law, operations shall be commenced independently with the business licences in accordance with the law)

(II) Overview of Principal II

Name: Wuxi Guolian Development (Group) Co., Ltd. (無錫市國聯發展(集團)有限公司) (hereinafter referred to as “**Guolian Group**”)

Type: Limited liability company

Address: Binhu District, Wuxi, Jiangsu Province (江蘇省無錫市濱湖區)

Legal representative: Xu Ke (許可)

Registered capital: RMB8,391,110,000

Date of establishment: 16 December 1997

Duration of operation: 4 June 2001 to non-fixed term

Social credit code: 91320200136008095K

Business scope: Engaged in capital and assets operation; external investment with proprietary funds; trade consultancy; enterprise management service. (For items requiring approval according to the law, commencement of operations is subject to the approval by the relevant authorities)

(III) Overview of Principal III

Name: Shanghai Zhangjiang (Group) Co., Ltd. (上海張江(集團)有限公司)
(hereinafter referred to as “Zhangjiang Group”)

Type: Limited liability company (wholly state-owned)

Address: Building 16, No. 1387 Zhangdong Road, China (Shanghai) Pilot Free Trade Zone (中國(上海)自由貿易試驗區張東路1387號16幢)

Legal representative: Yuan Tao (袁濤)

Registered capital: RMB3,112,550,000

Date of establishment: 3 July 1992

Duration of operation: 3 July 1992 to non-fixed term

Social credit code: 913100001322080739

Business scope: Licensed items: real estate development and operations, construction and design of construction works. (For items requiring approval in accordance with the law, commencement of operations is subject to approval by the relevant authorities, and the specific operating items are subject to the approval documents or licences of relevant authorities) General items: technology intermediary services, technology services, technology development, technology consultation, technology exchange, technology transfer, technology promotion, leasing of non-residential real estate, residential leasing, property management, import and export of goods, import and export of technology, information consulting services (excluding licensed information consulting services), information technology consulting services, marketing planning, commercial complex management services, sales of construction materials, lightweight construction materials, construction waterproofing membrane products, metal accessories for construction, non-ferrous metal alloys, high-performance non-ferrous metals and alloys, metal structures, metal materials and metal products. (Except for items requiring approval according to the law, operations shall be commenced independently with the business licences in accordance with the law)

(IV) Overview of Principal IV

Name: Shanghai Zhangjiang High-Tech Park Development Co., Ltd. (上海張江高科技園區開發股份有限公司) (hereinafter referred to as “**Zhangjiang High-Tech**”)

Type: Joint stock limited company (listed, state-controlled)

Address: Room 802, No. 289 Chunxiao Road, China (Shanghai) Pilot Free Trade Zone (中國(上海)自由貿易試驗區春曉路289號802室)

Legal representative: Liu Ying (劉櫻)

Registered capital: RMB1,548,689,550

Date of establishment: 18 April 1996

Duration of operation: 18 April 1996 to non-fixed term

Social credit code: 913100001322632162

Business scope: Licensed items: real estate development and operations. (For items requiring approval according to the law, commencement of operations is subject to approval by the relevant authorities, and the specific operating items are subject to the approval documents or licences of relevant authorities) General items: engaging in investment activities with proprietary funds, investment management, asset management services invested with proprietary funds, corporate headquarters management, leasing of non-residential real estate, residential leasing, construction, leasing and operational management of public rental housing within the city, land remediation services, leasing of land use rights, park management services, entrepreneurial space services, property management, hotel management, car park services, commercial complex management services, operation of sports venues and facilities (excluding high-risk sports); municipal facilities management; engineering management services; information system integration services; cloud computing equipment technology services; technology consulting services for artificial intelligence public service platform; artificial intelligence innovation and entrepreneurship service platform; sales of integrated circuits; design of integrated circuits; research and experimental development of engineering and technology; socio-economic consulting services; technology intermediary services; marketing planning; business management consulting, information consulting services (excluding licensed information consulting services), installation service of general machinery and equipment; sales of machinery and equipment; sales of specialized electronic equipment; sales of construction materials, leasing services (excluding licensed leasing services), housing demolition and relocation services, domestic trade agency, sales agency, import and export of goods, import and export of technology, technology services, technology development, technology consultation, technology exchange, technology transfer, technology promotion, artificial intelligence public data platform. (Except for items requiring approval according to the law, operations shall be commenced independently with the business licences in accordance with the law)

(V) Overview of Principal V

Name: Shanghai Pudong Innovative Investment Development (Group) Co., Ltd. (上海浦東創新投資發展(集團)有限公司) (hereinafter referred to as “**Pudong Innovative Investment**”)

Type: Limited liability company (wholly state-owned)

Address: No. 1229 Dongxiu Road, China (Shanghai) Pilot Free Trade Zone (中國(上海)自由貿易試驗區東繡路1229號)

Legal representative: Wen Xinchun (文新春)

Registered capital: RMB3,000,000,000

Date of establishment: 29 September 2015

Duration of operation: 29 September 2015 to non-fixed term

Social credit code: 91310115350896118A

Business scope: Various types of asset investment, capital operation and asset management, industry research, and socio-economic consulting. (For items requiring approval according to the law, commencement of operations is subject to approval by the relevant authorities)

(VI) Overview of Principal VI

Name: Taizhou State-owned Capital Operation Group Co., Ltd. (台州市國有資本運營集團有限公司) (hereinafter referred to as “**Taizhou State-owned Capital Operation**”)

Type: Limited liability company (state-controlled)

Address: Room 201, No. 391 Shifu Avenue, Jiaojiang District, Taizhou, Zhejiang Province (浙江省台州市椒江區市府大道391號201室)

Legal representative: Li Zhansheng (李戰勝)

Registered capital: RMB3,000,000,000

Date of establishment: 23 January 2008

Duration of operation: 23 January 2008 to non-fixed term

Social credit code: 91331000671623786G

Business scope: Investment and asset management, investment consulting services (financing deposits, financing guarantee, entrusted wealth management and other financial services shall not be provided to the general public without approval from the financial and other regulatory authorities), asset management and disposal, and equity management. (For items requiring approval according to the law, commencement of operations is subject to approval by the relevant authorities)

(VII) Overview of Principal VII

Name: Qingdao Jinyuan Minfu Equity Investment Partnership (Limited Partnership)(青島金源民福股權投資合夥企業(有限合夥)) (hereinafter referred to as “**Qingdao Jinyuan**”)

Type: Limited Partnership (invested by Hong Kong, Macao and Taiwan)

Address: Room 2002, No.2 Building, No. 180 Haier Road, Laoshan District, Qingdao, Shandong Province (山東省青島市嶗山區海爾路180號2號樓2002室)

Executive partner: Beijing Jinhui Xingye Investment Management Co., Ltd. (北京金匯興業投資管理有限公司)

Capital contribution: RMB286,000,000

Date of establishment: 1 April 2020

Duration of operation: 1 April 2020 to 31 March 2027

Social credit code: 91370212MA3RNY9X2U

Business scope: Equity investment, investment consulting (non-securities business) (the above items are subject to registration by the Asset Management Association of China, and financing guarantee, deposit-taking, entrusted wealth management and other financial services shall not be engaged in without approval from the financial regulatory authorities). (For items requiring approval according to the law, commencement of operations is subject to approval by the relevant authorities)

(VIII) Overview of Valuation Entity**1. Basic company information**

Name of the company: Minsheng Securities Co., Ltd. (hereinafter referred to as “Minsheng Securities”)

Type: Other joint stock limited company (non-listed)

Address: No. 8 Puming Road, China (Shanghai) Pilot Free Trade Zone (中國(上海)自由貿易試驗區浦明路8號)

Legal representative: Gu Wei (顧偉)

Registered capital: RMB11,383,836,763

Date of establishment: 9 January 1997

Duration of operation: 9 January 1997 to non-fixed term

Uniform social credit code: 9111000017000168XK

Business scope: Licensed items: securities brokerage, securities investment consultation, financial advisory in relation to securities trading and securities investment activities, securities underwriting and sponsorship, proprietary securities trading, securities assets management, margin financing and securities lending, sales of securities investment funds on a commission basis, sales of financial products on a commission basis, and operating insurance business as a sideline agent. (Except for items requiring approval according to the law, operations shall be commenced independently with the business licences in accordance with the law)

2. History and shareholding structure

According to the Business Licence (Zheng Gong Shang Qi Zi No. 0426)(鄭工商企字0426號) issued by Zhengzhou Administration for Industry and Commerce (鄭州市工商行政管理局) on 29 November 1986, the predecessor of Minsheng Securities was Zhengzhou Securities Company (鄭州市證券公司), which was established on 29 November 1986 with a registered capital of RMB10,000,000.

On 10 November 1995, the registered capital of Zhengzhou Securities Company was increased from RMB10,000,000 to RMB100,000,000, and the name of Zhengzhou Securities Company was standardised as “Zhengzhou Securities Co., Ltd. (鄭州證券有限責任公司).

On 9 January 1997, Zhengzhou Securities changed its name to Yellow River Securities.

According to the articles of association of Yellow River Securities dated November 1997, the shareholding structure of Yellow River Securities was as follows:

No.	Name of shareholders	Committed capital contribution (RMB10 thousand)	Shareholding ratio
1	Zhengzhou Yinzheng Industrial Co., Ltd. (鄭州市銀正實業公司)	2,919.00	29.19%
2	Zhengzhou Tengfei Trading Co., Ltd. (鄭州騰飛商貿有限責任公司)	1,250.00	12.50%
3	Zhengzhou Yinli Industrial Development Company (鄭州銀利實業發展公司)	1,000.00	10.00%
4	Huaneng (Hainan) Co., Ltd. (華能(海南)股份有限公司)	833.00	8.33%
5	Shanghai Dongshen Economic Development Co., Ltd. (上海東申經濟發展有限公司)	833.00	8.33%
6	China Great Wall Aluminum Company (中國長城鋁業公司)	833.00	8.33%
7	Zhengzhou Julong Investment Consulting Co., Ltd. (鄭州巨龍投資諮詢有限責任公司)	833.00	8.33%
8	Henan Longfeng Property Management Co., Ltd. (河南省隆豐物業管理有限公司)	833.00	8.33%
9	Yangpu Yuntai Industrial Development Co., Ltd. (洋浦運泰實業發展有限公司)	666.00	6.66%
	Total	10,000.00	100.00%

In November 1998, Shanghai Dongshen Economic Development Co., Ltd. (上海東申經濟發展有限公司) transferred its 8.33% equity interests in Yellow River Securities to Henan Tourism Group Co., Ltd. (河南旅遊集團有限公司); Huaneng (Hainan) Co., Ltd. (華能(海南)股份有限公司) transferred its 8.33% equity interests in Yellow River Securities to Zhengzhou Rongxin Industrial Co., Ltd. (鄭州融信實業有限公司); Yangpu Yuntai Industrial Development Co., Ltd. (洋浦運泰實業發展有限公司) transferred its 5.00% equity interests in Yellow River Securities to Henan Tourism Group Co., Ltd. (河南旅遊集團有限公司) and 1.66% equity interests to Zhengzhou Rongxin Industrial Co., Ltd. (鄭州融信實業有限公司).

Upon the equity transfers, the shareholding structure of Yellow River Securities was as follows:

No.	Name of shareholders	Committed capital contribution (RMB10 thousand)	Shareholding ratio
1	Zhengzhou Yinzheng Industrial Co., Ltd. (鄭州市銀正實業公司)	2,919.00	29.19%
2	Henan Tourism Group Co., Ltd. (河南旅遊集團有限公司)	1,333.00	13.33%
3	Zhengzhou Tengfei Trading Co., Ltd. (鄭州騰飛商貿有限責任公司)	1,250.00	12.50%
4	Zhengzhou Yinli Industrial Development Company (鄭州銀利實業發展公司)	1,000.00	10.00%
5	Zhengzhou Rongxin Industrial Co., Ltd. (鄭州融信實業有限公司)	999.00	9.99%
6	China Great Wall Aluminum Company (中國長城鋁業公司)	833.00	8.33%
7	Zhengzhou Julong Investment Consulting Co., Ltd. (鄭州巨龍投資諮詢有限責任公司)	833.00	8.33%
8	Henan Longfeng Property Management Co., Ltd. (河南省隆豐物業管理有限公司)	833.00	8.33%
Total		10,000.00	100.00%

In December 1999, Zhengzhou Julong Investment Consulting Co., Ltd. (鄭州巨龍投資諮詢有限責任公司) transferred its 8.33% equity interests in Yellow River Securities to Shandong Lucion Industrial Group Company (山東魯信實業集團公司); Zhengzhou Tengfei Trading Co., Ltd. (鄭州騰飛商貿有限責任公司) transferred its 12.50% equity interests in Yellow River Securities to Shandong International Trust and Investment Company (山東省國際信託投資公司); Zhengzhou Rongxin Industrial Co., Ltd. (鄭州融信實業有限公司) transferred its 9.99% equity interests in Yellow River Securities to Shandong Lucion Industrial Group Company (山東魯信實業集團公司).

Upon the equity transfers, the shareholding structure of Yellow River Securities was as follows:

No.	Name of shareholders	Committed capital contribution (RMB10 thousand)	Shareholding ratio
1	Zhengzhou Yinzheng Industrial Co., Ltd. (鄭州市銀正實業公司)	2,919.00	29.19%
2	Shandong Lucion Industrial Group Company (山東魯信實業集團公司)	1,832.00	18.32%
3	Henan Tourism Group Co., Ltd. (河南旅遊集團有限公司)	1,333.00	13.33%
4	Shandong International Trust and Investment Company (山東省國際信託投資公司)	1,250.00	12.50%
5	Zhengzhou Yinli Industrial Development Company (鄭州銀利實業發展公司)	1,000.00	10.00%
6	China Great Wall Aluminum Company (中國長城鋁業公司)	833.00	8.33%
7	Henan Longfeng Property Management Co., Ltd. (河南省隆豐物業管理有限公司)	833.00	8.33%
	Total	10,000.00	100.00%

In September 2002, the company name of Yellow River Securities Limited (黃河證券有限責任公司) was changed to Minsheng Securities Company Limited (民生證券有限責任公司), the place of registration was changed to Beijing and the registered capital was changed from RMB100,000,000 to RMB1,282,296,300.

Upon completion of the capital increase, the shareholding structure of Minsheng Securities was as follows:

No.	Name of shareholders	Committed capital contribution (RMB10 thousand)	Shareholding ratio
1	China Oceanwide Holdings Co., Ltd. (中國泛海控股有限公司)	24,000.00	18.72%
2	Shandong High-tech Investment Co., Ltd. (山東省高新技術投資有限公司)	20,771.53	16.20%
3	Nanyang Jinguan Group Co., Ltd. (南陽金冠集團有限責任公司)	13,500.00	10.53%
4	Henan Garden Group Co., Ltd. (河南花園集團有限公司)	13,000.00	10.14%
5	China Shipowners Mutual Assurance Association (中國船東互保協會)	12,000.00	9.36%
6	Zhengzhou Yinzhen Industrial Co., Ltd. (鄭州市銀正實業公司) ¹	11,279.37	8.80%
7	Henan Lotus MSG Group Co., Ltd. (河南省蓮花味精集團有限公司)	8,000.00	6.24%
8	Xinxiang Bailu Chemical Fibre Group Co., Ltd. (新鄉白鷺化纖集團有限責任公司)	8,000.00	6.24%
9	Shandong Lucion Industrial Group Company (山東魯信實業集團公司)	5,305.12	4.14%
10	Henan Tourism Group Co., Ltd. (河南旅遊集團有限公司)	3,860.11	3.01%
11	Shandong International Trust and Investment Company (山東省國際信託投資公司) ²	3,619.76	2.82%
12	Zhengzhou Yinli Industrial Development Company (鄭州銀利實業發展公司)	1,835.61	1.43%
13	China Great Wall Aluminum Company (中國長城鋁業公司)	1,529.06	1.19%
14	Henan Longfeng Property Management Co., Ltd. (河南隆豐物業管理有限公司)	1,529.06	1.19%
Total		128,229.63	100.00%

¹ Zhengzhou Yinzhen Industrial Co., Ltd. (鄭州市銀正實業公司) later renamed as Beijing Oriental Yinzhen Investment Co., Ltd. (北京東方銀正投資有限公司).

² Shandong International Trust and Investment Company (山東省國際信託投資公司) later renamed as Shandong International Trust Investment Co., Ltd. (山東省國際信託投資有限公司).

In August 2004, the CSRC issued the Approval of the Acquisition of Equity Interests in Minsheng Securities Company Limited held by Henan Lotus MSG Group Co., Ltd. by Henan Sida Technology Development Co., Ltd. (Zheng Jian Ji Gou Zi [2004] No.100)(《關於同意河南思達科技發展股份有限公司受讓河南省蓮花味精集團有限公司所持民生證券有限責任公司股權的批覆》(證監機構字[2004]100號)), which approved the acquisition of equity interests of RMB59,000,000 in Minsheng Securities Company Limited (民生證券有限責任公司)(representing 4.601% of the total capital contribution) held by Henan Lotus MSG Group Co., Ltd. (河南省蓮花味精集團有限公司) by Henan Sida Technology Development Co., Ltd. (河南思達科技發展股份有限公司).

Upon completion of the transfer, the shareholding structure of Minsheng Securities was as follows:

No.	Name of shareholders	Committed capital contribution (RMB10 thousand)	Shareholding ratio
1	China Oceanwide Holdings Co., Ltd. (中國泛海控股有限公司)	24,000.00	18.72%
2	Shandong High-tech Investment Co., Ltd. (山東省高新技術投資有限公司)	20,771.53	16.20%
3	Nanyang Jinguan Group Co., Ltd. (南陽金冠集團有限責任公司)	13,500.00	10.53%
4	Henan Garden Group Co., Ltd. (河南花園集團有限公司)	13,000.00	10.14%
5	China Shipowners Mutual Assurance Association (中國船東互保協會)	12,000.00	9.36%
6	Beijing Oriental Yinzheng Investment Co., Ltd. (北京東方銀正投資有限公司)	11,279.37	8.80%
7	Xinxiang Bailu Chemical Fibre Group Co., Ltd. (新鄉白鷺化纖集團有限責任公司)	8,000.00	6.24%
8	Henan Sida Technology Development Co., Ltd. (河南思達科技發展股份有限公司)	5,900.00	4.60%
9	Shandong Lucion Industrial Group Company (山東魯信實業集團公司)	5,305.12	4.14%
10	Henan Tourism Group Co., Ltd. (河南旅遊集團有限公司)	3,860.11	3.01%
11	Shandong International Trust Investment Co., Ltd. (山東省國際信託投資有限公司)	3,619.76	2.82%
12	Henan Lotus MSG Group Co., Ltd. (河南省蓮花味精集團有限公司)	2,100.00	1.64%

No.	Name of shareholders	Committed capital contribution (RMB10 thousand)	Shareholding ratio
13	Zhengzhou Yinli Industrial Development Company (鄭州銀利實業發展公司)	1,835.61	1.43%
14	China Great Wall Aluminum Company (中國長城鋁業公司)	1,529.06	1.19%
15	Henan Longfeng Property Management Co., Ltd. (河南隆豐物業管理有限公司)	1,529.06	1.19%
Total		128,229.63	100.00%

On 7 March 2003, Henan Longfeng Property Management Co., Ltd. (河南隆豐物業管理有限公司) transferred its equity interests of RMB15,290,600 in Minsheng Securities (representing 1.192% of the total capital contribution) to China Oceanwide Holdings Co., Ltd. (中國泛海控股有限公司).

Upon completion of the transfer, the shareholding structure of Minsheng Securities was as follows:

No.	Name of shareholders	Committed capital contribution (RMB10 thousand)	Shareholding ratio
1	China Oceanwide Holdings Co., Ltd. (中國泛海控股有限公司)	25,529.06	19.91%
2	Shandong High-tech Investment Co., Ltd. (山東省高新技術投資有限公司)	20,771.53	16.20%
3	Nanyang Jinguan Group Co., Ltd. (南陽金冠集團有限責任公司)	13,500.00	10.53%
4	Henan Garden Group Co., Ltd. (河南花園集團有限公司)	13,000.00	10.14%
5	China Shipowners Mutual Assurance Association (中國船東互保協會)	12,000.00	9.36%
6	Beijing Oriental Yinzheng Investment Co., Ltd. (北京東方銀正投資有限公司)	11,279.37	8.80%
7	Xinxiang Bailu Chemical Fibre Group Co., Ltd. (新鄉白鷺化纖集團有限責任公司)	8,000.00	6.24%
8	Henan Sida Technology Development Co., Ltd. (河南思達科技發展股份有限公司)	5,900.00	4.60%

No.	Name of shareholders	Committed capital contribution (RMB10 thousand)	Shareholding ratio
9	Shandong Lucion Industrial Group Co., Ltd. (山東魯信實業集團公司)	5,305.12	4.14%
10	Henan Tourism Group Co., Ltd. (河南旅遊集團有限公司)	3,860.11	3.01%
11	Shandong International Trust Investment Co., Ltd. (山東省國際信託投資有限公司)	3,619.76	2.82%
12	Henan Lotus MSG Group Co., Ltd. (河南省蓮花味精集團有限公司)	2,100.00	1.64%
13	Zhengzhou Yinli Industrial Development Company (鄭州銀利實業發展公司)	1,835.61	1.43%
14	China Great Wall Aluminum Company (中國長城鋁業公司)	1,529.06	1.19%
Total		128,229.63	100.00%

In May 2007, Henan Tourism Group Co., Ltd. (河南旅遊集團有限公司) transferred its equity interests of RMB38,601,100 in Minsheng Securities (representing 3.010% of the total capital contribution) to Detong Asset Management Co., Ltd. (德通資產管理有限公司)³, and China Great Wall Aluminum Company (中國長城鋁業公司) transferred its equity interests of RMB15,290,600 in Minsheng Securities (representing 1.192% of the total capital contribution) to Detong Asset Management Co., Ltd. (德通資產管理有限公司).

³ Beijing Minsheng Investment Co., Ltd. (北京民生投資有限公司) later renamed as Detong Asset Management Co., Ltd. (德通資產管理有限公司).

Upon completion of the transfer, the shareholding structure of Minsheng Securities was as follows:

No.	Name of shareholders	Committed capital contribution (RMB10 thousand)	Shareholding ratio
1	China Oceanwide Holdings Co., Ltd. (中國泛海控股有限公司)	25,529.06	19.91%
2	Shandong High-tech Investment Co., Ltd. (山東省高新技術投資有限公司)	20,771.53	16.20%
3	Nanyang Jinguan Group Co., Ltd. (南陽金冠集團有限責任公司)	13,500.00	10.53%
4	Henan Garden Group Co., Ltd. (河南花園集團有限公司)	13,000.00	10.14%
5	China Shipowners Mutual Assurance Association (中國船東互保協會)	12,000.00	9.36%
6	Beijing Oriental Yinzheng Investment Co., Ltd. (北京東方銀正投資有限公司)	11,279.37	8.80%
7	Xinxiang Bailu Chemical Fibre Group Co., Ltd. (新鄉白鷺化纖集團有限責任公司)	8,000.00	6.24%
8	Henan Sida Technology Development Co., Ltd. (河南思達科技發展股份有限公司)	5,900.00	4.60%
9	Beijing Degao Ruifeng Economic and Trade Co., Ltd. (北京德高瑞豐經貿有限公司) ⁴	5,389.17	4.20%
10	Shandong Lucion Industrial Group Company (山東魯信實業集團公司)	5,305.12	4.14%
11	Shandong International Trust Investment Co., Ltd. (山東省國際信託投資有限公司)	3,619.76	2.82%
12	Henan Lotus MSG Group Co., Ltd. (河南省蓮花味精集團有限公司)	2,100.00	1.64%
13	Zhengzhou Yinli Industrial Development Company (鄭州銀利實業發展公司)	1,835.61	1.43%
Total		128,229.63	100.00%

In May 2007, Zhengzhou Yinli Industrial Development Company (鄭州銀利實業發展公司) transferred its equity interests of RMB18,356,100 in Minsheng Securities (representing 1.431% of the total capital contribution) to China Oceanwide Holdings Co., Ltd. (中國泛海控股有限公司).

⁴ Detong Asset Management Co., Ltd. (德通資產管理有限公司) later renamed as Beijing Degao Ruifeng Economic and Trade Co., Ltd. (北京德高瑞豐經貿有限公司).

Upon completion of the transfer, the shareholding structure of Minsheng Securities was as follows:

No.	Name of shareholders	Committed capital contribution (RMB10 thousand)	Shareholding ratio
1	China Oceanwide Holdings Co., Ltd. (中國泛海控股有限公司)	27,364.66	21.34%
2	Shandong High-tech Investment Co., Ltd. (山東省高新技術投資有限公司)	20,771.53	16.20%
3	Nanyang Jinguan Group Co., Ltd. (南陽金冠集團有限責任公司)	13,500.00	10.53%
4	Henan Garden Group Co., Ltd. (河南花園集團有限公司)	13,000.00	10.14%
5	China Shipowners Mutual Assurance Association (中國船東互保協會)	12,000.00	9.36%
6	Beijing Oriental Yinzheng Investment Co., Ltd. (北京東方銀正投資有限公司)	11,279.37	8.80%
7	Xinxiang Bailu Chemical Fibre Group Co., Ltd. (新鄉白鷺化纖集團有限責任公司)	8,000.00	6.24%
8	Henan Sida Technology Development Co., Ltd. (河南思達科技發展股份有限公司)	5,900.00	4.60%
9	Beijing Degao Ruifeng Economic and Trade Co., Ltd. (北京德高瑞豐經貿有限公司)	5,389.17	4.20%
10	Shandong Lucion Industrial Group Company (山東魯信實業集團公司)	5,305.12	4.14%
11	Shandong International Trust Investment Co., Ltd. (山東省國際信託投資有限公司)	3,619.76	2.82%
12	Henan Lotus MSG Group Co., Ltd. (河南省蓮花味精集團有限公司)	2,100.00	1.64%
Total		128,229.63	100.00%

In July 2008, China Oceanwide Holdings Group Co., Ltd. (中國泛海控股集團有限公司)⁵ acquired the equity interests of RMB129,067,900 in Minsheng Securities (representing 10.065% of the total capital contribution) held by Henan Garden Group Co., Ltd. (河南花園集團有限公司) and Minsheng Investment Group Co., Ltd. (民生投資集團有限公司) acquired the equity interests of RMB135,000,000 in Minsheng Securities (representing 10.528% of the total capital contribution) held by Nanyang Jinguan Group Co., Ltd. (南陽金冠集團有限責任公司).

Upon completion of the transfer, the shareholding structure of Minsheng Securities was as follows:

No.	Name of shareholders	Committed capital contribution (RMB10 thousand)	Shareholding ratio
1	China Oceanwide Holdings Group Co., Ltd. (中國泛海控股集團有限公司)	40,271.46	31.41%
2	Shandong High-tech Investment Co., Ltd. (山東省高新技術投資有限公司)	20,771.53	16.20%
3	Minsheng Investment Group Co., Ltd. (民生投資集團有限公司)	13,500.00	10.53%
4	China Shipowners Mutual Assurance Association (中國船東互保協會)	12,000.00	9.36%
5	Beijing Oriental Yinzheng Investment Co., Ltd. (北京東方銀正投資有限公司)	11,279.37	8.80%
6	Xinxiang Bailu Chemical Fibre Group Co., Ltd. (新鄉白鷺化纖集團有限責任公司)	8,000.00	6.24%
7	Henan Sida Technology Development Co., Ltd. (河南思達科技發展股份有限公司)	5,900.00	4.60%
8	Beijing Degao Ruifeng Economic and Trade Co., Ltd. (北京德高瑞豐經貿有限公司)	5,389.17	4.20%
9	Shandong Lucion Industrial Group Company (山東魯信實業集團公司)	5,305.12	4.14%
10	Shandong International Trust Investment Co., Ltd. (山東省國際信託投資有限公司)	3,619.76	2.82%
11	Henan Lotus MSG Group Co., Ltd. (河南省蓮花味精集團有限公司)	2,100.00	1.64%
12	Henan Garden Group Co., Ltd. (河南花園集團有限公司)	93.21	0.07%
Total		128,229.63	100.00%

⁵ China Oceanwide Holdings Co., Ltd. (中國泛海控股有限公司) later renamed as China Oceanwide Holdings Group Co., Ltd. (中國泛海控股集團有限公司).

In September 2009, Beijing Degao Ruifeng Economic and Trade Co., Ltd. (北京德高瑞豐經貿有限公司) transferred its equity interests of RMB53,891,700 in Minsheng Securities (representing 4.202% of the total capital contribution) to China Oceanwide Holdings Group Co., Ltd. (中國泛海控股集團有限公司).

Upon completion of the transfer, the shareholding structure of Minsheng Securities was as follows:

No.	Name of shareholders	Committed capital contribution (RMB10 thousand)	Shareholding ratio
1	China Oceanwide Holdings Group Co., Ltd. (中國泛海控股集團有限公司)	45,660.63	35.61%
2	Shandong High-tech Investment Co., Ltd. (山東省高新技術投資有限公司)	20,771.53	16.20%
3	Oceanwide Investment Co., Ltd. (泛海投資股份有限公司) ⁶	13,500.00	10.53%
4	China Shipowners Mutual Assurance Association (中國船東互保協會)	12,000.00	9.36%
5	Beijing Oriental Yinzheng Investment Co., Ltd. (北京東方銀正投資有限公司)	11,279.37	8.80%
6	Xinxiang Bailu Chemical Fibre Group Co., Ltd. (新鄉白鷺化纖集團有限責任公司)	8,000.00	6.24%
7	Henan Sida Technology Development Co., Ltd. (河南思達科技發展股份有限公司)	5,900.00	4.60%
8	Shandong Lucion Industrial Group Company (山東魯信實業集團公司)	5,305.12	4.14%
9	Shandong International Trust Company Limited (山東省國際信託有限公司)	3,619.76	2.82%
10	Henan Lotus MSG Group Co., Ltd. (河南省蓮花味精集團有限公司)	2,100.00	1.64%
11	Henan Garden Group Co., Ltd. (河南花園集團有限公司)	93.21	0.07%
Total		128,229.63	100.00%

⁶ Minsheng Investment Group Co., Ltd. (民生投資集團有限公司) later renamed as Oceanwide Investment Co., Ltd. (泛海投資股份有限公司).

In December 2009, Henan Sida Technology Development Co., Ltd. (河南思達科技發展股份有限公司) transferred its equity interests of RMB59,000,000 in Minsheng Securities (representing 4.601% of the total capital contribution) to China Oceanwide Holdings Group Co., Ltd. (中國泛海控股集團有限公司).

Upon completion of the transfer, the shareholding structure of Minsheng Securities was as follows:

No.	Name of shareholders	Committed capital contribution (RMB10 thousand)	Shareholding ratio
1	China Oceanwide Holdings Group Co., Ltd. (中國泛海控股集團有限公司)	51,560.63	40.21%
2	Shandong High-tech Investment Co., Ltd. (山東省高新技術投資有限公司)	20,771.53	16.20%
3	Oceanwide Investment Co., Ltd. (泛海投資股份有限公司)	13,500.00	10.53%
4	China Shipowners Mutual Assurance Association (中國船東互保協會)	12,000.00	9.36%
5	Beijing Oriental Yinzheng Investment Co., Ltd. (北京東方銀正投資有限公司)	11,279.37	8.80%
6	Xinxiang Bailu Chemical Fibre Group Co., Ltd. (新鄉白鷺化纖集團有限責任公司)	8,000.00	6.24%
7	Shandong Lucion Industrial Group Company (山東魯信實業集團公司)	5,305.12	4.14%
8	Shandong International Trust Company Limited (山東省國際信託有限公司)	3,619.76	2.82%
9	Henan Lotus MSG Group Co., Ltd. (河南省蓮花味精集團有限公司)	2,100.00	1.64%
10	Henan Garden Group Co., Ltd. (河南花園集團有限公司)	93.21	0.07%
	Total	128,229.63	100.00%

In December 2009, Beijing Oriental Yinzheng Investment Co., Ltd. (北京東方銀正投資有限公司) transferred its equity interests of RMB112,793,700 in Minsheng Securities (representing 8.796% of the total capital contribution) to China Oceanwide Holdings Group Co., Ltd. (中國泛海控股集團有限公司).

Upon completion of the transfer, the shareholding structure of Minsheng Securities Company Limited (民生證券有限責任公司) was as follows:

No.	Name of shareholders	Committed capital contribution (RMB10 thousand)	Shareholding ratio
1	China Oceanwide Holdings Group Co., Ltd. (中國泛海控股集團有限公司)	62,840.01	49.01%
2	Shandong High-tech Investment Co., Ltd. (山東省高新技術投資有限公司)	20,771.53	16.20%
3	Oceanwide Investment Co., Ltd. (泛海投資股份有限公司)	13,500.00	10.53%
4	China Shipowners Mutual Assurance Association (中國船東互保協會)	12,000.00	9.36%
5	Xinxiang Bailu Chemical Fibre Group Co., Ltd. (新鄉白鷺化纖集團有限責任公司)	8,000.00	6.24%
6	Shandong Lucion Industrial Group Company (山東魯信實業集團公司)	5,305.12	4.14%
7	Shandong International Trust Company Limited (山東省國際信託有限公司)	3,619.76	2.82%
8	Henan Lotus MSG Group Co., Ltd. (河南省蓮花味精集團有限公司)	2,100.00	1.64%
9	Henan Garden Group Co., Ltd. (河南花園集團有限公司)	93.21	0.07%
	Total	128,229.63	100.00%

In June 2010, the registered capital of Minsheng Securities was increased to RMB2,177,306,300.

Upon completion of the capital increase, the shareholding structure of Minsheng Securities was as follows:

No.	Name of shareholders	Committed capital contribution (RMB10 thousand)	Shareholding ratio
1	China Oceanwide Holdings Group Co., Ltd. (中國泛海控股集團有限公司)	133,442.01	61.29%
2	Shandong High-tech Investment Co., Ltd. (山東省高新技術投資有限公司)	20,771.53	9.54%
3	Shandong Lucion Investment Holdings Group Co., Ltd. (山東省魯信投資控股集團有限公司)	16,199.00	7.44%
4	Oceanwide Investment Co., Ltd. (泛海投資股份有限公司)	13,500.00	6.20%
5	China Shipowners Mutual Assurance Association (中國船東互保協會)	12,000.00	5.51%
6	Xinxiang Bailu Chemical Fibre Group Co., Ltd. (新鄉白鷺化纖集團有限責任公司)	8,000.00	3.67%
7	Shandong International Trust Company Limited (山東省國際信託有限公司)	6,319.76	2.90%
8	Shandong Lucion Industrial Group Company (山東魯信實業集團公司)	5,305.12	2.44%
9	Henan Lotus MSG Group Co., Ltd. (河南省蓮花味精集團有限公司)	2,100.00	0.96%
10	Henan Garden Group Co., Ltd. (河南花園集團有限公司)	93.21	0.04%
Total		217,730.63	100.00%

In July 2011, Henan Lotus MSG Group Co., Ltd. (河南省蓮花味精集團有限公司) transferred its equity interests of RMB21,000,000 in Minsheng Securities (representing 0.964% of the total capital contribution) to Zhongding Yatai Investment Co., Ltd. (中鼎亞泰投資有限公司).

Upon completion of the transfer, the shareholding structure of Minsheng Securities was as follows:

No.	Name of shareholders	Committed capital contribution (RMB10 thousand)	Shareholding ratio
1	China Oceanwide Holdings Group Co., Ltd. (中國泛海控股集團有限公司)	133,442.01	61.29%
2	Shandong High-tech Investment Co., Ltd. (山東省高新技術投資有限公司)	20,771.53	9.54%
3	Shandong Lucion Investment Holdings Group Co., Ltd. (山東省魯信投資控股集團有限公司)	16,199.00	7.44%
4	Oceanwide Energy Investment Co., Ltd. (泛海能源投資股份有限公司) ⁷	13,500.00	6.20%
5	China Shipowners Mutual Assurance Association (中國船東互保協會)	12,000.00	5.51%
6	Xinxiang Bailu Chemical Fibre Group Co., Ltd. (新鄉白鷺化纖集團有限責任公司)	8,000.00	3.67%
7	Shandong International Trust Company Limited (山東省國際信託有限公司)	6,319.76	2.90%
8	Shandong Lucion Industrial Group Company (山東魯信實業集團公司)	5,305.12	2.44%
9	Zhongding Yatai Investment Co., Ltd. (中鼎亞泰投資有限公司)	2,100.00	0.96%
10	Henan Garden Group Co., Ltd. (河南花園集團有限公司)	93.21	0.04%
Total		217,730.63	100.00%

⁷ Oceanwide Investment Co., Ltd. (泛海投資股份有限公司) later renamed as Oceanwide Energy Investment Co., Ltd. (泛海能源投資股份有限公司).

In November 2011, China Shipowners Mutual Assurance Association (中國船東互保協會) transferred its equity interests of RMB120,000,000 in Minsheng Securities Company Limited (民生證券有限責任公司)(representing 5.511% of the total capital contribution) to China Oceanwide Holdings Group Co., Ltd. (中國泛海控股集團有限公司).

Upon completion of the transfer, the shareholding structure of Minsheng Securities was as follows:

No.	Name of shareholders	Committed capital contribution (RMB10 thousand)	Shareholding ratio
1	China Oceanwide Holdings Group Co., Ltd. (中國泛海控股集團有限公司)	145,442.01	66.80%
2	Shandong High-Tech Venture Capital Co., Ltd. (山東省高新技術創業投資有限公司) ⁸	20,771.53	9.54%
3	Shandong Lucion Investment Holdings Group Co., Ltd. (山東省魯信投資控股集團有限公司)	16,199.00	7.44%
4	Oceanwide Energy Investment Co., Ltd. (泛海能源投資股份有限公司)	13,500.00	6.20%
5	Xinxiang Bailu Chemical Fibre Group Co., Ltd. (新鄉白鷺化纖集團有限責任公司)	8,000.00	3.67%
6	Shandong International Trust Company Limited (山東省國際信託有限公司)	6,319.76	2.90%
7	Shandong Lucion Industrial Group Co., Ltd. (山東魯信實業集團有限公司) ⁹	5,305.12	2.44%
8	Zhongding Yatai Investment Co., Ltd. (中鼎亞泰投資有限公司)	2,100.00	0.96%
9	Henan Garden Group Co., Ltd. (河南花園集團有限公司)	93.21	0.04%
Total		217,730.63	100.00%

⁸ Shandong High-tech Investment Co., Ltd. (山東省高新技術投資有限公司) late renamed as Shandong High-Tech Venture Capital Co., Ltd. (山東省高新技術創業投資有限公司).

⁹ Shandong Lucion Industrial Group Company (山東魯信實業集團公司) late renamed as Shandong Lucion Industrial Group Co., Ltd. (山東魯信實業集團有限公司).

In July 2012, Minsheng Securities was changed to a joint stock company with a registered capital of RMB2,177,306,302.00 and its name was changed to Minsheng Securities Co., Ltd.

Upon the change to a joint stock company, the shareholding structure of Minsheng Securities was as follows:

No.	Name of shareholders	Number of shares held (<i>'0,000 shares</i>)	Shareholding ratio
1	China Oceanwide Holdings Group Co., Ltd. (中國泛海控股集團有限公司)	145,442.01	66.80%
2	Shandong High-Tech Venture Capital Co., Ltd. (山東省高新技術創業投資有限公司)	20,771.53	9.54%
3	Shandong Lucion Investment Holdings Group Co., Ltd. (山東省魯信投資控股集團有限公司)	16,199.00	7.44%
4	Oceanwide Energy Investment Co., Ltd. (泛海能源投資股份有限公司)	13,500.00	6.20%
5	Xinxiang Bailu Chemical Fibre Group Co., Ltd. (新鄉白鷺化纖集團有限責任公司)	8,000.00	3.67%
6	Shandong International Trust Company Limited (山東省國際信託有限公司)	6,319.76	2.90%
7	Shandong Lucion Industrial Group Co., Ltd. (山東魯信實業集團有限公司)	5,305.12	2.44%
8	Zhongding Yatai Investment Co., Ltd. (中鼎亞泰投資有限公司)	2,100.00	0.96%
9	Henan Garden Group Co., Ltd. (河南花園集團有限公司)	93.21	0.04%
Total		217,730.63	100.00%

In June 2014, China Oceanwide Holdings Group Co., Ltd. (中國泛海控股集團有限公司) transferred its 1,454,420,100 shares of equity interests in Minsheng Securities (representing 66.799% of the total capital contribution) to Oceanwide Real Estate Group Co., Ltd., and Oceanwide Energy Holdings Co., Ltd. (泛海能源控股股份有限公司) transferred its 135,000,000 shares of equity interests in Minsheng Securities (representing 6.200% of the total capital contribution) to Oceanwide Real Estate Group Co., Ltd.¹⁰.

¹⁰ Oceanwide Real Estate Group Co., Ltd. later renamed as Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司).

Upon completion of the transfer, the shareholding structure of Minsheng Securities was as follows:

No.	Name of shareholders	Number of shares held (‘0,000 shares)	Shareholding ratio
1	Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司)	158,942.01	73.00%
2	Shandong High-Tech Venture Capital Co., Ltd. (山東省高新技術創業投資有限公司)	20,771.53	9.54%
3	Shandong Lucion Investment Holdings Group Co., Ltd. (山東省魯信投資控股集團有限公司)	16,199.00	7.44%
4	Xinxiang Bailu Chemical Fibre Group Co., Ltd. (新鄉白鷺化纖集團有限責任公司)	8,000.00	3.67%
5	Shandong International Trust Company Limited (山東省國際信託有限公司)	6,319.76	2.90%
6	Shandong Lucion Industrial Group Co., Ltd. (山東魯信實業集團有限公司)	5,305.12	2.44%
7	Zhongding Yatai (Beijing) Investment Fund Management Co., Ltd. (中鼎亞泰(北京)投資基金管理有限公司) ¹¹	2,100.00	0.96%
8	Henan Garden Group Co., Ltd. (河南花園集團有限公司)	93.21	0.04%
Total		217,730.63	100.00%

On 24 June 2015, Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司) (hereinafter referred to as “**Oceanwide Holdings**”) acquired 0.964% shares of Minsheng Securities held by Zhongding Yatai (Beijing) Investment Fund Management Co., Ltd. (中鼎亞泰(北京)投資基金管理有限公司) by judicial auction.

On 23 December 2015, Minsheng Securities submitted the Report on the Judicial Auction of the Company’s Equity Interests Held by Zhongding Yatai (Beijing) Investment Fund Management Co., Ltd. (Min Sheng Zheng Zi [2015] No. 456) (《關於中鼎亞泰(北京)投資基金管理有限公司持有的公司股權被司法拍賣的情況報告》民生證字[2015]456號)) to Beijing Regulatory Bureau of the CSRC to report on the changes in equity interests.

¹¹ Zhongding Yatai Investment Co., Ltd. (中鼎亞泰投資有限公司) later renamed as Zhongding Yatai (Beijing) Investment Fund Management Co., Ltd. (中鼎亞泰(北京)投資基金管理有限公司).

Upon completion of the transfer, the shareholding structure of Minsheng Securities was as follows:

No.	Name of shareholders	Number of shares held (‘0,000 shares)	Shareholding ratio
1	Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司)	161,042.01	73.96%
2	Shandong High-Tech Venture Capital Co., Ltd. (山東省高新技術創業投資有限公司)	20,771.53	9.54%
3	Shandong Lucion Investment Holdings Group Co., Ltd. (山東省魯信投資控股集團有限公司)	16,199.00	7.44%
4	Xinxiang Bailu Chemical Fibre Group Co., Ltd. (新鄉白鷺化纖集團有限責任公司)	8,000.00	3.67%
5	Shandong International Trust Co., Ltd. (山東省國際信託股份有限公司) ¹²	6,319.76	2.90%
6	Shandong Lucion Industrial Group Co., Ltd. (山東魯信實業集團有限公司)	5,305.12	2.44%
7	Henan Garden Group Co., Ltd. (河南花園集團有限公司)	93.21	0.04%
Total		217,730.63	100.00%

On 11 December 2015, Oceanwide Holdings acquired 0.043% shares of Minsheng Securities held by Henan Garden Group Co., Ltd. (河南花園集團有限公司) by judicial auction.

On 31 December 2015, Minsheng Securities submitted the Report on the Judicial Auction of the Company’s Equity Interests Held by Henan Garden Group Co., Ltd. (Min Sheng Zheng Zi [2015] No. 469)(《關於河南花園集團有限公司持有的公司股權被司法拍賣的情況報告》民生證字[2015]469號)) to Beijing Regulatory Bureau of the CSRC to report on the changes in equity interests.

¹² Shandong International Trust Company Limited (山東省國際信託有限公司) later renamed as Shandong International Trust Co., Ltd. (山東省國際信託股份有限公司).

Upon completion of the transfer, the shareholding structure of Minsheng Securities was as follows:

No.	Name of shareholders	Number of shares held (<i>'0,000 shares</i>)	Shareholding ratio
1	Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司)	161,135.21	74.01%
2	Shandong High-Tech Venture Capital Co., Ltd. (山東省高新技術創業投資有限公司)	20,771.53	9.54%
3	Shandong Lucion Investment Holdings Group Co., Ltd. (山東省魯信投資控股集團有限公司)	16,199.00	7.44%
4	Xinxiang Bailu Chemical Fibre Group Co., Ltd. (新鄉白鷺化纖集團有限責任公司)	8,000.00	3.67%
5	Shandong International Trust Co., Ltd. (山東省國際信託股份有限公司)	6,319.76	2.90%
6	Shandong Lucion Industrial Group Co., Ltd. (山東魯信實業集團有限公司)	5,305.12	2.44%
Total		217,730.63	100.00%

In February 2016, the registered capital of Minsheng Securities was increased from RMB2,177,306,302 to RMB4,580,607,669.

Upon completion of the capital increase, the shareholding structure of Minsheng Securities was as follows:

No.	Name of shareholders	Number of shares held (<i>'0,000 shares</i>)	Shareholding ratio
1	Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司)	401,465.35	87.65%
2	Shandong High-Tech Venture Capital Co., Ltd. (山東省高新技術創業投資有限公司)	20,771.53	4.54%
3	Shandong Lucion Investment Holdings Group Co., Ltd. (山東省魯信投資控股集團有限公司)	16,199.00	3.54%
4	Xinxiang Bailu Chemical Fibre Group Co., Ltd. (新鄉白鷺化纖集團有限責任公司)	8,000.00	1.75%
5	Shandong International Trust Co., Ltd. (山東省國際信託股份有限公司)	6,319.76	1.38%
6	Shandong Lucion Industrial Group Co., Ltd. (山東魯信實業集團有限公司)	5,305.12	1.16%
Total		458,060.77	100.00%

In July 2018, the registered capital of Minsheng Securities was increased from RMB4,580,607,669 to RMB9,619,276,105.

Upon completion of the conversion of capital reserve into share capital, the shareholding structure of Minsheng Securities was as follows:

No.	Name of shareholders	Number of shares held (<i>'0,000 shares</i>)	Shareholding ratio
1	Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司)	843,077.24	87.65%
2	Shandong High-Tech Venture Capital Co., Ltd. (山東省高新技術創業投資有限公司)	43,620.21	4.54%
3	Shandong Lucion Investment Holdings Group Co., Ltd. (山東省魯信投資控股集團有限公司)	34,017.90	3.54%
4	Xinxiang Bailu Investment Group Co., Ltd. (新鄉白鷺投資集團有限公司)	16,800.00	1.75%
5	Shandong International Trust Co., Ltd. (山東省國際信託股份有限公司)	13,271.50	1.38%
6	Shandong Lucion Industrial Group Co., Ltd. (山東魯信實業集團有限公司)	11,140.76	1.16%
Total		961,927.61	100.00%

On 29 April 2020, the fourth extraordinary general meeting of 2020 of Minsheng Securities considered and approved the Resolution on the Repurchase of Part of the Company's Shares Held by the Controlling Shareholders (《關於回購控股股東所持公司部分股份的議案》), which approved the company shall, based on the Report on the Retrospective Asset Valuation of the Value of the Entire Shareholders' Equity of Minsheng Securities Co., Ltd. as at 31 December 2018 Involved in the Proposed Capital Increase Project by Minsheng Securities Co., Ltd. (Zhong Zi Ping Bao Zi [2020] No. 002)(《民生證券股份有限公司擬增資擴股項目涉及的民生證券股份有限公司於2018年12月31日的股東全部權益價值追溯資產評估報告》中資評報字[2020]第002號)), which was issued by China Assets Appraisal Co., Ltd. on 24 March 2020 and with a Valuation Benchmark Date of 31 December 2018, repurchase not more than 135 million shares from Oceanwide Holdings at RMB1.361 per share, with the specific number of shares repurchased to be subject to the actual number of shares repurchased. The total funds for the repurchase shall not exceed RMB183,735,000 and was financed by the company's own funds.

On 6 May 2020, Oceanwide Holdings entered into the Share Repurchase Agreement with Minsheng Securities, pursuant to which Minsheng Securities repurchased 135,000,000 shares of Minsheng Securities held by Oceanwide Holdings.

On 12 May 2020, Minsheng Securities submitted the Report on the Changes in the Shareholders' Shareholding Ratio as a Result of the Repurchase of Shares by the Company (Min Sheng Zheng Zi [2020] No. 281)(《關於公司回購股份導致股東持股比例變化的情況報告》民生證字[2020]281號)) to the Beijing Securities Regulatory Bureau of the CSRC (中國證監會北京證監局) to file a report with the Beijing Regulatory Bureau of the CSRC in respect of the matters relating to the repurchase.

Upon completion of the repurchase, the shareholding structure of Minsheng Securities was as follows:

No.	Name of shareholders	Number of shares held (<i>'0,000 shares</i>)	Shareholding ratio
1	Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司)	829,577.24	86.24%
2	Shandong High-Tech Venture Capital Co., Ltd. (山東省高新技術創業投資有限公司)	43,620.21	4.53%
3	Shandong Lucion Investment Holdings Group Co., Ltd. (山東省魯信投資控股集團有限公司)	34,017.90	3.54%
4	Xinxiang Bailu Investment Group Co., Ltd. (新鄉白鷺投資集團有限公司)	16,800.00	1.75%
5	Minsheng Securities Co., Ltd. (repurchase of treasury shares)	13,500.00	1.40%
6	Shandong International Trust Co., Ltd. (山東省國際信託股份有限公司)	13,271.50	1.38%
7	Shandong Lucion Industrial Group Co., Ltd. (山東魯信實業集團有限公司)	11,140.76	1.16%
Total		961,927.61	100.00%

In July 2020, Oceanwide Holdings transferred its 24,797,900 shares of equity interests in Minsheng Securities (representing 0.22% of the total capital contribution) to Gongqingcheng Minlong Investment Partnership (Limited Partnership)(共青城民隆投資合夥企業(有限合夥)) at RMB1.361 per share; transferred its 31,006,600 shares of equity interests in Minsheng Securities (representing 0.27% of the total capital contribution) to Gongqingcheng Minxin Investment Partnership (Limited Partnership)(共青城民新投資合夥企業(有限合夥)); and transferred its 32,770,000 shares of equity interests in Minsheng Securities (representing 0.29% of the total capital contribution) to Gongqingcheng Minxin Investment Partnership (Limited Partnership)(共青城民信投資合夥企業(有限合夥)).

Upon completion of the transfer, the shareholding structure of Minsheng Securities was as follows:

No.	Name of shareholders	Number of shares held (<i>'0,000 shares</i>)	Shareholding ratio
1	Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司)	820,719.78	85.32%
2	Shandong High-Tech Venture Capital Co., Ltd. (山東省高新技術創業投資有限公司)	43,620.21	4.53%
3	Shandong Lucion Investment Holdings Group Co., Ltd. (山東省魯信投資控股集團有限公司)	34,017.90	3.54%
4	Xinxiang Bailu Investment Group Co., Ltd. (新鄉白鷺投資集團有限公司)	16,800.00	1.75%
5	Minsheng Securities Co., Ltd. (repurchase of treasury shares)	13,500.00	1.40%
6	Shandong International Trust Co., Ltd. (山東省國際信託股份有限公司)	13,271.50	1.38%
7	Shandong Lucion Industrial Group Co., Ltd. (山東魯信實業集團有限公司)	11,140.76	1.16%
8	Gongqingcheng Minxin Investment Partnership (Limited Partnership) (共青城民信投資合夥企業(有限合夥))	3,277.00	0.34%
9	Gongqingcheng Minxin Investment Partnership (Limited Partnership) (共青城民新投資合夥企業(有限合夥))	3,100.66	0.32%
10	Gongqingcheng Minlong Investment Partnership (Limited Partnership) (共青城民隆投資合夥企業(有限合夥))	2,479.79	0.26%
Total		961,927.61	100.00%

In August 2020, the registered capital of Minsheng Securities was increased from RMB9,619,276,105 to RMB11,456,160,748.

Upon completion of the capital increase, the shareholding structure of Minsheng Securities was as follows:

No.	Name of shareholders	Number of shares held (<i>'0,000 shares</i>)	Shareholding ratio
1	Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司)	820,719.78	71.64%
2	Shandong High-Tech Venture Capital Co., Ltd. (山東省高新技術創業投資有限公司)	43,620.21	3.81%
3	Shandong Lucion Investment Holdings Group Co., Ltd. (山東省魯信投資控股集團有限公司)	34,017.90	2.97%
4	Shenzhen Sophia Investment Management Co., Ltd. (深圳索菲亞投資管理有限公司)	29,390.15	2.57%
5	Hangzhou Dongheng Petroleum Co., Ltd. (杭州東恒石油有限公司)	29,022.78	2.53%
6	Dazhong Transportation (Group) Co., Ltd. (大眾交通(集團)股份有限公司)	22,042.62	1.92%
7	Qingdao Jinyuan Minfu Equity Investment Partnership (Limited Partnership) (青島金源民福股權投資合夥企業(有限合夥))	21,013.96	1.83%
8	Xinxiang Bailu Investment Group Co., Ltd. (新鄉白鷺投資集團有限公司)	16,800.00	1.47%
9	Luoyang Lier Refractories Co., Ltd. (洛陽利爾耐火材料有限公司)	14,695.08	1.28%
10	Minsheng Securities Co., Ltd. (repurchase of treasury shares)	13,500.00	1.18%
11	Shandong International Trust Co., Ltd. (山東省國際信託股份有限公司)	13,271.50	1.16%
12	Shandong Lucion Industrial Group Co., Ltd. (山東魯信實業集團有限公司)	11,140.76	0.97%
13	Zhao Hongxiu (趙洪修)	11,021.31	0.96%
14	Gongqingcheng Renhe Zhisheng Equity Investment Partnership (Limited Partnership) (共青城人和智勝股權投資合夥企業(有限合夥))	9,257.90	0.81%
15	Jiaxing Dening Zhengxin Equity Investment Partnership (Limited Partnership) (嘉興德寧正鑫股權投資合夥企業(有限合夥))	8,302.72	0.72%
16	Time Publishing and Media Co., Ltd. (時代出版傳媒股份有限公司)	7,347.54	0.64%
17	Dazzle Fashion Co., Ltd. (地素時尚股份有限公司)	7,347.54	0.64%

No.	Name of shareholders	Number of shares held (<i>'0,000 shares</i>)	Shareholding ratio
18	Qingdao Ocean Innovation Industry Investment Fund Co., Ltd. (青島海洋創新產業投資基金有限公司)	7,347.54	0.64%
19	Hangzhou Chongfu Zhongcai Investment Partnership (Limited Partnership) (杭州崇福眾財投資合夥企業(有限合夥))	7,347.54	0.64%
20	Sichuan Dingxiang Equity Investment Fund Co., Ltd. (四川鼎祥股權投資基金有限公司)	3,673.77	0.32%
21	Chengye Zhiyuan (Dongying) Equity Investment Fund Centre (Limited Partnership) (橙葉志遠(東營)股權投資基金中心(有限合夥))	3,673.77	0.32%
22	Gongqingcheng Minxin Investment Partnership (Limited Partnership) (共青城民信投資合夥企業(有限合夥))	3,277.00	0.29%
23	Gongqingcheng Minxin Investment Partnership (Limited Partnership) (共青城民新投資合夥企業(有限合夥))	3,100.66	0.27%
24	Gongqingcheng Minlong Investment Partnership (Limited Partnership) (共青城民隆投資合夥企業(有限合夥))	2,479.79	0.22%
25	Jiaxing Dening Hongyang Phase I Equity Investment Partnership (Limited Partnership) (嘉興德寧宏陽一期股權投資合夥企業(有限合夥))	2,204.26	0.19%
Total		<u>1,145,616.07</u>	<u>100.00%</u>

In October 2020, Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司) transferred its 3,107,204,300 shares of equity interests in Minsheng Securities Co., Ltd. (representing 27.12% of the total capital contribution) to 22 investors, including Shanghai Zhangjiang (Group) Co., Ltd. (上海張江(集團)有限公司) and Shanghai Zhangjiang High-Tech Park Development Co., Ltd. (上海張江高科技園區開發股份有限公司) at RMB1.361 per share, and the shareholding ratio of Oceanwide Holdings decreased from 71.64% to 44.52%.

Upon completion of the transfer, the shareholding structure of Minsheng Securities was as follows:

No.	Name of shareholders	Number of shares held (<i>'0,000 shares</i>)	Shareholding ratio
1	Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司)	509,999.35	44.52%
2	Xizang Tengyun Investment Management Co., Ltd. (西藏騰雲投資管理有限公司)	55,841.29	4.87%
3	Hangzhou Dongheng Petroleum Co., Ltd. (杭州東恒石油有限公司)	51,432.77	4.49%
4	Shandong High-Tech Venture Capital Co., Ltd. (山東省高新技術創業投資有限公司)	43,620.21	3.81%
5	Shanghai Zhangjiang (Group) Co., Ltd. (上海張江(集團)有限公司)	36,737.69	3.21%
6	Shandong Lucion Investment Holdings Group Co., Ltd. (山東省魯信投資控股集團有限公司)	34,017.90	2.97%
7	Shenzhen Sophia Investment Management Co., Ltd. (深圳索菲亞投資管理有限公司)	29,390.15	2.57%
8	Taizhou State-owned Capital Operation Group Co., Ltd. (台州市國有資本運營集團有限公司)	22,042.62	1.92%
9	Dazhong Transportation (Group) Co., Ltd. (大眾交通(集團)股份有限公司)	22,042.62	1.92%
10	Qingdao Jinyuan Minfu Equity Investment Partnership (Limited Partnership) (青島金源民福股權投資合夥企業(有限合夥))	21,013.96	1.83%
11	Tian Sanhong (田三紅)	18,368.85	1.60%
12	Xinxiang Bailu Investment Group Co., Ltd. (新鄉白鷺投資集團有限公司)	16,800.00	1.47%
13	Shenneng (Group) Company Limited (申能(集團)有限公司)	14,695.08	1.28%
14	Shanghai Huayi Group Investment Co., Ltd. (上海華誼集團投資有限公司)	14,695.08	1.28%
15	Luoyang Lier Refractories Co., Ltd. (洛陽利爾耐火材料有限公司)	14,695.08	1.28%
16	Shanghai Xiongzhu Investment Management Partnership (Limited Partnership) (上海雄築投資管理合夥企業(有限合夥))	14,548.13	1.27%
17	Minsheng Securities Co., Ltd. (repurchase of treasury shares)	13,500.00	1.18%

No.	Name of shareholders	Number of shares held (‘0,000 shares)	Shareholding ratio
18	Shandong International Trust Co., Ltd. (山東省國際信託股份有限公司)	13,271.50	1.16%
19	Orient International Enterprise Ltd. (東方國際創業股份有限公司)	13,225.57	1.15%
20	Shandong Lucion Industrial Group Co., Ltd. (山東魯信實業集團有限公司)	11,140.76	0.97%
21	Huafeng Group Co., Ltd. (華峰集團有限公司)	11,021.31	0.96%
22	Zhao Hongxiu (趙洪修)	11,021.31	0.96%
23	Jiaxing Dening Shenghui Equity Investment Partnership (Limited Partnership) (嘉興德寧生暉股權投資合夥企業(有限合夥))	10,506.98	0.92%
24	Shaoxing Yuewang Enterprise Management Consulting Partnership (Limited Partnership) (紹興越旺企業管理諮詢合夥企業(有限合夥))	10,500.00	0.92%
25	Gongqingcheng Renhe Zhisheng Equity Investment Partnership (Limited Partnership) (共青城人和智勝股權投資合夥企業(有限合夥))	9,257.90	0.81%
26	Orient International (Holding) Co., Ltd. (東方國際(集團)有限公司)	8,817.05	0.77%
27	Jiaxing Dening Zhengxin Equity Investment Partnership (Limited Partnership) (嘉興德寧正鑫股權投資合夥企業(有限合夥))	8,302.72	0.72%
28	Shanghai Zhangjiang High-Tech Park Development Co., Ltd. (上海張江高科技園區開發股份有限公司)	7,347.54	0.64%
29	Shanghai Pudong Investment Holdings (Group) Co., Ltd. (上海浦東投資控股(集團)有限公司)	7,347.54	0.64%
30	Shanghai International Port (Group) Co., Ltd. (上海國際港務(集團)股份有限公司)	7,347.54	0.64%
31	Shanghai Yunzhu Investment Co., Ltd. (上海韻築投資有限公司)	7,347.54	0.64%
32	Shanghai Jiushi Investment Management Co., Ltd. (上海久事投資管理有限公司)	7,347.54	0.64%
33	Time Publishing and Media Co., Ltd. (時代出版傳媒股份有限公司)	7,347.54	0.64%
34	Dazzle Fashion Co., Ltd. (地素時尚股份有限公司)	7,347.54	0.64%
35	Qingdao Ocean Innovation Industry Investment Fund Co., Ltd. (青島海洋創新產業投資基金有限公司)	7,347.54	0.64%

No.	Name of shareholders	Number of shares held (‘0,000 shares)	Shareholding ratio
36	Hangzhou Chongfu Zhongcai Investment Partnership (Limited Partnership) (杭州崇福眾財投資合夥企業(有限合夥))	7,347.54	0.64%
37	Shanghai Jingyufeng Investment Co., Ltd. (上海金谷裕豐投資有限公司)	6,980.16	0.61%
38	Hubei Huacang Hongjia Equity Investment Fund Partnership (Limited Partnership) (湖北華倉宏嘉股權投資基金合夥企業(有限合夥))	6,245.41	0.55%
39	Cong Xuenian (叢學年)	3,673.77	0.32%
40	Lanxi Puhua Huiyang Investment Partnership (Limited Partnership) (蘭溪普華暉陽投資合夥企業(有限合夥))	3,673.77	0.32%
41	Sichuan Dingxiang Equity Investment Fund Co., Ltd. (四川鼎祥股權投資基金有限公司)	3,673.77	0.32%
42	Chengye Zhiyuan (Dongying) Equity Investment Fund Centre (Limited Partnership) (橙葉志遠(東營)股權投資基金中心(有限合夥))	3,673.77	0.32%
43	Gongqingcheng Minxin Investment Partnership (Limited Partnership) (共青城民信投資合夥企業(有限合夥))	3,277.00	0.29%
44	Gongqingcheng Minxin Investment Partnership (Limited Partnership) (共青城民新投資合夥企業(有限合夥))	3,100.66	0.27%
45	Gongqingcheng Minlong Investment Partnership (Limited Partnership) (共青城民隆投資合夥企業(有限合夥))	2,479.79	0.22%
46	Jiaxing Dening Hongyang Phase I Equity Investment Partnership (Limited Partnership) (嘉興德寧宏陽一期股權投資合夥企業(有限合夥))	2,204.26	0.19%
Total		1,145,616.07	100.00%

On 24 May 2020, Minsheng Securities convened a general meeting to consider and approve the Resolution on the Employee Share Incentive Scheme and Related Party Transactions of Minsheng Securities Co., Ltd. (《關於民生證券股份有限公司員工股權激勵計劃暨關聯交易的議案》), which approved the implementation of the Employee Share Incentive Scheme of Minsheng Securities Co., Ltd. (《民生證券股份有限公司員工股權激勵計劃》), and at the same time, authorised the board of directors and/or the management with full discretion to handle the related matters.

Minsheng Securities entered into the Restricted Share Grant Agreements of Minsheng Securities Co., Ltd. with Gongqingcheng Minlong Investment Partnership (Limited Partnership)(共青城民隆投資合夥企業(有限合夥)), Gongqingcheng Minxin Investment Partnership (Limited Partnership)(共青城民新投資合夥企業(有限合夥)), Gongqingcheng Minxin Investment Partnership (Limited Partnership)(共青城民信投資合夥企業(有限合夥)) and each of the participants respectively.

On 15 November 2020, the twenty-second meeting of the third session of the board of directors of Minsheng Securities considered and approved the Resolution on the Employee Share Incentive Scheme and Related Party Transactions of Minsheng Securities Co., Ltd. (《關於民生證券股份有限公司員工股權激勵計劃暨關聯交易的議案》), under which 17,714,893 treasury shares were transferred to the employee shareholding platform at nil consideration, among which, the shares held by Gongqingcheng Minxin Investment Partnership (Limited Partnership)(共青城民信投資合夥企業(有限合夥)), Gongqingcheng Minxin Investment Partnership (Limited Partnership)(共青城民新投資合夥企業(有限合夥)) and Gongqingcheng Minlong Investment Partnership (Limited Partnership)(共青城民隆投資合夥企業(有限合夥)) increased by 6,554,001, 6,201,317 and 4,959,575 shares, respectively.

Upon completion of the transfer, the shareholding structure of Minsheng Securities was as follows:

No.	Name of shareholders	Number of shares held (*0,000 shares)	Shareholding ratio
1	Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司)	509,999.35	44.52%
2	Xizang Tengyun Investment Management Co., Ltd. (西藏騰雲投資管理有限公司)	55,841.29	4.87%
3	Hangzhou Dongheng Petroleum Co., Ltd. (杭州東恒石油有限公司)	51,432.77	4.49%
4	Shandong High-Tech Venture Capital Co., Ltd. (山東省高新技術創業投資有限公司)	43,620.21	3.81%
5	Shanghai Zhangjiang (Group) Co., Ltd. (上海張江(集團)有限公司)	36,737.69	3.21%
6	Shandong Lucion Investment Holdings Group Co., Ltd. (山東省魯信投資控股集團有限公司)	34,017.90	2.97%
7	Shenzhen Sophia Investment Management Co., Ltd. (深圳索菲亞投資管理有限公司)	29,390.15	2.57%
8	Taizhou State-owned Capital Operation Group Co., Ltd. (台州市國有資本運營集團有限公司)	22,042.62	1.92%

No.	Name of shareholders	Number of shares held (<i>'0,000 shares</i>)	Shareholding ratio
9	Dazhong Transportation (Group) Co., Ltd. (大眾交通(集團)股份有限公司)	22,042.62	1.92%
10	Qingdao Jinyuan Minfu Equity Investment Partnership (Limited Partnership) (青島金源民福股權投資合夥企業(有限合夥))	21,013.96	1.83%
11	Tian Sanhong (田三紅)	18,368.85	1.60%
12	Xinxiang Bailu Investment Group Co., Ltd. (新鄉白鷺投資集團有限公司)	16,800.00	1.47%
13	Shenneng (Group) Company Limited (申能(集團)有限公司)	14,695.08	1.28%
14	Shanghai Huayi Group Investment Co., Ltd. (上海華誼集團投資有限公司)	14,695.08	1.28%
15	Luoyang Lier Refractories Co., Ltd. (洛陽利爾耐火材料有限公司)	14,695.08	1.28%
16	Shanghai Xiongzhu Investment Management Partnership (Limited Partnership) (上海雄築投資管理合夥企業(有限合夥))	14,548.13	1.27%
17	Shandong International Trust Co., Ltd. (山東省國際信託股份有限公司)	13,271.50	1.16%
18	Orient International Enterprise Ltd. (東方國際創業股份有限公司)	13,225.57	1.15%
19	Minsheng Securities Co., Ltd. (repurchase of treasury shares)	11,728.51	1.02%
20	Shandong Lucion Industrial Group Co., Ltd. (山東魯信實業集團有限公司)	11,140.76	0.97%
21	Huafeng Group Co., Ltd. (華峰集團有限公司)	11,021.31	0.96%
22	Zhao Hongxiu (趙洪修)	11,021.31	0.96%
23	Jiaxing Dening Shenghui Equity Investment Partnership (Limited Partnership) (嘉興德寧生暉股權投資合夥企業(有限合夥))	10,506.98	0.92%
24	Shaoxing Yuewang Enterprise Management Consulting Partnership (Limited Partnership) (紹興越旺企業管理諮詢合夥企業(有限合夥))	10,500.00	0.92%
25	Gongqingcheng Renhe Zhisheng Equity Investment Partnership (Limited Partnership) (共青城人和智勝股權投資合夥企業(有限合夥))	9,257.90	0.81%
26	Orient International (Holding) Co., Ltd. (東方國際(集團)有限公司)	8,817.05	0.77%

No.	Name of shareholders	Number of shares held (*0,000 shares)	Shareholding ratio
27	Jiaxing Dening Zhengxin Equity Investment Partnership (Limited Partnership) (嘉興德寧正鑫股權投資合夥企業(有限合夥))	8,302.72	0.72%
28	Shanghai Zhangjiang High-Tech Park Development Co., Ltd. (上海張江高科技園區開發股份有限公司)	7,347.54	0.64%
29	Shanghai Pudong Investment Holdings (Group) Co., Ltd. (上海浦東投資控股(集團)有限公司)	7,347.54	0.64%
30	Shanghai International Port (Group) Co., Ltd. (上海國際港務(集團)股份有限公司)	7,347.54	0.64%
31	Shanghai Yunzhu Investment Co., Ltd. (上海韻築投資有限公司)	7,347.54	0.64%
32	Shanghai Jiushi Investment Management Co., Ltd. (上海久事投資管理有限公司)	7,347.54	0.64%
33	Time Publishing and Media Co., Ltd. (時代出版傳媒股份有限公司)	7,347.54	0.64%
34	Dazzle Fashion Co., Ltd. (地素時尚股份有限公司)	7,347.54	0.64%
35	Qingdao Ocean Innovation Industry Investment Fund Co., Ltd. (青島海洋創新產業投資基金有限公司)	7,347.54	0.64%
36	Hangzhou Chongfu Zhongcai Investment Partnership (Limited Partnership) (杭州崇福眾財投資合夥企業(有限合夥))	7,347.54	0.64%
37	Shanghai Jinguyufeng Investment Co., Ltd. (上海金谷裕豐投資有限公司)	6,980.16	0.61%
38	Hubei Huacang Hongjia Equity Investment Fund Partnership (Limited Partnership) (湖北華倉宏嘉股權投資基金合夥企業(有限合夥))	6,245.41	0.55%
39	Gongqingcheng Minxin Investment Partnership (Limited Partnership) (共青城民信投資合夥企業(有限合夥))	3,932.40	0.34%
40	Cong Xuenian (叢學年)	3,673.77	0.32%
41	Lanxi Puhua Huiyang Investment Partnership (Limited Partnership) (蘭溪普華暉陽投資合夥企業(有限合夥))	3,673.77	0.32%
42	Sichuan Dingxiang Equity Investment Fund Co., Ltd. (四川鼎祥股權投資基金有限公司)	3,673.77	0.32%
43	Chengye Zhiyuan (Dongying) Equity Investment Fund Centre (Limited Partnership) (橙葉志遠(東營)股權投資基金中心(有限合夥))	3,673.77	0.32%

No.	Name of shareholders	Number of shares held (<i>'0,000 shares</i>)	Shareholding ratio
44	Gongqingcheng Minxin Investment Partnership (Limited Partnership) (共青城民新投資合夥企業(有限合夥))	3,720.79	0.32%
45	Gongqingcheng Minlong Investment Partnership (Limited Partnership) (共青城民隆投資合夥企業(有限合夥))	2,975.75	0.26%
46	Jiaxing Dening Hongyang Phase I Equity Investment Partnership (Limited Partnership) (嘉興德寧宏陽一期股權投資合夥企業(有限合夥))	2,204.26	0.19%
Total		<u>1,145,616.07</u>	<u>100.00%</u>

On 14 May 2021, as some employees no longer met the requirements of participants as stipulated in the Employee Share Incentive Scheme of Minsheng Securities Co., Ltd. (《民生證券股份有限公司員工股權激勵計劃》), Minsheng Securities recovered a total of 661,278 treasury shares of Minsheng Securities at nil consideration that were previously granted to such participants and the shares of Minsheng Securities held by the employee shareholding platforms, namely, Gongqingcheng Minxin Investment Partnership (Limited Partnership)(共青城民新投資合夥企業(有限合夥)) and Gongqingcheng Minlong Investment Partnership (Limited Partnership)(共青城民隆投資合夥企業(有限合夥)) were correspondingly decreased by 293,902 and 367,376 shares, respectively.

Upon completion of the transfer, the shareholding structure of Minsheng Securities was as follows:

No.	Name of shareholders	Number of shares held (<i>'0,000 shares</i>)	Shareholding ratio
1	Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司)	509,999.35	44.52%
2	Xizang Tengyun Investment Management Co., Ltd. (西藏騰雲投資管理有限公司)	55,841.29	4.87%
3	Hangzhou Dongheng Petroleum Co., Ltd. (杭州東恒石油有限公司)	51,432.77	4.49%
4	Shandong High-Tech Venture Capital Co., Ltd. (山東省高新技術創業投資有限公司)	43,620.21	3.81%

No.	Name of shareholders	Number of shares held (<i>'0,000 shares</i>)	Shareholding ratio
5	Shanghai Zhangjiang (Group) Co., Ltd. (上海張江(集團)有限公司)	36,737.69	3.21%
6	Shandong Lucion Investment Holdings Group Co., Ltd. (山東省魯信投資控股集團有限公司)	34,017.90	2.97%
7	Shenzhen Sophia Investment Management Co., Ltd. (深圳索菲亞投資管理有限公司)	29,390.15	2.57%
8	Dazhong Transportation (Group) Co., Ltd. (大眾交通(集團)股份有限公司)	22,042.62	1.92%
9	Taizhou State-owned Capital Operation Group Co., Ltd. (台州市國有資本運營集團有限公司)	22,042.62	1.92%
10	Qingdao Jinyuan Minfu Equity Investment Partnership (Limited Partnership) (青島金源民福股權投資合夥企業(有限合夥))	21,013.96	1.83%
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12	Xinxiang Bailu Investment Group Co., Ltd. (新鄉白鷺投資集團有限公司)	16,800.00	1.47%
13	Luoyang Lier Refractories Co., Ltd. (洛陽利爾耐火材料有限公司)	14,695.08	1.28%
14	Shenneng (Group) Company Limited (申能(集團)有限公司)	14,695.08	1.28%
15	Shanghai Huayi Group Investment Co., Ltd. (上海華誼集團投資有限公司)	14,695.08	1.28%
16	Shanghai Xiongzhu Investment Management Partnership (Limited Partnership) (上海雄築投資管理合夥企業(有限合夥))	14,548.13	1.27%
17	Shandong International Trust Co., Ltd. (山東省國際信託股份有限公司)	13,271.50	1.16%
18	Orient International Enterprise Ltd. (東方國際創業股份有限公司)	13,225.57	1.15%
19	Minsheng Securities Co., Ltd. (repurchase of treasury shares)	11,794.64	1.03%
20	Shandong Lucion Industrial Group Co., Ltd. (山東魯信實業集團有限公司)	11,140.76	0.97%
21	Zhao Hongxiu (趙洪修)	11,021.31	0.96%
22	Huafeng Group Co., Ltd. (華峰集團有限公司)	11,021.31	0.96%
23	Shaoxing Yuewang Enterprise Management Consulting Partnership (Limited Partnership) (紹興越旺企業管理諮詢合夥企業(有限合夥))	10,500.00	0.92%

No.	Name of shareholders	Number of shares held (<i>'0,000 shares</i>)	Shareholding ratio
24	Jiaxing Dening Shenghui Equity Investment Partnership (Limited Partnership) (嘉興德寧生暉股權投資合夥企業(有限合夥))	10,506.98	0.92%
25	Gongqingcheng Renhe Zhisheng Equity Investment Partnership (Limited Partnership) (共青城人和智勝股權投資合夥企業(有限合夥))	9,257.90	0.81%
26	Orient International (Holding) Co., Ltd. (東方國際(集團)有限公司)	8,817.05	0.77%
27	Jiaxing Dening Zhengxin Equity Investment Partnership (Limited Partnership) (嘉興德寧正鑫股權投資合夥企業(有限合夥))	8,302.72	0.72%
28	Time Publishing and Media Co., Ltd. (時代出版傳媒股份有限公司)	7,347.54	0.64%
29	Dazzle Fashion Co., Ltd. (地素時尚股份有限公司)	7,347.54	0.64%
30	Qingdao Ocean Innovation Industry Investment Fund Co., Ltd. (青島海洋創新產業投資基金有限公司)	7,347.54	0.64%
31	Hangzhou Chongfu Zhongcai Investment Partnership (Limited Partnership) (杭州崇福眾財投資合夥企業(有限合夥))	7,347.54	0.64%
32	Shanghai Zhangjiang High-Tech Park Development Co., Ltd. (上海張江高科技園區開發股份有限公司)	7,347.54	0.64%
33	Shanghai Pudong Investment Holdings (Group) Co., Ltd. (上海浦東投資控股(集團)有限公司)	7,347.54	0.64%
34	Shanghai International Port (Group) Co., Ltd. (上海國際港務(集團)股份有限公司)	7,347.54	0.64%
35	Shanghai Yunzhu Investment Co., Ltd. (上海韻築投資有限公司)	7,347.54	0.64%
36	Shanghai Jiushi Investment Management Co., Ltd. (上海久事投資管理有限公司)	7,347.54	0.64%
37	Yankuang Capital Management Co., Ltd. (兗礦資本管理有限公司) ¹³	6,980.16	0.61%
38	Hubei Huacang Hongjia Equity Investment Fund Partnership (Limited Partnership) (湖北華倉宏嘉股權投資基金合夥企業(有限合夥))	6,245.41	0.55%

¹³ Shanghai Jinguyufeng Investment Co., Ltd. (上海金谷裕豐投資有限公司) later renamed as Yankuang Capital Management Co., Ltd. (兗礦資本管理有限公司).

No.	Name of shareholders	Number of shares held (<i>'0,000 shares</i>)	Shareholding ratio
39	Gongqingcheng Minxin Investment Partnership (Limited Partnership) (共青城民信投資合夥企業(有限合夥))	3,932.40	0.34%
40	Gongqingcheng Minxin Investment Partnership (Limited Partnership) (共青城民新投資合夥企業(有限合夥))	3,691.40	0.32%
41	Sichuan Dingxiang Equity Investment Fund Co., Ltd. (四川鼎祥股權投資基金有限公司)	3,673.77	0.32%
42	Chengye Zhiyuan (Dongying) Equity Investment Fund Centre (Limited Partnership) (橙葉志遠(東營)股權投資基金中心(有限合夥))	3,673.77	0.32%
43	Cong Xuenian (叢學年)	3,673.77	0.32%
44	Lanxi Puhua Huiyang Investment Partnership (Limited Partnership) (蘭溪普華暉陽投資合夥企業(有限合夥))	3,673.77	0.32%
45	Gongqingcheng Minlong Investment Partnership (Limited Partnership) (共青城民隆投資合夥企業(有限合夥))	2,939.01	0.26%
46	Jiaxing Dening Hongyang Phase I Equity Investment Partnership (Limited Partnership) (嘉興德寧宏陽一期股權投資合夥企業(有限合夥))	2,204.26	0.19%
Total		<u>1,145,616.07</u>	<u>100.00%</u>

In July 2021, Oceanwide Holdings transferred its 1,545,359,500 shares of equity interests in Minsheng Securities (representing 13.49% of the total capital contribution) at RMB1.53 per share to Shanghai Fengquanyu Enterprise Management Co., Ltd. (上海灃泉峪企業管理有限公司).

Upon completion of the transfer, the shareholding structure of Minsheng Securities was as follows:

No.	Name of shareholders	Number of shares held (*0,000 shares)	Shareholding ratio
1	Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司)	355,463.40	31.03%
2	Shanghai Fengquanyu Enterprise Management Co., Ltd. (上海灃泉峪企業管理有限公司)	154,535.95	13.49%
3	Xizang Tengyun Investment Management Co., Ltd. (西藏騰雲投資管理有限公司)	55,841.29	4.87%
4	Hangzhou Dongheng Petroleum Co., Ltd. (杭州東恒石油有限公司)	51,432.77	4.49%
5	Shandong High-Tech Venture Capital Co., Ltd. (山東省高新技術創業投資有限公司)	43,620.21	3.81%
6	Shanghai Zhangjiang (Group) Co., Ltd. (上海張江(集團)有限公司)	36,737.69	3.21%
7	Shandong Lucion Investment Holdings Group Co., Ltd. (山東省魯信投資控股集團有限公司)	34,017.90	2.97%
8	Shenzhen Sophia Investment Management Co., Ltd. (深圳索菲亞投資管理有限公司)	29,390.15	2.57%
9	Taizhou State-owned Capital Operation Group Co., Ltd. (台州市國有資本運營集團有限公司)	22,042.62	1.92%
10	Dazhong Transportation (Group) Co., Ltd. (大眾交通(集團)股份有限公司)	22,042.62	1.92%
11	Qingdao Jinyuan Minfu Equity Investment Partnership (Limited Partnership) (青島金源民福股權投資合夥企業(有限合夥))	21,013.96	1.83%
12	Tian Sanhong (田三紅)	18,368.85	1.60%
13	Xinxiang Bailu Investment Group Co., Ltd. (新鄉白鷺投資集團有限公司)	16,800.00	1.47%
14	Shenneng (Group) Company Limited (申能(集團)有限公司)	14,695.08	1.28%
15	Shanghai Huayi Group Investment Co., Ltd. (上海華誼集團投資有限公司)	14,695.08	1.28%
16	Luoyang Lier Refractories Co., Ltd. (洛陽利爾耐火材料有限公司)	14,695.08	1.28%
17	Shanghai Xiongzhu Investment Management Partnership (Limited Partnership) (上海雄築投資管理合夥企業(有限合夥))	14,548.13	1.27%

No.	Name of shareholders	Number of shares held (<i>'0,000 shares</i>)	Shareholding ratio
18	Shandong International Trust Co., Ltd. (山東省國際信託股份有限公司)	13,271.50	1.16%
19	Orient International Enterprise Ltd. (東方國際創業股份有限公司)	13,225.57	1.15%
20	Minsheng Securities Co., Ltd. (repurchase of treasury shares)	11,794.64	1.03%
21	Shandong Lucion Industrial Group Co., Ltd. (山東魯信實業集團有限公司)	11,140.76	0.97%
22	Huafeng Group Co., Ltd. (華峰集團有限公司)	11,021.31	0.96%
23	Zhao Hongxiu (趙洪修)	11,021.31	0.96%
24	Jiaxing Dening Shenghui Equity Investment Partnership (Limited Partnership) (嘉興德寧生暉股權投資合夥企業(有限合夥))	10,506.98	0.92%
25	Shaoxing Yuewang Enterprise Management Consulting Partnership (Limited Partnership) (紹興越旺企業管理諮詢合夥企業(有限合夥))	10,500.00	0.92%
26	Gongqingcheng Renhe Zhisheng Equity Investment Partnership (Limited Partnership) (共青城人和智勝股權投資合夥企業(有限合夥))	9,257.90	0.81%
27	Orient International (Holding) Co., Ltd. (東方國際(集團)有限公司)	8,817.05	0.77%
28	Jiaxing Dening Zhengxin Equity Investment Partnership (Limited Partnership) (嘉興德寧正鑫股權投資合夥企業(有限合夥))	8,302.72	0.72%
29	Shanghai Zhangjiang High-Tech Park Development Co., Ltd. (上海張江高科技園區開發股份有限公司)	7,347.54	0.64%
30	Shanghai Pudong Investment Holdings (Group) Co., Ltd. (上海浦東投資控股(集團)有限公司)	7,347.54	0.64%
31	Shanghai International Port (Group) Co., Ltd. (上海國際港務(集團)股份有限公司)	7,347.54	0.64%
32	Shanghai Yunzhu Investment Co., Ltd. (上海韻築投資有限公司)	7,347.54	0.64%
33	Shanghai Jiushi Investment Management Co., Ltd. (上海久事投資管理有限公司)	7,347.54	0.64%
34	Time Publishing and Media Co., Ltd. (時代出版傳媒股份有限公司)	7,347.54	0.64%
35	Dazzle Fashion Co., Ltd. (地素時尚股份有限公司)	7,347.54	0.64%

No.	Name of shareholders	Number of shares held (<i>'0,000 shares</i>)	Shareholding ratio
36	Qingdao Ocean Innovation Industry Investment Fund Co., Ltd. (青島海洋創新產業投資基金有限公司)	7,347.54	0.64%
37	Hangzhou Chongfu Zhongcai Investment Partnership (Limited Partnership) (杭州崇福眾財投資合夥企業(有限合夥))	7,347.54	0.64%
38	Yankuang Capital Management Co., Ltd. (兗礦資本管理有限公司)	6,980.16	0.61%
39	Hubei Huacang Hongjia Equity Investment Fund Partnership (Limited Partnership) (湖北華倉宏嘉股權投資基金合夥企業(有限合夥))	6,245.41	0.55%
40	Gongqingcheng Minxin Investment Partnership (Limited Partnership) (共青城民信投資合夥企業(有限合夥))	3,932.40	0.34%
41	Gongqingcheng Minxin Investment Partnership (Limited Partnership) (共青城民新投資合夥企業(有限合夥))	3,691.40	0.32%
42	Cong Xuenian (叢學年)	3,673.77	0.32%
43	Lanxi Puhua Huiyang Investment Partnership (Limited Partnership) (蘭溪普華暉陽投資合夥企業(有限合夥))	3,673.77	0.32%
44	Sichuan Dingxiang Equity Investment Fund Co., Ltd. (四川鼎祥股權投資基金有限公司)	3,673.77	0.32%
45	Chengye Zhiyuan (Dongying) Equity Investment Fund Centre (Limited Partnership) (橙葉志遠(東營)股權投資基金中心(有限合夥))	3,673.77	0.32%
46	Gongqingcheng Minlong Investment Partnership (Limited Partnership) (共青城民隆投資合夥企業(有限合夥))	2,939.01	0.26%
47	Jiaxing Dening Hongyang Phase I Equity Investment Partnership (Limited Partnership) (嘉興德寧宏陽一期股權投資合夥企業(有限合夥))	2,204.26	0.19%
Total		1,145,616.07	100.00%

On 31 July 2021, the twenty-sixth meeting of the third session of the board of directors of Minsheng Securities considered and approved the Resolution on the Grant of the Second Tranche of Restricted Shares by Minsheng Securities Co., Ltd. (《關於民生證券股份有限公司授予第二期限制性股票的議案》). As some employees no longer met the requirements of participants as stipulated in the Employee Share Incentive Scheme of Minsheng Securities Co., Ltd. (《民生證券股份有限公司員工股權激勵計劃》), Minsheng Securities recovered a total of 440,851 treasury shares of Minsheng Securities at nil consideration that were previously granted to such participants, and the shares held by the employee shareholding platforms, namely, Gongqingcheng Minxin Investment Partnership (Limited Partnership)(共青城民新投資合夥企業(有限合夥)), Gongqingcheng Minlong Investment Partnership (Limited Partnership)(共青城民隆投資合夥企業(有限合夥)) and Gongqingcheng Minxin Investment Partnership (Limited Partnership)(共青城民信投資合夥企業(有限合夥)) decreased by 293,901, 73,475 and 73,475 shares, respectively. At the same time, Minsheng Securities transferred 33,289,209 shares to the employee shareholding platforms at nil consideration, among which, the shares held by Gongqingcheng Minxin Investment Partnership (Limited Partnership)(共青城民信投資合夥企業(有限合夥)), Gongqingcheng Minxin Investment Partnership (Limited Partnership)(共青城民新投資合夥企業(有限合夥)) and Gongqingcheng Minlong Investment Partnership (Limited Partnership)(共青城民隆投資合夥企業(有限合夥)) correspondingly increased by 12,961,071, 11,242,346 and 9,085,792 shares, respectively. On 26 August 2021, Minsheng Securities completed the aforesaid grant and recovery of treasury shares.

Upon completion of the recovery and transfer, the shareholding structure of Minsheng Securities was as follows:

No.	Name of shareholders	Number of shares held (‘0,000 shares)	Shareholding ratio
1	Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司)	355,463.40	31.03%
2	Shanghai Fengquanyu Enterprise Management Co., Ltd. (上海灃泉峪企業管理有限公司)	154,535.95	13.49%
3	Xizang Tengyun Investment Management Co., Ltd. (西藏騰雲投資管理有限公司)	55,841.29	4.87%
4	Hangzhou Dongheng Petroleum Co., Ltd. (杭州東恒石油有限公司)	51,432.77	4.49%
5	Shandong High-Tech Venture Capital Co., Ltd. (山東省高新技術創業投資有限公司)	43,620.21	3.81%
6	Shanghai Zhangjiang (Group) Co., Ltd. (上海張江(集團)有限公司)	36,737.69	3.21%

No.	Name of shareholders	Number of shares held (<i>'0,000 shares</i>)	Shareholding ratio
7	Shandong Lucion Investment Holdings Group Co., Ltd. (山東省魯信投資控股集團有限公司)	34,017.90	2.97%
8	Shenzhen Sophia Investment Management Co., Ltd. (深圳索菲亞投資管理有限公司)	29,390.15	2.57%
9	Taizhou State-owned Capital Operation Group Co., Ltd. (台州市國有資本運營集團有限公司)	22,042.62	1.92%
10	Dazhong Transportation (Group) Co., Ltd. (大眾交通(集團)股份有限公司)	22,042.62	1.92%
11	Qingdao Jinyuan Minfu Equity Investment Partnership (Limited Partnership) (青島金源民福股權投資合夥企業(有限合夥))	21,013.96	1.83%
12	Tian Sanhong (田三紅)	18,368.85	1.60%
13	Xinxiang Bailu Investment Group Co., Ltd. (新鄉白鷺投資集團有限公司)	16,800.00	1.47%
14	Shenneng (Group) Company Limited (申能(集團)有限公司)	14,695.08	1.28%
15	Shanghai Huayi Group Investment Co., Ltd. (上海華誼集團投資有限公司)	14,695.08	1.28%
16	Luoyang Lier Refractories Co., Ltd. (洛陽利爾耐火材料有限公司)	14,695.08	1.28%
17	Shanghai Xiongzhu Investment Management Partnership (Limited Partnership) (上海雄築投資管理合夥企業(有限合夥))	14,548.13	1.27%
18	Shandong International Trust Co., Ltd. (山東省國際信託股份有限公司)	13,271.50	1.16%
19	Orient International Enterprise Ltd. (東方國際創業股份有限公司)	13,225.57	1.15%
20	Shandong Lucion Industrial Group Co., Ltd. (山東魯信實業集團有限公司)	11,140.76	0.97%
21	Huafeng Group Co., Ltd. (華峰集團有限公司)	11,021.31	0.96%
22	Zhao Hongxiu (趙洪修)	11,021.31	0.96%
23	Jiaxing Dening Shenghui Equity Investment Partnership (Limited Partnership) (嘉興德寧生暉股權投資合夥企業(有限合夥))	10,506.98	0.92%
24	Shaoxing Yuewang Enterprise Management Consulting Partnership (Limited Partnership) (紹興越旺企業管理諮詢合夥企業(有限合夥))	10,500.00	0.92%

No.	Name of shareholders	Number of shares held (<i>'0,000 shares</i>)	Shareholding ratio
25	Gongqingcheng Renhe Zhisheng Equity Investment Partnership (Limited Partnership) (共青城人和智勝股權投資合夥企業(有限合夥))	9,257.90	0.81%
26	Orient International (Holding) Co., Ltd. (東方國際(集團)有限公司)	8,817.05	0.77%
27	Minsheng Securities Co., Ltd. (repurchase of treasury shares)	8,509.80	0.74%
28	Jiaxing Dening Zhengxin Equity Investment Partnership (Limited Partnership) (嘉興德寧正鑫股權投資合夥企業(有限合夥))	8,302.72	0.72%
29	Shanghai Zhangjiang High-Tech Park Development Co., Ltd. (上海張江高科技園區開發股份有限公司)	7,347.54	0.64%
30	Shanghai Pudong Investment Holdings (Group) Co., Ltd. (上海浦東投資控股(集團)有限公司)	7,347.54	0.64%
31	Shanghai International Port (Group) Co., Ltd. (上海國際港務(集團)股份有限公司)	7,347.54	0.64%
32	Shanghai Yunzhu Investment Co., Ltd. (上海韻築投資有限公司)	7,347.54	0.64%
33	Shanghai Jiushi Investment Management Co., Ltd. (上海久事投資管理有限公司)	7,347.54	0.64%
34	Time Publishing and Media Co., Ltd. (時代出版傳媒股份有限公司)	7,347.54	0.64%
35	Dazzle Fashion Co., Ltd. (地素時尚股份有限公司)	7,347.54	0.64%
36	Qingdao Ocean Innovation Industry Investment Fund Co., Ltd. (青島海洋創新產業投資基金有限公司)	7,347.54	0.64%
37	Hangzhou Chongfu Zhongcai Investment Partnership (Limited Partnership) (杭州崇福眾財投資合夥企業(有限合夥))	7,347.54	0.64%
38	Yankuang Capital Management Co., Ltd. (兗礦資本管理有限公司)	6,980.16	0.61%
39	Hubei Huacang Hongjia Equity Investment Fund Partnership (Limited Partnership) (湖北華倉宏嘉股權投資基金合夥企業(有限合夥))	6,245.41	0.55%
40	Gongqingcheng Minxin Investment Partnership (Limited Partnership) (共青城民信投資合夥企業(有限合夥))	5,221.16	0.46%

No.	Name of shareholders	Number of shares held (<i>'0,000 shares</i>)	Shareholding ratio
41	Gongqingcheng Minxin Investment Partnership (Limited Partnership)(共青城民新投資合夥企業(有限合夥))	4,786.25	0.42%
42	Gongqingcheng Minlong Investment Partnership (Limited Partnership) (共青城民隆投資合夥企業(有限合夥))	3,840.25	0.34%
43	Cong Xuenian (叢學年)	3,673.77	0.32%
44	Lanxi Puhua Huiyang Investment Partnership (Limited Partnership) (蘭溪普華暉陽投資合夥企業(有限合夥))	3,673.77	0.32%
45	Sichuan Dingxiang Equity Investment Fund Co., Ltd. (四川鼎祥股權投資基金有限公司)	3,673.77	0.32%
46	Chengye Zhiyuan (Dongying) Equity Investment Fund Centre (Limited Partnership) (橙葉志遠(東營)股權投資基金中心(有限合夥))	3,673.77	0.32%
47	Jiaxing Dening Hongyang Phase I Equity Investment Partnership (Limited Partnership) (嘉興德寧宏陽一期股權投資合夥企業(有限合夥))	2,204.26	0.19%
Total		<u>1,145,616.07</u>	<u>100.00%</u>

On 20 August 2021, Oceanwide Holdings convened the thirty-sixth interim meeting of the tenth session of the board of directors, which considered and approved the Resolution on Minsheng Securities Co., Ltd. No Longer Being Included in the Scope of the Company's Consolidated Statements (《關於民生證券股份有限公司不再納入公司合併報表範圍的議案》). In view of the decrease of its shareholding ratio in Minsheng Securities and its shareholder representative directorship in the board of directors has been less than half, and it cannot continue to control the relevant decisions of the board of directors, Oceanwide Holdings has decided to no longer include Minsheng Securities in the consolidation scope of the company's consolidated financial statements.

Accordingly, from August 2021 onwards, Minsheng Securities no longer has any controlling shareholders or actual controllers. The foregoing has not resulted in any changes in the shareholding structure of Minsheng Securities.

On 21 October 2021, Zhao Hongxiu (趙洪修) entered into the Share Transfer Agreement of Minsheng Securities Co., Ltd. with Shanghai Shuiyao Enterprise Management Consulting Service Co., Ltd. (上海水遙企業管理諮詢服務有限責任公司), pursuant to which, Zhao Hongxiu transferred 110,213,078 shares he held to Shanghai Shuiyao Enterprise Management Consulting Service Co., Ltd. (上海水遙企業管理諮詢服務有限責任公司) at a price of RMB1.361 per share.

Upon completion of the transfer, the shareholding structure of Minsheng Securities was as follows:

No.	Name of shareholders	Number of shares held (<i>'0,000 shares</i>)	Shareholding ratio
1	Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司)	355,463.40	31.03%
2	Shanghai Fengquanyu Enterprise Management Co., Ltd. (上海灃泉峪企業管理有限公司)	154,535.95	13.49%
3	Xizang Tengyun Investment Management Co., Ltd. (西藏騰雲投資管理有限公司)	55,841.29	4.87%
4	Hangzhou Dongheng Petroleum Co., Ltd. (杭州東恒石油有限公司)	51,432.77	4.49%
5	Shandong High-Tech Venture Capital Co., Ltd. (山東省高新技術創業投資有限公司)	43,620.21	3.81%
6	Shanghai Zhangjiang (Group) Co., Ltd. (上海張江(集團)有限公司)	36,737.69	3.21%
7	Shandong Lucion Investment Holdings Group Co., Ltd. (山東省魯信投資控股集團有限公司)	34,017.90	2.97%
8	Shenzhen Sophia Investment Management Co., Ltd. (深圳索菲亞投資管理有限公司)	29,390.15	2.57%
9	Taizhou State-owned Capital Operation Group Co., Ltd. (台州市國有資本運營集團有限公司)	22,042.62	1.92%
10	Dazhong Transportation (Group) Co., Ltd. (大眾交通(集團)股份有限公司)	22,042.62	1.92%
11	Qingdao Jinyuan Minfu Equity Investment Partnership (Limited Partnership) (青島金源民福股權投資合夥企業(有限合夥))	21,013.96	1.83%
12	Tian Sanhong (田三紅)	18,368.85	1.60%
13	Xinxiang Bailu Investment Group Co., Ltd. (新鄉白鷺投資集團有限公司)	16,800.00	1.47%
14	Luoyang Lier Refractories Co., Ltd. (洛陽利爾耐火材料有限公司)	14,695.08	1.28%

No.	Name of shareholders	Number of shares held (<i>'0,000 shares</i>)	Shareholding ratio
15	Shenneng (Group) Company Limited (申能(集團)有限公司)	14,695.08	1.28%
16	Shanghai Huayi Group Investment Co., Ltd. (上海華誼集團投資有限公司)	14,695.08	1.28%
17	Shanghai Xiongzhu Investment Management Partnership (Limited Partnership) (上海雄築投資管理合夥企業(有限合夥))	14,548.13	1.27%
18	Shandong International Trust Co., Ltd. (山東省國際信託股份有限公司)	13,271.50	1.16%
19	Orient International Enterprise Ltd. (東方國際創業股份有限公司)	13,225.57	1.15%
20	Shandong Lucion Industrial Group Co., Ltd. (山東魯信實業集團有限公司)	11,140.76	0.97%
21	Huafeng Group Co., Ltd. (華峰集團有限公司)	11,021.31	0.96%
22	Shanghai Shuiyao Enterprise Management Consulting Service Co., Ltd. (上海水遙企業管理諮詢服務有限責任公司)	11,021.31	0.96%
23	Shaoxing Yuewang Enterprise Management Consulting Partnership (Limited Partnership) (紹興越旺企業管理諮詢合夥企業(有限合夥))	10,500.00	0.92%
24	Jiaxing Dening Shenghui Equity Investment Partnership (Limited Partnership) (嘉興德寧生暉股權投資合夥企業(有限合夥))	10,506.98	0.92%
25	Gongqingcheng Renhe Zhisheng Equity Investment Partnership (Limited Partnership) (共青城人和智勝股權投資合夥企業(有限合夥))	9,257.90	0.81%
26	Orient International (Holding) Co., Ltd. (東方國際(集團)有限公司)	8,817.05	0.77%
27	Minsheng Securities Co., Ltd. (repurchase of treasury shares)	8,509.80	0.74%
28	Jiaxing Dening Zhengxin Equity Investment Partnership (Limited Partnership) (嘉興德寧正鑫股權投資合夥企業(有限合夥))	8,302.72	0.72%
29	Time Publishing and Media Co., Ltd. (時代出版傳媒股份有限公司)	7,347.54	0.64%
30	Dazzle Fashion Co., Ltd. (地素時尚股份有限公司)	7,347.54	0.64%
31	Qingdao Ocean Innovation Industry Investment Fund Co., Ltd. (青島海洋創新產業投資基金有限公司)	7,347.54	0.64%

No.	Name of shareholders	Number of shares held (<i>'0,000 shares</i>)	Shareholding ratio
32	Hangzhou Chongfu Zhongcai Investment Partnership (Limited Partnership) (杭州崇福眾財投資合夥企業(有限合夥))	7,347.54	0.64%
33	Shanghai Zhangjiang High-Tech Park Development Co., Ltd. (上海張江高科技園區開發股份有限公司)	7,347.54	0.64%
34	Shanghai Pudong Investment Holdings (Group) Co., Ltd. (上海浦東投資控股(集團)有限公司)	7,347.54	0.64%
35	Shanghai International Port (Group) Co., Ltd. (上海國際港務(集團)股份有限公司)	7,347.54	0.64%
36	Shanghai Yunzhu Investment Co., Ltd. (上海韻築投資有限公司)	7,347.54	0.64%
37	Shanghai Jiushi Investment Management Co., Ltd. (上海久事投資管理有限公司)	7,347.54	0.64%
38	Yankuang Capital Management Co., Ltd. (兗礦資本管理有限公司)	6,980.16	0.61%
39	Hubei Huacang Hongjia Equity Investment Fund Partnership (Limited Partnership) (湖北華倉宏嘉股權投資基金合夥企業(有限合夥))	6,245.41	0.55%
40	Gongqingcheng Minxin Investment Partnership (Limited Partnership) (共青城民信投資合夥企業(有限合夥))	5,221.16	0.46%
41	Gongqingcheng Minxin Investment Partnership (Limited Partnership) (共青城民新投資合夥企業(有限合夥))	4,786.25	0.42%
42	Gongqingcheng Minlong Investment Partnership (Limited Partnership) (共青城民隆投資合夥企業(有限合夥))	3,840.25	0.34%
43	Sichuan Dingxiang Equity Investment Fund Co., Ltd. (四川鼎祥股權投資基金有限公司)	3,673.77	0.32%
44	Chengye Zhiyuan (Dongying) Equity Investment Fund Centre (Limited Partnership) (橙葉志遠(東營)股權投資基金中心(有限合夥))	3,673.77	0.32%
45	Cong Xuenian (叢學年)	3,673.77	0.32%
46	Lanxi Puhua Huiyang Investment Partnership (Limited Partnership) (蘭溪普華暉陽投資合夥企業(有限合夥))	3,673.77	0.32%

No.	Name of shareholders	Number of shares held (<i>'0,000 shares</i>)	Shareholding ratio
47	Jiaxing Dening Hongyang Phase I Equity Investment Partnership (Limited Partnership) (嘉興德寧宏陽一期股權投資合夥企業(有限合夥))	2,204.26	0.19%
Total		<u>1,145,616.07</u>	<u>100%</u>

In January 2022, as some employees no longer met the requirements of participants as stipulated in the Employee Share Incentive Scheme of Minsheng Securities Co., Ltd. (《民生證券股份有限公司員工股權激勵計劃》), Minsheng Securities recovered a total of 1,542,982 treasury shares of Minsheng Securities at nil consideration that were previously granted to such participants, and the shares held by the employee shareholding platforms, namely, Gongqingcheng Minxin Investment Partnership (Limited Partnership)(共青城民新投資合夥企業(有限合夥)) and Gongqingcheng Minlong Investment Partnership (Limited Partnership)(共青城民隆投資合夥企業(有限合夥)) decreased by 220,426 and 1,322,556 shares, respectively. On 24 January 2022, Minsheng Securities completed the aforesaid grant and recovery of treasury shares.

Upon completion of the recovery, the shareholding structure of Minsheng Securities was as follows:

No.	Name of shareholders	Number of shares held (<i>'0,000 shares</i>)	Shareholding ratio
1	Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司)	355,463.40	31.03%
2	Shanghai Fengquanyu Enterprise Management Co., Ltd. (上海灃泉峪企業管理有限公司)	154,535.95	13.49%
3	Xizang Tengyun Investment Management Co., Ltd. (西藏騰雲投資管理有限公司)	55,841.29	4.87%
4	Hangzhou Dongheng Petroleum Co., Ltd. (杭州東恒石油有限公司)	51,432.77	4.49%
5	Shandong High-Tech Venture Capital Co., Ltd. (山東省高新技術創業投資有限公司)	43,620.21	3.81%
6	Shanghai Zhangjiang (Group) Co., Ltd. (上海張江(集團)有限公司)	36,737.69	3.21%

No.	Name of shareholders	Number of shares held (<i>'0,000 shares</i>)	Shareholding ratio
7	Shandong Lucion Investment Holdings Group Co., Ltd. (山東省魯信投資控股集團有限公司)	34,017.90	2.97%
8	Shenzhen Sophia Investment Management Co., Ltd. (深圳索菲亞投資管理有限公司)	29,390.15	2.57%
9	Taizhou State-owned Capital Operation Group Co., Ltd. (台州市國有資本運營集團有限公司)	22,042.62	1.92%
10	Dazhong Transportation (Group) Co., Ltd. (大眾交通(集團)股份有限公司)	22,042.62	1.92%
11	Qingdao Jinyuan Minfu Equity Investment Partnership (Limited Partnership) (青島金源民福股權投資合夥企業(有限合夥))	21,013.96	1.83%
12	Tian Sanhong (田三紅)	18,368.85	1.60%
13	Xinxiang Bailu Investment Group Co., Ltd. (新鄉白鷺投資集團有限公司)	16,800.00	1.47%
14	Luoyang Lier Refractories Co., Ltd. (洛陽利爾耐火材料有限公司)	14,695.08	1.28%
15	Shenneng (Group) Company Limited (申能(集團)有限公司)	14,695.08	1.28%
16	Shanghai Huayi Group Investment Co., Ltd. (上海華誼集團投資有限公司)	14,695.08	1.28%
17	Shanghai Xiongzhu Investment Management Partnership (Limited Partnership) (上海雄築投資管理合夥企業(有限合夥))	14,548.13	1.27%
18	Shandong International Trust Co., Ltd. (山東省國際信託股份有限公司)	13,271.50	1.16%
19	Orient International Enterprise Ltd. (東方國際創業股份有限公司)	13,225.57	1.15%
20	Shandong Lucion Industrial Group Co., Ltd. (山東魯信實業集團有限公司)	11,140.76	0.97%
21	Huafeng Group Co., Ltd. (華峰集團有限公司)	11,021.31	0.96%
22	Shanghai Shuiyao Enterprise Management Consulting Service Co., Ltd. (上海水遙企業管理諮詢服務有限責任公司)	11,021.31	0.96%
23	Shaoxing Yuewang Enterprise Management Consulting Partnership (Limited Partnership) (紹興越旺企業管理諮詢合夥企業(有限合夥))	10,500.00	0.92%

No.	Name of shareholders	Number of shares held (<i>'0,000 shares</i>)	Shareholding ratio
24	Jiaxing Dening Shenghui Equity Investment Partnership (Limited Partnership) (嘉興德寧生暉股權投資合夥企業(有限合夥))	10,506.98	0.92%
25	Gongqingcheng Renhe Zhisheng Equity Investment Partnership (Limited Partnership) (共青城人和智勝股權投資合夥企業(有限合夥))	9,257.90	0.81%
26	Orient International (Holding) Co., Ltd. (東方國際(集團)有限公司)	8,817.05	0.77%
27	Minsheng Securities Co., Ltd. (repurchase of treasury shares)	8,678.80	0.76%
28	Jiaxing Dening Zhengxin Equity Investment Partnership (Limited Partnership) (嘉興德寧正鑫股權投資合夥企業(有限合夥))	8,302.72	0.72%
29	Time Publishing and Media Co., Ltd. (時代出版傳媒股份有限公司)	7,347.54	0.64%
30	Dazzle Fashion Co., Ltd. (地素時尚股份有限公司)	7,347.54	0.64%
31	Qingdao Ocean Innovation Industry Investment Fund Co., Ltd. (青島海洋創新產業投資基金有限公司)	7,347.54	0.64%
32	Hangzhou Chongfu Zhongcai Investment Partnership (Limited Partnership) (杭州崇福眾財投資合夥企業(有限合夥))	7,347.54	0.64%
33	Shanghai Zhangjiang High-Tech Park Development Co., Ltd. (上海張江高科技園區開發股份有限公司)	7,347.54	0.64%
34	Shanghai Pudong Investment Holdings (Group) Co., Ltd. (上海浦東投資控股(集團)有限公司)	7,347.54	0.64%
35	Shanghai International Port (Group) Co., Ltd. (上海國際港務(集團)股份有限公司)	7,347.54	0.64%
36	Shanghai Yunzhu Investment Co., Ltd. (上海韻築投資有限公司)	7,347.54	0.64%
37	Shanghai Jiushi Investment Management Co., Ltd. (上海久事投資管理有限公司)	7,347.54	0.64%
38	Yankuang Capital Management Co., Ltd. (兗礦資本管理有限公司)	6,980.16	0.61%
39	Hubei Huacang Hongjia Equity Investment Fund Partnership (Limited Partnership) (湖北華倉宏嘉股權投資基金合夥企業(有限合夥))	6,245.41	0.55%

No.	Name of shareholders	Number of shares held (<i>'0,000 shares</i>)	Shareholding ratio
40	Gongqingcheng Minxin Investment Partnership (Limited Partnership) (共青城民信投資合夥企業(有限合夥))	5,221.16	0.46%
41	Gongqingcheng Minxin Investment Partnership (Limited Partnership) (共青城民新投資合夥企業(有限合夥))	4,749.51	0.41%
42	Gongqingcheng Minlong Investment Partnership (Limited Partnership) (共青城民隆投資合夥企業(有限合夥))	3,707.99	0.32%
43	Sichuan Dingxiang Equity Investment Fund Co., Ltd. (四川鼎祥股權投資基金有限公司)	3,673.77	0.32%
44	Chengye Zhiyuan (Dongying) Equity Investment Fund Centre (Limited Partnership) (橙葉志遠(東營)股權投資基金中心(有限合夥))	3,673.77	0.32%
45	Cong Xuenian (叢學年)	3,673.77	0.32%
46	Lanxi Puhua Huiyang Investment Partnership (Limited Partnership) (蘭溪普華暉陽投資合夥企業(有限合夥))	3,673.77	0.32%
47	Jiaxing Dening Hongyang Phase I Equity Investment Partnership (Limited Partnership) (嘉興德寧宏陽一期股權投資合夥企業(有限合夥))	2,204.26	0.19%
Total		1,145,616.07	100.00%

In March 2022, as some employees no longer met the requirements of participants as stipulated in the Employee Share Incentive Scheme of Minsheng Securities Co., Ltd. (《民生證券股份有限公司員工股權激勵計劃》), Minsheng Securities recovered a total of 1,102,132 treasury shares of Minsheng Securities at nil consideration that were previously granted to such participants, and the shares held by the employee shareholding platforms, namely, Gongqingcheng Minxin Investment Partnership (Limited Partnership)(共青城民信投資合夥企業(有限合夥)) and Gongqingcheng Minxin Investment Partnership (Limited Partnership)(共青城民新投資合夥企業(有限合夥)) decreased by 881,706 shares and 220,426 shares, respectively. On 15 March 2022, Minsheng Securities completed the aforesaid grant and recovery of treasury shares.

Upon completion of the recovery, the shareholding structure of Minsheng Securities was as follows:

No.	Name of shareholders	Number of shares held (<i>'0,000 shares</i>)	Shareholding ratio
1	Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司)	355,463.40	31.03%
2	Shanghai Fengquanyu Enterprise Management Co., Ltd. (上海灃泉峪企業管理有限公司)	154,535.95	13.49%
3	Xizang Tengyun Investment Management Co., Ltd. (西藏騰雲投資管理有限公司)	55,841.29	4.87%
4	Hangzhou Dongheng Petroleum Co., Ltd. (杭州東恒石油有限公司)	51,432.77	4.49%
5	Shandong High-Tech Venture Capital Co., Ltd. (山東省高新技術創業投資有限公司)	43,620.21	3.81%
6	Shanghai Zhangjiang (Group) Co., Ltd. (上海張江(集團)有限公司)	36,737.69	3.21%
7	Shandong Lucion Investment Holdings Group Co., Ltd. (山東省魯信投資控股集團有限公司)	34,017.90	2.97%
8	Shenzhen Sophia Investment Management Co., Ltd. (深圳索菲亞投資管理有限公司)	29,390.15	2.57%
9	Taizhou State-owned Capital Operation Group Co., Ltd. (台州市國有資本運營集團有限公司)	22,042.62	1.92%
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14	Luoyang Lier Refractories Co., Ltd. (洛陽利爾耐火材料有限公司)	14,695.08	1.28%
15	Shenneng (Group) Company Limited (申能(集團)有限公司)	14,695.08	1.28%
16	Shanghai Huayi Group Investment Co., Ltd. (上海華誼集團投資有限公司)	14,695.08	1.28%
17	Shanghai Xiongzhu Investment Management Partnership (Limited Partnership) (上海雄築投資管理合夥企業(有限合夥))	14,548.13	1.27%

No.	Name of shareholders	Number of shares held (<i>'0,000 shares</i>)	Shareholding ratio
18	Shandong International Trust Co., Ltd. (山東省國際信託股份有限公司)	13,271.50	1.16%
19	Orient International Enterprise Ltd. (東方國際創業股份有限公司)	13,225.57	1.15%
20	Shandong Lucion Industrial Group Co., Ltd. (山東魯信實業集團有限公司)	11,140.76	0.97%
21	Huafeng Group Co., Ltd. (華峰集團有限公司)	11,021.31	0.96%
22	Shanghai Shuiyao Enterprise Management Consulting Service Co., Ltd. (上海水遙企業管理諮詢服務有限責任公司)	11,021.31	0.96%
23	Shaoxing Yuewang Enterprise Management Consulting Partnership (Limited Partnership) (紹興越旺企業管理諮詢合夥企業(有限合夥))	10,500.00	0.92%
24	Jiaxing Dening Shenghui Equity Investment Partnership (Limited Partnership) (嘉興德寧生暉股權投資合夥企業(有限合夥))	10,506.98	0.92%
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27	Minsheng Securities Co., Ltd. (repurchase of treasury shares)	8,789.01	0.77%
28	Jiaxing Dening Zhengxin Equity Investment Partnership (Limited Partnership) (嘉興德寧正鑫股權投資合夥企業(有限合夥))	8,302.72	0.72%
29	Time Publishing and Media Co., Ltd. (時代出版傳媒股份有限公司)	7,347.54	0.64%
30	Dazzle Fashion Co., Ltd. (地素時尚股份有限公司)	7,347.54	0.64%
31	Qingdao Ocean Innovation Industry Investment Fund Co., Ltd. (青島海洋創新產業投資基金有限公司)	7,347.54	0.64%
32	Hangzhou Chongfu Zhongcai Investment Partnership (Limited Partnership) (杭州崇福眾財投資合夥企業(有限合夥))	7,347.54	0.64%
33	Shanghai Zhangjiang High-Tech Park Development Co., Ltd. (上海張江高科技園區開發股份有限公司)	7,347.54	0.64%
34	Shanghai Pudong Investment Holdings (Group) Co., Ltd. (上海浦東投資控股(集團)有限公司)	7,347.54	0.64%

No.	Name of shareholders	Number of shares held (<i>'0,000 shares</i>)	Shareholding ratio
35	Shanghai International Port (Group) Co., Ltd. (上海國際港務(集團)股份有限公司)	7,347.54	0.64%
36	Shanghai Yunzhu Investment Co., Ltd. (上海韻築投資有限公司)	7,347.54	0.64%
37	Shanghai Jiushi Investment Management Co., Ltd. (上海久事投資管理有限公司)	7,347.54	0.64%
38	Yankuang Capital Management Co., Ltd. (兗礦資本管理有限公司)	6,980.16	0.61%
39	Hubei Huacang Hongjia Equity Investment Fund Partnership (Limited Partnership) (湖北華倉宏嘉股權投資基金合夥企業(有限合夥))	6,245.41	0.55%
40	Gongqingcheng Minxin Investment Partnership (Limited Partnership) (共青城民信投資合夥企業(有限合夥))	5,132.99	0.45%
41	Gongqingcheng Minxin Investment Partnership (Limited Partnership) (共青城民新投資合夥企業(有限合夥))	4,727.47	0.41%
42	Gongqingcheng Minlong Investment Partnership (Limited Partnership) (共青城民隆投資合夥企業(有限合夥))	3,707.99	0.32%
43	Sichuan Dingxiang Equity Investment Fund Co., Ltd. (四川鼎祥股權投資基金有限公司)	3,673.77	0.32%
44	Chengye Zhiyuan (Dongying) Equity Investment Fund Centre (Limited Partnership) (橙葉志遠(東營)股權投資基金中心(有限合夥))	3,673.77	0.32%
45	Cong Xuenian (叢學年)	3,673.77	0.32%
46	Lanxi Puhua Huiyang Investment Partnership (Limited Partnership) (蘭溪普華暉陽投資合夥企業(有限合夥))	3,673.77	0.32%
47	Jiaxing Dening Hongyang Phase I Equity Investment Partnership (Limited Partnership) (嘉興德寧宏陽一期股權投資合夥企業(有限合夥))	2,204.26	0.19%
Total		<u>1,145,616.07</u>	<u>100.00%</u>

On 7 April 2022, Cong Xuenian (叢學年) entered into the Share Transfer Agreement of Minsheng Securities Co., Ltd. (《關於民生證券股份有限公司之股份轉讓協議》) with Yankuang Capital Management Co., Ltd. (兗礦資本管理有限公司), pursuant to which, Cong Xuenian transferred 36,737,693 shares he held to Ankuang Capital Management Co., Ltd. (兗礦資本管理有限公司) at a price of RMB1.73 per share.

Upon completion of the transfer, the shareholding structure of Minsheng Securities was as follows:

No.	Name of shareholders	Number of shares held (‘0,000 shares)	Shareholding ratio
1	Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司)	355,463.40	31.03%
2	Shanghai Fengquanyu Enterprise Management Co., Ltd. (上海灃泉峪企業管理有限公司)	154,535.95	13.49%
3	Xizang Tengyun Investment Management Co., Ltd. (西藏騰雲投資管理有限公司)	55,841.29	4.87%
4	Hangzhou Dongheng Petroleum Co., Ltd. (杭州東恒石油有限公司)	51,432.77	4.49%
5	Shandong High-Tech Venture Capital Co., Ltd. (山東省高新技術創業投資有限公司)	43,620.21	3.81%
6	Shanghai Zhangjiang (Group) Co., Ltd. (上海張江(集團)有限公司)	36,737.69	3.21%
7	Shandong Lucion Investment Holdings Group Co., Ltd. (山東省魯信投資控股集團有限公司)	34,017.90	2.97%
8	Shenzhen Sophia Investment Management Co., Ltd. (深圳索菲亞投資管理有限公司)	29,390.15	2.57%
9	Taizhou State-owned Capital Operation Group Co., Ltd. (台州市國有資本運營集團有限公司)	22,042.62	1.92%
10	Dazhong Transportation (Group) Co., Ltd. (大眾交通(集團)股份有限公司)	22,042.62	1.92%
11	Qingdao Jinyuan Minfu Equity Investment Partnership (Limited Partnership) (青島金源民福股權投資合夥企業(有限合夥))	21,013.96	1.83%
12	Tian Sanhong (田三紅)	18,368.85	1.60%
13	Xinxiang Bailu Investment Group Co., Ltd. (新鄉白鷺投資集團有限公司)	16,800.00	1.47%

No.	Name of shareholders	Number of shares held (<i>'0,000 shares</i>)	Shareholding ratio
14	Shenneng (Group) Company Limited (申能(集團)有限公司)	14,695.08	1.28%
15	Shanghai Huayi Group Investment Co., Ltd. (上海華誼集團投資有限公司)	14,695.08	1.28%
16	Luoyang Lier Refractories Co., Ltd. (洛陽利爾耐火材料有限公司)	14,695.08	1.28%
17	Shanghai Xiongzhu Investment Management Partnership (Limited Partnership) (上海雄築投資管理合夥企業(有限合夥))	14,548.13	1.27%
18	Shandong International Trust Co., Ltd. (山東省國際信託股份有限公司)	13,271.50	1.16%
19	Orient International Enterprise Ltd. (東方國際創業股份有限公司)	13,225.57	1.15%
20	Shandong Lucion Industrial Group Co., Ltd. (山東魯信實業集團有限公司)	11,140.76	0.97%
21	Huafeng Group Co., Ltd. (華峰集團有限公司)	11,021.31	0.96%
22	Shanghai Shuiyao Enterprise Management Consulting Service Co., Ltd. (上海水遙企業管理諮詢服務有限責任公司)	11,021.31	0.96%
23	Yankuang Capital Management Co., Ltd. (兗礦資本管理有限公司)	10,653.93	0.93%
24	Jiaxing Dening Shenghui Equity Investment Partnership (Limited Partnership) (嘉興德寧生暉股權投資合夥企業(有限合夥))	10,506.98	0.92%
25	Shaoxing Yuewang Enterprise Management Consulting Partnership (Limited Partnership) (紹興越旺企業管理諮詢合夥企業(有限合夥))	10,500.00	0.92%
26	Gongqingcheng Renhe Zhisheng Equity Investment Partnership (Limited Partnership) (共青城人和智勝股權投資合夥企業(有限合夥))	9,257.90	0.81%
27	Orient International (Holding) Co., Ltd. (東方國際(集團)有限公司)	8,817.05	0.77%
28	Minsheng Securities Co., Ltd. (repurchase of treasury shares)	8,789.01	0.77%

No.	Name of shareholders	Number of shares held (<i>'0,000 shares</i>)	Shareholding ratio
29	Jiaxing Dening Zhengxin Equity Investment Partnership (Limited Partnership) (嘉興德寧正鑫股權投資合夥企業(有限合夥))	8,302.72	0.72%
30	Shanghai Zhangjiang High-Tech Park Development Co., Ltd. (上海張江高科技園區開發股份有限公司)	7,347.54	0.64%
31	Shanghai Pudong Investment Holdings (Group) Co., Ltd. (上海浦東投資控股(集團)有限公司)	7,347.54	0.64%
32	Shanghai International Port (Group) Co., Ltd. (上海國際港務(集團)股份有限公司)	7,347.54	0.64%
33	Shanghai Yunzhu Investment Co., Ltd. (上海韻築投資有限公司)	7,347.54	0.64%
34	Shanghai Jiushi Investment Management Co., Ltd. (上海久事投資管理有限公司)	7,347.54	0.64%
35	Time Publishing and Media Co., Ltd. (時代出版傳媒股份有限公司)	7,347.54	0.64%
36	Dazzle Fashion Co., Ltd. (地素時尚股份有限公司)	7,347.54	0.64%
37	Qingdao Ocean Innovation Industry Investment Fund Co., Ltd. (青島海洋創新產業投資基金有限公司)	7,347.54	0.64%
38	Hangzhou Chongfu Zhongcai Investment Partnership (Limited Partnership) (杭州崇福眾財投資合夥企業(有限合夥))	7,347.54	0.64%
39	Hubei Huacang Hongjia Equity Investment Fund Partnership (Limited Partnership) (湖北華倉宏嘉股權投資基金合夥企業(有限合夥))	6,245.41	0.55%
40	Gongqingcheng Minxin Investment Partnership (Limited Partnership) (共青城民信投資合夥企業(有限合夥))	5,132.99	0.45%
41	Gongqingcheng Minxin Investment Partnership (Limited Partnership) (共青城民新投資合夥企業(有限合夥))	4,727.47	0.41%
42	Gongqingcheng Minlong Investment Partnership (Limited Partnership) (共青城民隆投資合夥企業(有限合夥))	3,707.99	0.32%
43	Lanxi Puhua Huiyang Investment Partnership (Limited Partnership) (蘭溪普華暉陽投資合夥企業(有限合夥))	3,673.77	0.32%

No.	Name of shareholders	Number of shares held (‘0,000 shares)	Shareholding ratio
44	Sichuan Dingxiang Equity Investment Fund Co., Ltd. (四川鼎祥股權投資基金有限公司)	3,673.77	0.32%
45	Chengye Zhiyuan (Dongying) Equity Investment Fund Centre (Limited Partnership) (橙葉志遠(東營)股權投資基金中心(有限合夥))	3,673.77	0.32%
46	Jiaxing Dening Hongyang Phase I Equity Investment Partnership (Limited Partnership) (嘉興德寧宏陽一期股權投資合夥企業(有限合夥))	2,204.26	0.19%
Total		1,145,616.07	100.00%

On 16 September 2022, the sixth meeting of the fourth session of the board of directors of Minsheng Securities considered and approved the Resolution on the Grant of the Third Tranche of Restricted Shares by Minsheng Securities Co., Ltd. (《關於民生證券股份有限公司授予第三期限制性股票的議案》). As some employees no longer met the requirements of participants as stipulated in the Employee Share Incentive Scheme of Minsheng Securities Co., Ltd. (《民生證券股份有限公司員工股權激勵計劃》), Minsheng Securities recovered a total of 5,290,229 treasury shares of Minsheng Securities at nil consideration that were previously granted to such participants. As no one was willing to accept the transfer of the total of 8,817,046 shares held by such employees as part of the employee stock ownership plan, according to the Employee Share Incentive Scheme of Minsheng Securities Co., Ltd. (《民生證券股份有限公司員工股權激勵計劃》) and the Share Repurchase Agreement (《股份回購協議》) executed by Minsheng Securities with the repurchase recipients and the employee shareholding platforms, Minsheng Securities repurchased the shares based on the most recent audited net asset value per share, the shares held by the employee shareholding platforms, namely, Gongqingcheng Minxin Investment Partnership (Limited Partnership)(共青城民新投資合夥企業(有限合夥)), Gongqingcheng Minlong Investment Partnership (Limited Partnership)(共青城民隆投資合夥企業(有限合夥)) and Gongqingcheng Minxin Investment Partnership (Limited Partnership)(共青城民信投資合夥企業(有限合夥)) decreased by 9,404,848, 1,175,606 and 1,175,606 shares, respectively. At the same time, Minsheng Securities transferred 29,820,333 shares to the employee shareholding platforms at nil consideration, among which, the shares held by Gongqingcheng Minxin Investment Partnership (Limited Partnership)(共青城民信投資合夥企業(有限合夥)), Gongqingcheng Minxin Investment Partnership (Limited Partnership)(共青城民新投資合夥企業(有限合夥)) and Gongqingcheng Minlong Investment Partnership (Limited Partnership)(共青城民隆投資合夥企業(有限合夥)) correspondingly increased by 11,464,166, 9,529,655 and 8,826,512 shares, respectively. On 28 September 2022, Minsheng Securities completed the aforesaid grant and recovery of treasury shares.

Upon completion of the recovery and transfer, the shareholding structure of Minsheng Securities was as follows:

No.	Name of shareholders	Number of shares held (<i>'0,000 shares</i>)	Shareholding ratio
1	Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司)	355,463.40	31.03%
2	Shanghai Fengquanyu Enterprise Management Co., Ltd. (上海灃泉峪企業管理有限公司)	154,535.95	13.49%
3	Xizang Tengyun Investment Management Co., Ltd. (西藏騰雲投資管理有限公司)	55,841.29	4.87%
4	Hangzhou Dongheng Petroleum Co., Ltd. (杭州東恒石油有限公司)	51,432.77	4.49%
5	Shandong High-Tech Venture Capital Co., Ltd. (山東省高新技術創業投資有限公司)	43,620.21	3.81%
6	Shanghai Zhangjiang (Group) Co., Ltd. (上海張江(集團)有限公司)	36,737.69	3.21%
7	Shandong Lucion Investment Holdings Group Co., Ltd. (山東省魯信投資控股集團有限公司)	34,017.90	2.97%
8	Guangzhou Sophia Investment Management Co., Ltd. (廣州索菲亞投資管理有限公司) ¹⁴	29,390.15	2.57%
9	Taizhou State-owned Capital Operation Group Co., Ltd. (台州市國有資本運營集團有限公司)	22,042.62	1.92%
10	Dazhong Transportation (Group) Co., Ltd. (大眾交通(集團)股份有限公司)	22,042.62	1.92%
11	Qingdao Jinyuan Minfu Equity Investment Partnership (Limited Partnership) (青島金源民福股權投資合夥企業(有限合夥))	21,013.96	1.83%
12	Tian Sanhong (田三紅)	18,368.85	1.60%
13	Xinxiang Bailu Investment Group Co., Ltd. (新鄉白鷺投資集團有限公司)	16,800.00	1.47%
14	Shenneng (Group) Company Limited (申能(集團)有限公司)	14,695.08	1.28%
15	Shanghai Huayi Group Investment Co., Ltd. (上海華誼集團投資有限公司)	14,695.08	1.28%
16	Luoyang Lier Refractories Co., Ltd. (洛陽利爾耐火材料有限公司)	14,695.08	1.28%

¹⁴ Shenzhen Sophia Investment Management Co., Ltd. (深圳索菲亞投資管理有限公司) later renamed as Guangzhou Sophia Investment Management Co., Ltd. (廣州索菲亞投資管理有限公司).

No.	Name of shareholders	Number of shares held (<i>'0,000 shares</i>)	Shareholding ratio
17	Shanghai Xiongzhu Investment Management Partnership (Limited Partnership) (上海雄築投資管理合夥企業(有限合夥))	14,548.13	1.27%
18	Shandong International Trust Co., Ltd. (山東省國際信託股份有限公司)	13,271.50	1.16%
19	Orient International Enterprise Ltd. (東方國際創業股份有限公司)	13,225.57	1.15%
20	Shandong Lucion Industrial Group Co., Ltd. (山東魯信實業集團有限公司)	11,140.76	0.97%
21	Huafeng Group Co., Ltd. (華峰集團有限公司)	11,021.31	0.96%
22	Shanghai Shuiyao Enterprise Management Consulting Service Co., Ltd. (上海水遙企業管理諮詢服務有限責任公司)	11,021.31	0.96%
23	Yankuang Capital Management Co., Ltd. (兗礦資本管理有限公司)	10,653.93	0.93%
24	Jiaxing Dening Shenghui Equity Investment Partnership (Limited Partnership) (嘉興德寧生暉股權投資合夥企業(有限合夥))	10,506.98	0.92%
25	Shaoxing Yuewang Enterprise Management Consulting Partnership (Limited Partnership) (紹興越旺企業管理諮詢合夥企業(有限合夥))	10,500.00	0.92%
26	Gongqingcheng Renhe Zhisheng Equity Investment Partnership (Limited Partnership) (共青城人和智勝股權投資合夥企業(有限合夥))	9,257.90	0.81%
27	Orient International (Holding) Co., Ltd. (東方國際(集團)有限公司)	8,817.05	0.77%
28	Jiaxing Dening Zhengxin Equity Investment Partnership (Limited Partnership) (嘉興德寧正鑫股權投資合夥企業(有限合夥))	8,302.72	0.72%
29	Shanghai Zhangjiang High-Tech Park Development Co., Ltd. (上海張江高科技園區開發股份有限公司)	7,347.54	0.64%
30	Shanghai Pudong Investment Holdings (Group) Co., Ltd. (上海浦東投資控股(集團)有限公司)	7,347.54	0.64%
31	Shanghai International Port (Group) Co., Ltd. (上海國際港務(集團)股份有限公司)	7,347.54	0.64%
32	Shanghai Yunzhu Investment Co., Ltd. (上海韻築投資有限公司)	7,347.54	0.64%

No.	Name of shareholders	Number of shares held ('0,000 shares)	Shareholding ratio
33	Shanghai Jiushi Investment Management Co., Ltd. (上海久事投資管理有限公司)	7,347.54	0.64%
34	Time Publishing and Media Co., Ltd. (時代出版傳媒股份有限公司)	7,347.54	0.64%
35	Dazzle Fashion Co., Ltd. (地素時尚股份有限公司)	7,347.54	0.64%
36	Qingdao Ocean Innovation Industry Investment Fund Co., Ltd. (青島海洋創新產業投資基金有限公司)	7,347.54	0.64%
37	Hangzhou Chongfu Zhongcai Investment Partnership (Limited Partnership) (杭州崇福眾財投資合夥企業(有限合夥))	7,347.54	0.64%
38	Minsheng Securities Co., Ltd. (repurchase of treasury shares)	7,217.70	0.63%
39	Hubei Huacang Hongjia Equity Investment Fund Partnership (Limited Partnership) (湖北華倉宏嘉股權投資基金合夥企業(有限合夥))	6,245.41	0.55%
40	Gongqingcheng Minxin Investment Partnership (Limited Partnership) (共青城民信投資合夥企業(有限合夥))	5,926.73	0.52%
41	Gongqingcheng Minxin Investment Partnership (Limited Partnership) (共青城民新投資合夥企業(有限合夥))	4,739.95	0.41%
42	Gongqingcheng Minlong Investment Partnership (Limited Partnership) (共青城民隆投資合夥企業(有限合夥))	4,473.08	0.39%
43	Lanxi Puhua Huiyang Investment Partnership (Limited Partnership) (蘭溪普華暉陽投資合夥企業(有限合夥))	3,673.77	0.32%
44	Sichuan Dingxiang Equity Investment Fund Co., Ltd. (四川鼎祥股權投資基金有限公司)	3,673.77	0.32%
45	Chengye Zhiyuan (Dongying) Equity Investment Fund Centre (Limited Partnership) (橙葉志遠(東營)股權投資基金中心(有限合夥))	3,673.77	0.32%
46	Jiaxing Dening Hongyang Phase I Equity Investment Partnership (Limited Partnership) (嘉興德寧宏陽一期股權投資合夥企業(有限合夥))	2,204.26	0.19%
Total		1,145,616.07	100.00%

In November 2022, as some employees no longer met the requirements of participants as stipulated in the Employee Share Incentive Scheme of Minsheng Securities Co., Ltd. (《民生證券股份有限公司員工股權激勵計劃》), Minsheng Securities recovered a total of 146,951 treasury shares of Minsheng Securities at nil consideration that were previously granted to such participants and the shares held by the employee shareholding platform, namely, Gongqingcheng Minxin Investment Partnership (Limited Partnership)(共青城民新投資合夥企業(有限合夥)) decreased by 146,951 shares. On 29 November 2022, Minsheng Securities completed the aforesaid grant and recovery of treasury shares.

Upon completion of the recovery, the shareholding structure of Minsheng Securities was as follows:

No.	Name of shareholders	Number of shares held (*0,000 shares)	Shareholding ratio
1	Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司)	355,463.40	31.03%
2	Shanghai Fengquanyu Enterprise Management Co., Ltd. (上海灃泉峪企業管理有限公司)	154,535.95	13.49%
3	Xizang Tengyun Investment Management Co., Ltd. (西藏騰雲投資管理有限公司)	55,841.29	4.87%
4	Hangzhou Dongheng Petroleum Co., Ltd. (杭州東恒石油有限公司)	51,432.77	4.49%
5	Shandong High-Tech Venture Capital Co., Ltd. (山東省高新技術創業投資有限公司)	43,620.21	3.81%
6	Shanghai Zhangjiang (Group) Co., Ltd. (上海張江(集團)有限公司)	36,737.69	3.21%
7	Shandong Lucion Investment Holdings Group Co., Ltd. (山東省魯信投資控股集團有限公司)	34,017.90	2.97%
8	Shenzhen Sophia Investment Management Co., Ltd. (深圳索菲亞投資管理有限公司)	29,390.15	2.57%
9	Taizhou State-owned Capital Operation Group Co., Ltd. (台州市國有資本運營集團有限公司)	22,042.62	1.92%
10	Dazhong Transportation (Group) Co., Ltd. (大眾交通(集團)股份有限公司)	22,042.62	1.92%
11	Qingdao Jinyuan Minfu Equity Investment Partnership (Limited Partnership) (青島金源民福股權投資合夥企業(有限合夥))	21,013.96	1.83%
12	Tian Sanhong (田三紅)	18,368.85	1.60%

No.	Name of shareholders	Number of shares held (*0,000 shares)	Shareholding ratio
13	Xinxiang Bailu Investment Group Co., Ltd. (新鄉白鷺投資集團有限公司)	16,800.00	1.47%
14	Shenneng (Group) Company Limited (申能(集團)有限公司)	14,695.08	1.28%
15	Shanghai Huayi Group Investment Co., Ltd. (上海華誼集團投資有限公司)	14,695.08	1.28%
16	Luoyang Lier Refractories Co., Ltd. (洛陽利爾耐火材料有限公司)	14,695.08	1.28%
17	Shanghai Xiongzhu Investment Management Partnership (Limited Partnership) (上海雄築投資管理合夥企業(有限合夥))	14,548.13	1.27%
18	Shandong International Trust Co., Ltd. (山東省國際信託股份有限公司)	13,271.50	1.16%
19	Orient International Enterprise Ltd. (東方國際創業股份有限公司)	13,225.57	1.15%
20	Shandong Lucion Industrial Group Co., Ltd. (山東魯信實業集團有限公司)	11,140.76	0.97%
21	Huafeng Group Co., Ltd. (華峰集團有限公司)	11,021.31	0.96%
22	Shanghai Shuiyao Enterprise Management Consulting Service Co., Ltd. (上海水遙企業管理諮詢服務有限責任公司)	11,021.31	0.96%
23	Yankuang Capital Management Co., Ltd. (兗礦資本管理有限公司)	10,653.93	0.93%
24	Jiaxing Dening Shenghui Equity Investment Partnership (Limited Partnership) (嘉興德寧生暉股權投資合夥企業(有限合夥))	10,506.98	0.92%
25	Shaoxing Yuewang Enterprise Management Consulting Partnership (Limited Partnership) (紹興越旺企業管理諮詢合夥企業(有限合夥))	10,500.00	0.92%
26	Gongqingcheng Renhe Zhisheng Equity Investment Partnership (Limited Partnership) (共青城人和智勝股權投資合夥企業(有限合夥))	9,257.90	0.81%
27	Orient International (Holding) Co., Ltd. (東方國際(集團)有限公司)	8,817.05	0.77%
28	Jiaxing Dening Zhengxin Equity Investment Partnership (Limited Partnership) (嘉興德寧正鑫股權投資合夥企業(有限合夥))	8,302.72	0.72%
29	Shanghai Zhangjiang High-Tech Park Development Co., Ltd. (上海張江高科技園區開發股份有限公司)	7,347.54	0.64%

No.	Name of shareholders	Number of shares held (*0,000 shares)	Shareholding ratio
30	Shanghai Pudong Investment Holdings (Group) Co., Ltd. (上海浦東投資控股(集團)有限公司)	7,347.54	0.64%
31	Shanghai International Port (Group) Co., Ltd. (上海國際港務(集團)股份有限公司)	7,347.54	0.64%
32	Shanghai Yunzhu Investment Co., Ltd. (上海韻築投資有限公司)	7,347.54	0.64%
33	Shanghai Jiushi Investment Management Co., Ltd. (上海久事投資管理有限公司)	7,347.54	0.64%
34	Time Publishing and Media Co., Ltd. (時代出版傳媒股份有限公司)	7,347.54	0.64%
35	Dazzle Fashion Co., Ltd. (地素時尚股份有限公司)	7,347.54	0.64%
36	Qingdao Ocean Innovation Industry Investment Fund Co., Ltd. (青島海洋創新產業投資基金有限公司)	7,347.54	0.64%
37	Hangzhou Chongfu Zhongcai Investment Partnership (Limited Partnership) (杭州崇福眾財投資合夥企業(有限合夥))	7,347.54	0.64%
38	Minsheng Securities Co., Ltd. (repurchase of treasury shares)	7,232.40	0.63%
39	Hubei Huacang Hongjia Equity Investment Fund Partnership (Limited Partnership) (湖北華倉宏嘉股權投資基金合夥企業(有限合夥))	6,245.41	0.55%
40	Gongqingcheng Minxin Investment Partnership (Limited Partnership) (共青城民信投資合夥企業(有限合夥))	5,926.73	0.52%
41	Gongqingcheng Minxin Investment Partnership (Limited Partnership) (共青城民新投資合夥企業(有限合夥))	4,725.25	0.41%
42	Gongqingcheng Minlong Investment Partnership (Limited Partnership) (共青城民隆投資合夥企業(有限合夥))	4,473.08	0.39%
43	Lanxi Puhua Huiyang Investment Partnership (Limited Partnership) (蘭溪普華暉陽投資合夥企業(有限合夥))	3,673.77	0.32%
44	Sichuan Dingxiang Equity Investment Fund Co., Ltd. (四川鼎祥股權投資基金有限公司)	3,673.77	0.32%
45	Chengye Zhiyuan (Dongying) Equity Investment Fund Centre (Limited Partnership) (橙葉志遠(東營)股權投資基金中心(有限合夥))	3,673.77	0.32%

No.	Name of shareholders	Number of shares held (*0,000 shares)	Shareholding ratio
46	Jiaxing Dening Hongyang Phase I Equity Investment Partnership (Limited Partnership) (嘉興德寧宏陽一期股權投資合夥企業(有限合夥))	2,204.26	0.19%
Total		<u>1,145,616.07</u>	<u>100.00%</u>

On 20 February 2023, Tian Sanhong (田三紅) transferred 183,688,464 shares she held to Jiaxing Hourun Zehui Venture Investment Partnership (Limited Partnership)(嘉興厚潤澤匯創業投資合夥企業(有限合夥)) at a price of RMB1.361 per share.

Upon completion of the transfer, the shareholding structure of Minsheng Securities was as follows:

No.	Name of shareholders	Number of shares held (*0,000 shares)	Shareholding ratio
1	Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司)	355,463.40	31.03%
2	Shanghai Fengquanyu Enterprise Management Co., Ltd. (上海灃泉峪企業管理有限公司)	154,535.95	13.49%
3	Xizang Tengyun Investment Management Co., Ltd. (西藏騰雲投資管理有限公司)	55,841.29	4.87%
4	Hangzhou Dongheng Petroleum Co., Ltd. (杭州東恒石油有限公司)	51,432.77	4.49%
5	Shandong High-Tech Venture Capital Co., Ltd. (山東省高新技術創業投資有限公司)	43,620.21	3.81%
6	Shanghai Zhangjiang (Group) Co., Ltd. (上海張江(集團)有限公司)	36,737.69	3.21%
7	Shandong Lucion Investment Holdings Group Co., Ltd. (山東省魯信投資控股集團有限公司)	34,017.90	2.97%
8	Shenzhen Sophia Investment Management Co., Ltd. (深圳索菲亞投資管理有限公司)	29,390.15	2.57%
9	Taizhou State-owned Capital Operation Group Co., Ltd. (台州市國有資本運營集團有限公司)	22,042.62	1.92%
10	Dazhong Transportation (Group) Co., Ltd. (大眾交通(集團)股份有限公司)	22,042.62	1.92%

No.	Name of shareholders	Number of shares held (*0,000 shares)	Shareholding ratio
11	Qingdao Jinyuan Minfu Equity Investment Partnership (Limited Partnership) (青島金源民福股權投資合夥企業(有限合夥))	21,013.96	1.83%
12	Jiaxing Hourun Zehui Venture Investment Partnership (Limited Partnership) (嘉興厚潤澤匯創業投資合夥企業(有限合夥))	18,368.85	1.60%
13	Xinxiang Bailu Investment Group Co., Ltd. (新鄉白鷺投資集團有限公司)	16,800.00	1.47%
14	Shenneng (Group) Company Limited (申能(集團)有限公司)	14,695.08	1.28%
15	Shanghai Huayi Group Investment Co., Ltd. (上海華誼集團投資有限公司)	14,695.08	1.28%
16	Luoyang Lier Refractories Co., Ltd. (洛陽利爾耐火材料有限公司)	14,695.08	1.28%
17	Shanghai Xiongzhu Investment Management Partnership (Limited Partnership) (上海雄築投資管理合夥企業(有限合夥))	14,548.13	1.27%
18	Shandong International Trust Co., Ltd. (山東省國際信託股份有限公司)	13,271.50	1.16%
19	Orient International Enterprise Ltd. (東方國際創業股份有限公司)	13,225.57	1.15%
20	Shandong Lucion Industrial Group Co., Ltd. (山東魯信實業集團有限公司)	11,140.76	0.97%
21	Huafeng Group Co., Ltd. (華峰集團有限公司)	11,021.31	0.96%
22	Shanghai Shuiyao Enterprise Management Consulting Service Co., Ltd. (上海水遙企業管理諮詢服務有限責任公司)	11,021.31	0.96%
23	Yankuang Capital Management Co., Ltd. (兗礦資本管理有限公司)	10,653.93	0.93%
24	Jiaxing Dening Shenghui Equity Investment Partnership (Limited Partnership) (嘉興德寧生暉股權投資合夥企業(有限合夥))	10,506.98	0.92%
25	Shaoxing Yuewang Enterprise Management Consulting Partnership (Limited Partnership) (紹興越旺企業管理諮詢合夥企業(有限合夥))	10,500.00	0.92%
26	Gongqingcheng Renhe Zhisheng Equity Investment Partnership (Limited Partnership) (共青城人和智勝股權投資合夥企業(有限合夥))	9,257.90	0.81%

No.	Name of shareholders	Number of shares held (*0,000 shares)	Shareholding ratio
27	Orient International (Holding) Co., Ltd. (東方國際(集團)有限公司)	8,817.05	0.77%
28	Jiaxing Dening Zhengxin Equity Investment Partnership (Limited Partnership) (嘉興德寧正鑫股權投資合夥企業(有限合夥))	8,302.72	0.72%
29	Shanghai Zhangjiang High-Tech Park Development Co., Ltd. (上海張江高科技園區開發股份有限公司)	7,347.54	0.64%
30	Shanghai Pudong Investment Holdings (Group) Co., Ltd. (上海浦東投資控股(集團)有限公司)	7,347.54	0.64%
31	Shanghai International Port (Group) Co., Ltd. (上海國際港務(集團)股份有限公司)	7,347.54	0.64%
32	Shanghai Yunzhu Investment Co., Ltd. (上海韻築投資有限公司)	7,347.54	0.64%
33	Shanghai Jiushi Investment Management Co., Ltd. (上海久事投資管理有限公司)	7,347.54	0.64%
34	Time Publishing and Media Co., Ltd. (時代出版傳媒股份有限公司)	7,347.54	0.64%
35	Dazzle Fashion Co., Ltd. (地素時尚股份有限公司)	7,347.54	0.64%
36	Qingdao Ocean Innovation Industry Investment Fund Co., Ltd. (青島海洋創新產業投資基金有限公司)	7,347.54	0.64%
37	Hangzhou Chongfu Zhongcai Investment Partnership (Limited Partnership) (杭州崇福眾財投資合夥企業(有限合夥))	7,347.54	0.64%
38	Minsheng Securities Co., Ltd. (repurchase of treasury shares)	7,232.40	0.63%
39	Hubei Huacang Hongjia Equity Investment Fund Partnership (Limited Partnership) (湖北華倉宏嘉股權投資基金合夥企業(有限合夥))	6,245.41	0.55%
40	Gongqingcheng Minxin Investment Partnership (Limited Partnership) (共青城民信投資合夥企業(有限合夥))	5,926.73	0.52%
41	Gongqingcheng Minxin Investment Partnership (Limited Partnership) (共青城民新投資合夥企業(有限合夥))	4,725.25	0.41%
42	Gongqingcheng Minlong Investment Partnership (Limited Partnership) (共青城民隆投資合夥企業(有限合夥))	4,473.08	0.39%

No.	Name of shareholders	Number of shares held (*0,000 shares)	Shareholding ratio
43	Lanxi Puhua Huiyang Investment Partnership (Limited Partnership) (蘭溪普華暉陽投資合夥企業(有限合夥))	3,673.77	0.32%
44	Sichuan Dingxiang Equity Investment Fund Co., Ltd. (四川鼎祥股權投資基金有限公司)	3,673.77	0.32%
45	Chengye Zhiyuan (Dongying) Equity Investment Fund Centre (Limited Partnership) (橙葉志遠(東營)股權投資基金中心(有限合夥))	3,673.77	0.32%
46	Jiaxing Dening Hongyang Phase I Equity Investment Partnership (Limited Partnership) (嘉興德寧宏陽一期股權投資合夥企業(有限合夥))	2,204.26	0.19%
Total		1,145,616.07	100.00%

In May 2023, the treasury shares were cancelled and the registered capital of Minsheng Securities was decreased from RMB11,456,160,748 to RMB11,383,836,763.

Upon completion of the capital reduction, the shareholding structure of Minsheng Securities was as follows:

No.	Name of shareholders	Number of shares held (*0,000 shares)	Shareholding ratio
1	Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司)	355,463.40	31.23%
2	Shanghai Fengquanyu Enterprise Management Co., Ltd. (上海灃泉峪企業管理有限公司)	154,535.95	13.58%
3	Xizang Tengyun Investment Management Co., Ltd. (西藏騰雲投資管理有限公司)	55,841.29	4.91%
4	Hangzhou Dongheng Petroleum Co., Ltd. (杭州東恒石油有限公司)	51,432.77	4.52%
5	Shandong High-Tech Venture Capital Co., Ltd. (山東省高新技術創業投資有限公司)	43,620.21	3.83%
6	Shanghai Zhangjiang (Group) Co., Ltd. (上海張江(集團)有限公司)	36,737.69	3.23%
7	Shandong Lucion Investment Holdings Group Co., Ltd. (山東省魯信投資控股集團有限公司)	34,017.90	2.99%

No.	Name of shareholders	Number of shares held (<i>'0,000 shares</i>)	Shareholding ratio
8	Shenzhen Sophia Investment Management Co., Ltd. (深圳索菲亞投資管理有限公司)	29,390.15	2.58%
9	Taizhou State-owned Capital Operation Group Co., Ltd. (台州市國有資本運營集團有限公司)	22,042.62	1.94%
10	Dazhong Transportation (Group) Co., Ltd. (大眾交通(集團)股份有限公司)	22,042.62	1.94%
11	Qingdao Jinyuan Minfu Equity Investment Partnership (Limited Partnership) (青島金源民福股權投資合夥企業(有限合夥))	21,013.96	1.85%
12	Jiaxing Hourun Zehui Venture Investment Partnership (Limited Partnership) (嘉興厚潤澤匯創業投資合夥企業(有限合夥))	18,368.85	1.61%
13	Xinxiang Bailu Investment Group Co., Ltd. (新鄉白鷺投資集團有限公司)	16,800.00	1.48%
14	Shenneng (Group) Company Limited (申能(集團)有限公司)	14,695.08	1.29%
15	Shanghai Huayi Group Investment Co., Ltd. (上海華誼集團投資有限公司)	14,695.08	1.29%
16	Luoyang Lier Refractories Co., Ltd. (洛陽利爾耐火材料有限公司)	14,695.08	1.29%
17	Shanghai Xiongzhu Investment Management Partnership (Limited Partnership) (上海雄築投資管理合夥企業(有限合夥))	14,548.13	1.28%
18	Shandong International Trust Co., Ltd. (山東省國際信託股份有限公司)	13,271.50	1.17%
19	Orient International Enterprise Ltd. (東方國際創業股份有限公司)	13,225.57	1.16%
20	Shandong Lucion Industrial Group Co., Ltd. (山東魯信實業集團有限公司)	11,140.76	0.98%
21	Huafeng Group Co., Ltd. (華峰集團有限公司)	11,021.31	0.97%
22	Shanghai Shuiyao Enterprise Management Consulting Service Co., Ltd. (上海水遙企業管理諮詢服務有限責任公司)	11,021.31	0.97%
23	Yankuang Capital Management Co., Ltd. (兗礦資本管理有限公司)	10,653.93	0.94%
24	Jiaxing Dening Shenghui Equity Investment Partnership (Limited Partnership) (嘉興德寧生暉股權投資合夥企業(有限合夥))	10,506.98	0.92%

No.	Name of shareholders	Number of shares held (<i>'0,000 shares</i>)	Shareholding ratio
25	Shaoxing Yuewang Enterprise Management Consulting Partnership (Limited Partnership) (紹興越旺企業管理諮詢合夥企業(有限合夥))	10,500.00	0.92%
26	Gongqingcheng Renhe Zhisheng Equity Investment Partnership (Limited Partnership) (共青城人和智勝股權投資合夥企業(有限合夥))	9,257.90	0.81%
27	Orient International (Holding) Co., Ltd. (東方國際(集團)有限公司)	8,817.05	0.77%
28	Jiaxing Dening Zhengxin Equity Investment Partnership (Limited Partnership) (嘉興德寧正鑫股權投資合夥企業(有限合夥))	8,302.72	0.73%
29	Shanghai Zhangjiang High-Tech Park Development Co., Ltd. (上海張江高科技園區開發股份有限公司)	7,347.54	0.65%
30	Shanghai Pudong Investment Holdings (Group) Co., Ltd. (上海浦東投資控股(集團)有限公司)	7,347.54	0.65%
31	Shanghai International Port (Group) Co., Ltd. (上海國際港務(集團)股份有限公司)	7,347.54	0.65%
32	Shanghai Yunzhu Investment Co., Ltd. (上海韻築投資有限公司)	7,347.54	0.65%
33	Shanghai Jiushi Investment Management Co., Ltd. (上海久事投資管理有限公司)	7,347.54	0.65%
34	Time Publishing and Media Co., Ltd. (時代出版傳媒股份有限公司)	7,347.54	0.65%
35	Dazzle Fashion Co., Ltd. (地素時尚股份有限公司)	7,347.54	0.65%
36	Qingdao Ocean Innovation Industry Investment Fund Co., Ltd. (青島海洋創新產業投資基金有限公司)	7,347.54	0.65%
37	Hangzhou Chongfu Zhongcai Investment Partnership (Limited Partnership) (杭州崇福眾財投資合夥企業(有限合夥))	7,347.54	0.65%
38	Hubei Huacang Hongjia Equity Investment Fund Partnership (Limited Partnership) (湖北華倉宏嘉股權投資基金合夥企業(有限合夥))	6,245.41	0.55%
39	Gongqingcheng Minxin Investment Partnership (Limited Partnership) (共青城民信投資合夥企業(有限合夥))	5,926.73	0.52%
40	Gongqingcheng Minxin Investment Partnership (Limited Partnership) (共青城民新投資合夥企業(有限合夥))	4,725.25	0.42%

No.	Name of shareholders	Number of shares held (‘0,000 shares)	Shareholding ratio
41	Gongqingcheng Minlong Investment Partnership (Limited Partnership) (共青城民隆投資合夥企業(有限合夥))	4,473.08	0.39%
42	Lanxi Puhua Huiyang Investment Partnership (Limited Partnership) (蘭溪普華暉陽投資合夥企業(有限合夥))	3,673.77	0.32%
43	Sichuan Dingxiang Equity Investment Fund Co., Ltd. (四川鼎祥股權投資基金有限公司)	3,673.77	0.32%
44	Chengye Zhiyuan (Dongying) Equity Investment Fund Centre (Limited Partnership) (橙葉志遠(東營)股權投資基金中心(有限合夥))	3,673.77	0.32%
45	Jiaxing Dening Hongyang Phase I Equity Investment Partnership (Limited Partnership) (嘉興德寧宏陽一期股權投資合夥企業(有限合夥))	2,204.26	0.19%
Total		<u>1,138,383.68</u>	<u>100.00%</u>

On 15 March 2023, Wuxi Guolian Development (Group) Co., Ltd. (無錫市國聯發展(集團)有限公司)(hereinafter referred to as “**Guolian Group**”) acquired 3,470,666,700 shares of Minsheng Securities held by Oceanwide Holdings by judicial auction.

On 13 December 2023, the CSRC issued the Reply on Approving the Change of Substantial Shareholder of Minsheng Securities Co., Ltd. (Zheng Jian Xu Ke [2023] No. 2822)(《關於核准民生證券股份有限公司變更主要股東的批覆》證監許可[2023] 2822號), which confirmed that there was no objection to the acquisition of 3,470,666,700 shares of Minsheng Securities by Guolian Group according to law.

Upon completion of the transfer, the shareholding structure of Minsheng Securities as of the Valuation Benchmark Date was as follows:

No.	Name of shareholders	Number of shares held (*0,000 shares)	Shareholding ratio
1	Wuxi Guolian Development (Group) Co., Ltd. (無錫市國聯發展(集團)有限公司)	347,066.67	30.49%
2	Shanghai Fengquanyu Enterprise Management Co., Ltd. (上海豐泉峪企業管理有限公司)	154,535.95	13.58%
3	Xizang Tengyun Investment Management Co., Ltd. (西藏騰雲投資管理有限公司)	55,841.29	4.91%
4	Hangzhou Dongheng Petroleum Co., Ltd. (杭州東恒石油有限公司)	51,432.77	4.52%
5	Shandong High-Tech Venture Capital Co., Ltd. (山東省高新技術創業投資有限公司)	43,620.21	3.83%
6	Shanghai Zhangjiang (Group) Co., Ltd. (上海張江(集團)有限公司)	36,737.69	3.23%
7	Shandong Lucion Investment Holdings Group Co., Ltd. (山東省魯信投資控股集團有限公司)	34,017.90	2.99%
8	Shenzhen Sophia Investment Management Co., Ltd. (深圳索菲亞投資管理有限公司)	29,390.15	2.58%
9	Taizhou State-owned Capital Operation Group Co., Ltd. (台州市國有資本運營集團有限公司)	22,042.62	1.94%
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11	Qingdao Jinyuan Minfu Equity Investment Partnership (Limited Partnership)(青島金源民福股權投資合夥企業 (有限合夥))	21,013.96	1.85%
12	Jiaxing Hourun Zehui Venture Investment Partnership (Limited Partnership)(嘉興厚潤澤匯創業投資合夥企業 (有限合夥))	18,368.85	1.61%
13	Xinxiang Bailu Investment Group Co., Ltd. (新鄉白鷺投資集團有限公司)	16,800.00	1.48%
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17	Shanghai Xiongzhu Investment Management Partnership (Limited Partnership)(上海雄築投資管理合夥企業(有限 合夥))	14,548.13	1.28%
18	Shandong International Trust Co., Ltd. (山東省國際信託股份有限公司)	13,271.50	1.17%
19	Orient International Enterprise Ltd. (東方國際創業股份有限公司)	13,225.57	1.16%

No.	Name of shareholders	Number of shares held (<i>'0,000 shares</i>)	Shareholding ratio
20	Shandong Lucion Industrial Group Co., Ltd. (山東魯信實業集團有限公司)	11,140.76	0.98%
21	Huafeng Group Co., Ltd. (華峰集團有限公司)	11,021.31	0.97%
22	Shanghai Shuiyao Enterprise Management Consulting Service Co., Ltd. (上海水遙企業管理諮詢服務有限責任公司)	11,021.31	0.97%
23	Yankuang Capital Management Co., Ltd. (兗礦資本管理有限公司)	10,653.93	0.94%
24	Jiaxing Dening Shenghui Equity Investment Partnership (Limited Partnership)(嘉興德寧生暉股權投資合夥企業(有限合夥))	10,506.98	0.92%
25	Shaoxing Yuewang Enterprise Management Consulting Partnership (Limited Partnership) (紹興越旺企業管理諮詢合夥企業(有限合夥))	10,500.00	0.92%
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27	Orient International (Holding) Co., Ltd. (東方國際(集團)有限公司)	8,817.05	0.77%
28	Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司)	8,396.73	0.74%
29	Jiaxing Dening Zhengxin Equity Investment Partnership (Limited Partnership)(嘉興德寧正鑫股權投資合夥企業(有限合夥))	8,302.72	0.73%
30	Shanghai Zhangjiang High-Tech Park Development Co., Ltd. (上海張江高科技園區開發股份有限公司)	7,347.54	0.65%
31	Shanghai Pudong Investment Holdings (Group) Co., Ltd. (上海浦東投資控股(集團)有限公司)	7,347.54	0.65%
32	Shanghai International Port (Group) Co., Ltd. (上海國際港務(集團)股份有限公司)	7,347.54	0.65%
33	Shanghai Yunzhu Investment Co., Ltd. (上海韻築投資有限公司)	7,347.54	0.65%
34	Shanghai Jiushi Investment Management Co., Ltd. (上海久事投資管理有限公司)	7,347.54	0.65%
35	Time Publishing and Media Co., Ltd. (時代出版傳媒股份有限公司)	7,347.54	0.65%
36	Dazzle Fashion Co., Ltd. (地素時尚股份有限公司)	7,347.54	0.65%
37	Qingdao Ocean Innovation Industry Investment Fund Co., Ltd. (青島海洋創新產業投資基金有限公司)	7,347.54	0.65%
38	Hangzhou Chongfu Zhongcai Investment Partnership (Limited Partnership)(杭州崇福眾財投資合夥企業(有限合夥))	7,347.54	0.65%

No.	Name of shareholders	Number of shares held (<i>'0,000 shares</i>)	Shareholding ratio
39	Hubei Huacang Hongjia Equity Investment Fund Partnership (Limited Partnership) (湖北華倉宏嘉股權投資基金合夥企業(有限合夥))	6,245.41	0.55%
40	Gongqingcheng Minxin Investment Partnership (Limited Partnership)(共青城民信投資合夥企業(有限合夥))	5,926.73	0.52%
41	Gongqingcheng Minxin Investment Partnership (Limited Partnership)(共青城民新投資合夥企業(有限合夥))	4,725.25	0.42%
42	Gongqingcheng Minlong Investment Partnership (Limited Partnership)(共青城民隆投資合夥企業(有限合夥))	4,473.08	0.39%
43	Lanxi Puhua Huiyang Investment Partnership (Limited Partnership)(蘭溪普華暉陽投資合夥企業(有限合夥))	3,673.77	0.32%
44	Sichuan Dingxiang Equity Investment Fund Co., Ltd. (四川鼎祥股權投資基金有限公司)	3,673.77	0.32%
45	Chengye Zhiyuan (Dongying) Equity Investment Fund Centre (Limited Partnership) (橙葉志遠(東營)股權投資基金中心(有限合夥))	3,673.77	0.32%
46	Jiaxing Dening Hongyang Phase I Equity Investment Partnership (Limited Partnership) (嘉興德寧宏陽一期股權投資合夥企業(有限合夥))	2,204.26	0.19%
Total		1,138,383.68	100.00%

3. Organizational structure

The organizational structure of Minsheng Securities is shown in the following chart:

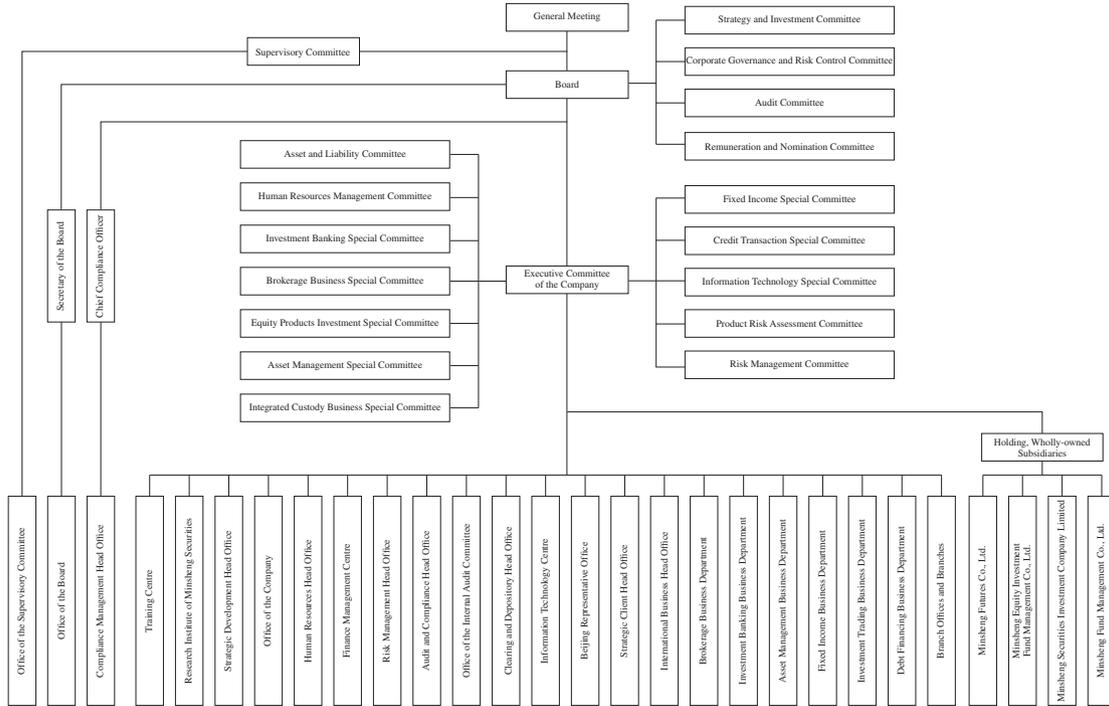


Chart 1. Organisational structure of Minsheng Securities

4. *Qualifications for each business of the company*

Online securities consignment business; foreign exchange operation of securities business; agency sales of open-ended securities investment fund business; member of the national interbank lending market; clearing participant of China Securities Depository and Clearing Corporation Limited; third-party depository of client transaction settlement funds; collective asset management business; implementation of securities brokerage system; introducing broker for futures companies business; agency system host securities dealer business; SME private debt underwriting business; margin financing and securities lending business; providing trading unit to insurance institution investors; participating in interest rate swaps for securities proprietary business; contractual repurchase securities trading authority on the Shenzhen Stock Exchange; stock pledged repurchase transaction authority on the Shenzhen Stock Exchange; capital refinancing business; agency sales of financial products; qualification as chief agency broker on the National Equities Exchange and Quotations; Shanghai-Hong Kong Stock Connect business; option brokerage business on the Shanghai Stock Exchange; piloting of internet securities business; integrated custody of private equity fund business; stock pledged repurchase transaction authority on the Shanghai Stock Exchange; permit to operate securities futures business; stocks and options proprietary trading authority on the Shanghai Stock Exchange; integrated business platform business on the Beijing Financial Assets Exchange; entrusted investment management business; securities refinancing and lending trading business; financing business with respect to exercising rights under share incentive schemes of listed companies; trading of stocks and options business authority on the Shenzhen Stock Exchange; investment managers for entrusted management of insurance funds; Sci-Tech Board securities refinancing business; ChiNext securities refinancing business; ETF first-class dealer; authorization for pledge-type dealer-quoted repurchase transactions of the Shenzhen Stock Exchange; interbank market maker for spot bonds.

As of the Valuation Benchmark Date, Minsheng Securities has 5 subsidiaries, namely Minsheng Equity Investment Fund Management Co., Ltd. (民生股權投資基金管理有限公司), Minsheng Securities Investment Company Limited (民生證券投資有限公司), Minsheng Fund Management Co., Ltd. (民生基金管理有限公司), Minsheng Futures Co., Ltd. (民生期貨有限公司), Minsheng Bohai Capital Management Co., Ltd. (民生博海資本管理有限公司), 43 branch offices and 45 securities branches.

5. Assets, financial and operating position

(1) Financial position in the consolidated statements

As of 31 March 2024, the Valuation Benchmark Date, as stated in the consolidated statement of Minsheng Securities, total assets amounted to RMB58,349,838,000, liabilities amounted to RMB42,274,328,700, net assets amounted to RMB16,075,509,300, and net assets attributable to shareholders of the parent company amounted to RMB16,048,968,700. From January to March 2024, as stated in the consolidated statement, operating income amounted to RMB1,061,461,600, net profit amounted to RMB326,356,500, and net profit attributable to shareholders of the parent company amounted to RMB325,961,600.

(2) Financial position in the parent company's statements

As of 31 March 2024, the Valuation Benchmark Date, as stated in the parent company's statements of Minsheng Securities, total assets amounted to RMB53,423,165,100, liabilities amounted to RMB38,129,949,500, and net assets amounted to RMB15,293,215,600. From January to March 2024, as stated in the parent company's statement, the operating income amounted to RMB939,082,300, and the net profit amounted to RMB272,309,200.

The table below sets forth the assets and financial position of Minsheng Securities in recent years:

Table 1 Assets, Liabilities and Financial Position in the Consolidated Statements

Unit: RMB10 thousand

Item	31 December 2021	31 December 2022	31 December 2023	31 March 2024
Total assets	5,440,159.93	5,840,268.52	5,945,517.17	5,834,983.80
Liabilities	3,932,694.34	4,343,047.04	4,385,020.00	4,227,432.87
Net assets	1,507,465.59	1,497,221.49	1,560,497.17	1,607,550.93
Net assets attributable to the parent company	1,505,268.23	1,494,888.46	1,557,882.59	1,604,896.87
Item	Year 2021	Year 2022	Year 2023	January to March 2024
Operating income	416,017.93	264,924.28	375,659.73	106,146.16
Total profits	126,639.93	13,854.06	75,493.88	40,482.10
Net profit	100,547.67	19,122.89	64,198.11	32,635.65
Net profit attributable to the parent company	100,427.08	18,988.14	63,916.56	32,596.16
Auditor	ShineWing Certified Public Accountants LLP	ShineWing Certified Public Accountants LLP	ShineWing Certified Public Accountants LLP	ShineWing Certified Public Accountants LLP

Table 2 Assets, Liabilities and Financial Position in the Parent Company's Statement

Unit: RMB10 thousand

Item	31 December 2021	31 December 2022	31 December 2023	31 March 2024
Total assets	5,113,777.19	5,393,818.70	5,495,352.69	5,342,316.51
Liabilities	3,699,178.04	3,979,053.03	4,007,680.16	3,812,994.95
Net assets	1,414,599.15	1,414,765.68	1,487,672.54	1,529,321.56

Item	Year 2021	Year 2022	Year 2023	January to March 2024
Operating income	299,573.82	261,709.58	367,104.31	93,908.23
Total profits	50,353.03	27,683.19	88,218.20	33,102.45
Net profit	42,991.79	29,533.52	73,829.28	27,230.92
Auditor	ShineWing Certified Public Accountants LLP	ShineWing Certified Public Accountants LLP	ShineWing Certified Public Accountants LLP	ShineWing Certified Public Accountants LLP

6. Core business profile

(1) Investment banking business

The investment banking business of Minsheng Securities continues to maintain its industry dominant position, ranking among the top in the industry in terms of the number of approved IPO projects, underwriting and sponsorship income and the number of projects under review. As of the date of the valuation report, Minsheng Securities had 2 approved IPO projects in 2024, ranking 2nd in the industry. In 2023, it had 18 approved IPO projects, ranking 3rd in the industry, and had 20 listed IPO projects, ranking 4th in the industry, with IPO underwriting and sponsorship fee income ranked 5th in the industry. Led by the investment banking business, Minsheng Securities' fixed income, investment, research and other businesses and its subsidiaries have achieved synergistic development, gradually forming its differentiated competitiveness in the industry.

The development strategy of Minsheng Securities is “investment banking + investment + investment research”, with its main strengths focusing on the IPO sector. Its overall strengths in equity underwriting are among the top 10 in the industry. To achieve a balanced development of equity and debt, the company introduced a new bond financing team in the second half of 2019 and set up a dedicated bond financing division, laying a solid foundation for the long-term development of its bond financing business.

(2) *Investment business*

Minsheng Securities has an excellent track record in fixed income investment business. The profit model of fixed income business is based on investment trading and businesses, the variable portion under the model is limited and hence market impact is limited. In addition, fixed income positions are mainly investments in interest rate bonds and AAA bonds, accounting for over 95% of the positions, and the risks of payment and price fluctuations of such bonds are relatively small.

Minsheng Securities has shifted the focus of its alternative investment to equity investment in emerging industries, with follow-up investment in the Sci-Tech Board, and investment-first and sponsorship-after in ChiNext that linked with investment banking, and direct investment business continues to contribute revenue to the company’s results.

The private equity business of Minsheng Securities is operated by its subsidiary Minsheng Equity Investment Fund Management Co., Ltd. (民生股權投資基金管理有限公司). Minsheng Equity Investment Fund Management Co., Ltd. obtained the qualifications of private equity fund manager in 2017. After the new regulations on capital management were launched in 2018, Minsheng Equity Investment Fund Management Co., Ltd. leveraged its strengths to set up industrial funds in cooperation with industry leaders and local governments. Meanwhile, it utilised integrated resources to provide empowering services for investee companies, aiming to enhance the value of investee companies.

(3) *Research business*

Commencing 2021, Minsheng Securities has increased its investment in introducing industry leaders to rebuild its Minsheng Research brand. In the New Fortune Selection 2022, it was recognised as the best analyst in five industries and was awarded the most promising research institution by New Fortune. In 2022, revenue from fund splitting position surged by 419% year-on-year, ranked first in terms of growth rate in the industry, and jumped from 49th in 2021 to 28th in the industry. In the first half of 2023, revenue from fund splitting position increased by 62% year-on-year and advanced its industry ranking continuously to 20th.

(4) *Brokerage business*

Minsheng Securities has a total of 80 brokerage branches, strategically focusing on the rich eastern and coastal regions. At the same time, Minsheng Wealth is committed to providing professional and diversified wealth management services according to clients' wealth needs.

The brokerage business department continues to facilitate the transformation of the brokerage business, innovate the business development model and endeavour to reduce the proportion of income from traditional brokerage businesses. To meet the needs of brokerage business transformation, the enterprise adjusted its staff structure, increased the proportion of middle and high-end professional talents, and formed a wealth management team and an innovative business team, constantly expanding its business scope in wealth management and its investment service capability improved gradually.

(5) *Credit business*

The credit business of Minsheng Securities includes margin financing and securities lending business, and stock pledged repurchase business. Since 2019, Minsheng Securities has continued to reduce its high-risk stock pledged business and gradually expanded its relatively low-risk margin financing and securities lending business. Minsheng Securities set up a relatively stringent pre-warning line and mandatory liquidation mechanism for its margin financing and securities lending business, and the overall risk is relatively controllable. The company actively downsizing the scale and number of customers of the stock pledged repurchase business due to risk control considerations, with business development focused on strategic customers, resulting in a year-on-year reduction in total risk exposure.

(6) *Asset management business*

The asset management business of Minsheng Securities mainly consists of collective asset management, targeted asset management and specialised asset management businesses. In 2017, financial supervision became more stringent across the entire industry, and the “One Bank and Three Commissions (the PBOC, CSRC, CBRC and CIRC)” launched a series of strong regulatory measures focusing on the central government’s supply-side reforms and deleveraging policy, which had a significant impact on the overall asset management industry. Against this backdrop, the Minsheng Securities asset management business focused on the development of active management business, returned to the fundamentals of asset management, steadily pushed forward the deleveraging of products, and downsized the scale of channel business to maintain the steady development of active management business and increase the proportion of active management business of the company’s entrusted assets in terms of total scale. With a focus on enhancing the improvement and layout of active management product lines, the company has initially built up a system of asset management products at different risk levels, including high, medium and low, as a result of which, the scale of equity products grew rapidly and achieved outstanding net performance of products under active management for the year.

7. Significant accounting policies implemented by the company

The 41 specific standards issued by the Ministry of Finance, including the Accounting Standards for Business Enterprises – General Standards (Order No. 33 of the Ministry of Finance, amended in July 2014); and Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments (Cai Kuai (2017) No. 7, amended in March 2017).

(IX) Relationship between the principals and valuation entity

The principals of this asset valuation are Guolian Securities, Guolian Group, Zhangjiang Group, Zhangjiang High-Tech, Pudong Innovative Investment, Taizhou State-owned Capital Operation, Qingdao Jinyuan, and the valuation entity is Minsheng Securities Co., Ltd. Guolian Securities, the principal, proposed to acquire the shares of Minsheng Securities Co., Ltd. by issuing shares. The principals, Guolian Group, Zhangjiang Group, Zhangjiang High-Tech, Pudong Innovative Investment, Taizhou State-owned Capital Operation and Qingdao Jinyuan are shareholders of Minsheng Securities Co., Ltd. with shareholding ratios of 30.49%, 3.23%, 0.65%, 0.65%, 1.94% and 1.85%, respectively as of the Valuation Benchmark Date.

(X) Other users of Asset Valuation Report

The asset valuation commission contract does not specify any other report users.

Unless otherwise provided by national laws and regulations, any institution or individual that is not recognized by the valuation institution and the principal is not able to become a user of the valuation report by virtue of receiving the valuation report.

II. PURPOSE OF VALUATION

According to the Resolution of the Sixteenth Meeting of the Fifth Session of the Board of Guolian Securities Co., Ltd. (《國聯證券股份有限公司第五屆董事會第十六次會議決議》) dated 14 May 2024 of Guolian Securities Co., Ltd., Guolian Securities Co., Ltd. proposed to acquire the shares of Minsheng Securities Co., Ltd. held by Wuxi Guolian Development (Group) Co., Ltd. (無錫市國聯發展(集團)有限公司) and other shareholders by issuing shares.

The purpose of this asset valuation is to reflect the market value of the entire shareholders' equity of Minsheng Securities Co., Ltd. as at the Valuation Benchmark Date to provide a value reference basis for the above economic activities.

III. VALUATION SUBJECT AND SCOPE

The valuation subject is the value of entire shareholders' equity in Minsheng Securities Co., Ltd. The valuation scope comprises all the assets and liabilities of Minsheng Securities Co., Ltd. As of the Valuation Benchmark Date, as stated in the audited consolidated statements, total assets amounted to RMB58,349,838,000, total liabilities amounted to RMB42,274,328,700, net assets amounted to RMB16,075,509,300, and net assets attributable to shareholders of the parent company amounted to RMB16,048,968,700.

As stated in the parent company's statements, the book value of total assets amounted to RMB53,423,165,100, total liabilities amounted to RMB38,129,949,500, and net assets amounted to RMB15,293,215,600. The carrying amount of the various types of assets and liabilities are shown in the table below:

Table 3 Summary of Asset Valuation Declarations

Unit: RMB10 thousand

Item name	Carrying amount
Current assets	4,450,454.54
Non-current assets	891,861.97
Including: long-term equity investments	522,541.11
Investment properties	–
Fixed assets	23,192.53
Construction in process	2,819.69
Intangible assets	3,668.47
Including: land use rights	99.53
Other non-current assets	339,640.17
Total assets	5,342,316.51
Current liabilities	3,410,283.17
Non-current liabilities	402,711.78
Total liabilities	3,812,994.95

The data regarding the abovementioned assets and liabilities was extracted from the balance sheet of Minsheng Securities as at 31 March 2024 audited by ShineWing Certified Public Accountants LLP, based on which business valuation was conducted.

The entrusted valuation subject and valuation scope are consistent with the valuation subject and valuation scope involved in the economic activities.

(I) Information on major assets

As of the Valuation Benchmark Date, as stated in the statements of Minsheng Securities' parent company, total assets amounted to RMB53,423,165,100. Among these, financial assets held for trading amounted to RMB24,559,698,900, accounting for 45.97% of total assets; monetary funds amounted to RMB11,991,073,000, accounting for 22.45% of total assets; long-term equity investments amounted to RMB5,225,411,100, accounting for 9.78% of total assets; margin accounts receivables amounted to RMB4,399,235,000, accounting for 8.23% of total assets; investment in other equity instruments amounted to RMB2,236,933,100, accounting for 4.19% of total assets; financial assets purchased under agreements to resell amounted to RMB1,476,126,000, accounting for 2.76% of total assets; clearing settlement funds amounted to RMB1,187,094,300, accounting for 2.22% of total assets; refundable deposits amounted to RMB474,528,100, accounting for 0.89% of total assets; other debt investments amounted to RMB198,914,600, accounting for 0.37% of total assets; and other assets totalling RMB1,674,151,000, accounting for 3.13% of total assets, including accounts receivable, fixed assets, intangible assets, right-of-use assets, deferred income tax assets, and construction in progress.

Among which:

1. Financial assets held for trading

Financial assets held for trading mainly represent stock investments, debentures, funds, capital management plans, etc. held by the valuation entity as of the Valuation Benchmark Date.

2. Long-term equity investments

Long-term equity investments represent the valuation entity's equity investments in Minsheng Equity Investment Fund Management Co., Ltd. (民生股權投資基金管理有限公司), Minsheng Securities Investment Company Limited (民生證券投資有限公司), Minsheng Fund Management Co., Ltd. (民生基金管理有限公司) and Minsheng Futures Co., Ltd. (民生期貨有限公司).

Table 4 Summary of Carrying Amount and Financial Position of Long-term Equity Investments

Unit: RMB10 thousand

No.	Name of investee	Shareholding ratio	Investment cost	Original carrying amount	Net carrying amount
1	Minsheng Equity Investment Fund Management Co., Ltd. (民生股權投資基金管理有限公司)	100.00%	60,063.37	60,063.37	60,063.37
2	Minsheng Securities Investment Company Limited (民生證券投資有限公司)	100.00%	400,000.00	400,000.00	400,000.00
3	Minsheng Fund Management Co., Ltd. (民生基金管理有限公司)	100.00%	20,073.30	20,073.30	20,073.30
4	Minsheng Futures Co., Ltd. (民生期貨有限公司)	95.01%	42,404.44	42,404.44	42,404.44
	Total		<u>522,541.11</u>	<u>522,541.11</u>	<u>522,541.11</u>

(1) *Minsheng Equity Investment Fund Management Co., Ltd.* (民生股權投資基金管理有限公司)

1) Basic information

Name of the company: Minsheng Equity Investment Fund Management Co., Ltd. (民生股權投資基金管理有限公司)

Type: Limited liability company (legal person wholly-owned)

Address: 1908, 17th Floor, No.1 Building, No.28 Jianguomennei Avenue, Dongcheng District, Beijing (北京市東城區建國門內大街28號1幢17層1908)

Legal representative: Ren Kaifeng (任凱鋒)

Registered capital: RMB1,000,000,000

Date of establishment: 6 March 2012

Duration of operation: 6 March 2012 to non-fixed term

Uniform social credit code: 91110000592385150T

Business scope: Investment management and consulting for non-securities business (No engagement in the following business: 1. granting of loan; 2. public trading of securities investment or financial derivatives trading; 3. public fund-raising; 4. providing guarantees to enterprises other than investees) (“1. No public fund-raising business shall be conducted without the approval of relevant authorities; 2. No public trading activities of securities products or financial derivatives shall be conducted; 3. No granting of loans; 4. No guarantee shall be provided to any enterprise other than the investees; 5. No promise shall be made to investors that the principal of an investment will not be lost or that the minimum return will be guaranteed”; the market entity shall select business items and commence operations at its own discretion in accordance with the law; for items requiring approval in accordance with the law, commencement of operations is subject to approval by the relevant authorities and to the extent authorised by such approval; it is not allowed to engage in operations prohibited or restricted by industrial policies of the state and the municipality.)

2) Shareholding structure

As of the Valuation Benchmark Date, the name, capital contribution and percentage of capital contribution of the company's shareholders were as follows:

Table 5 Name, Capital Contribution and Percentage of Capital Contribution of Shareholders

Name of shareholder	Committed capital contribution (RMB10 thousand)	Proportion of committed capital contribution %	Paid-up capital contribution (RMB10 thousand)	Proportion of paid-up capital contribution %
Minsheng Securities Co., Ltd.	<u>100,000.00</u>	<u>100.00</u>	<u>60,000.00</u>	<u>100.00</u>
Total	<u><u>100,000.00</u></u>	<u><u>100.00</u></u>	<u><u>60,000.00</u></u>	<u><u>100.00</u></u>

3) Assets, financial and operating position

① Financial position in the consolidated statements

As of 31 March 2024, the Valuation Benchmark Date, as stated in the consolidated statement of Minsheng Equity, total assets amounted to RMB751,005,800, liabilities amounted to RMB28,171,300, net assets amounted to RMB722,834,500, and net assets attributable to shareholders of the parent company amounted to RMB722,834,500. From January to March 2024, as stated in the consolidated statement, operating income amounted to RMB-36,845,300, net profit amounted to RMB-32,512,200, and net profit attributable to shareholders of the parent company amounted to RMB-32,512,200.

② Financial position in the parent company's statements

As of 31 March 2024, the Valuation Benchmark Date, as stated in the parent company's statements of Minsheng Equity, total assets amounted to RMB751,005,800, liabilities amounted to RMB28,171,300, and net assets amounted to RMB722,834,500. From January to March 2024, as stated in the parent company's statement, operating income amounted to RMB-36,841,800, and net profit amounted to RMB-32,508,700.

The table below sets forth the assets and financial position of Minsheng Equity in recent years:

Table 6 Assets, Liabilities and Financial Position in the Consolidated Statements

Unit: RMB10 thousand

Item	31 December 2021	31 December 2022	31 December 2023	31 March 2024
Total assets	69,485.28	68,845.61	77,796.00	75,100.58
Liabilities	3,943.89	3,352.58	2,261.34	2,817.13
Net assets	65,541.39	65,493.03	75,534.66	72,283.45
Net assets attributable to the parent company	65,541.39	65,493.03	75,534.66	72,283.45
Item	Year 2021	Year 2022	Year 2023	January to March 2024
Operating income	-252.85	2,665.88	16,216.33	-3,684.53
Total profits	-3,228.99	-123.80	13,652.66	-4,333.01
Net profit	-2,242.61	-66.35	10,041.64	-3,251.22
Net profit attributable to the parent company	-2,242.61	-66.35	10,041.64	-3,251.22
Auditor	ShineWing Certified Public Accountants LLP	ShineWing Certified Public Accountants LLP	ShineWing Certified Public Accountants LLP	ShineWing Certified Public Accountants LLP

Table 7 Assets, Liabilities and Financial Position in the Parent Company's Statement

Unit: RMB10 thousand

Item	31 December 2021	31 December 2022	31 December 2023	31 March 2024
Total assets	76,962.06	72,847.88	77,795.65	75,100.58
Liabilities	3,916.25	3,349.40	2,261.33	2,817.13
Net assets	73,045.82	69,498.48	75,534.31	72,283.45
Item	Year 2021	Year 2022	Year 2023	January to March 2024
Operating income	1,749.95	-2,009.72	10,868.32	-3,684.18
Total profits	-1,224.08	-4,787.37	8,311.70	-4,332.66
Net profit	-1,100.06	-3,565.32	6,035.83	-3,250.87
Auditor	ShineWing Certified Public Accountants LLP	ShineWing Certified Public Accountants LLP	ShineWing Certified Public Accountants LLP	ShineWing Certified Public Accountants LLP

(2) *Minsheng Securities Investment Company Limited* (民生證券投資有限公司)

1) Basic information

Name of the company: Minsheng Securities Investment Company Limited (民生證券投資有限公司)

Type: Limited liability company (legal person wholly-owned)

Address: Unit 6701-01A, Tower A, KingKey 100 Tower, No. 5016 Shennan Road East, Guiyuan Street, Luohu District, Shenzhen (深圳市羅湖區桂園街道深南東路5016號京基一百大廈A座6701-01A單元)

Legal representative: Wang Wei (王衛)

Registered capital: RMB4,000,000,000

Date of establishment: 21 May 2013

Duration of operation: 21 May 2013 to non-fixed term

Uniform social credit code: 91110000069614203B

Business scope: Project investment and investment management.

2) Shareholding structure

Minsheng Securities Investment Company Limited (民生證券投資有限公司) was established in May 2013 with a registered capital of RMB4,000,000,000, and is a wholly-owned investment subsidiary of Minsheng Securities Co., Ltd.

As of the Valuation Benchmark Date, the name, capital contribution and percentage of capital contribution of the company's shareholders were as follows:

Table 8 Name, Capital Contribution and Percentage of Capital Contribution of Shareholders

Name of shareholder	Committed capital contribution (RMB10 thousand)	Proportion of committed capital contribution %	Paid-up capital contribution (RMB10 thousand)	Proportion of paid-up capital contribution %
Minsheng Securities Co., Ltd.	<u>400,000.00</u>	<u>100.00</u>	<u>400,000.00</u>	<u>100.00</u>
Total	<u><u>400,000.00</u></u>	<u><u>100.00</u></u>	<u><u>400,000.00</u></u>	<u><u>100.00</u></u>

3) Assets, financial and operating position

① Financial position in the consolidated statements

As of 31 March 2024, the Valuation Benchmark Date, as stated in the consolidated statement of Minsheng Investment, total assets amounted to RMB4,703,254,900, liabilities amounted to RMB115,748,000, net assets amounted to RMB4,587,506,900, and net assets attributable to shareholders of the parent company amounted to RMB4,587,506,900. From January to March 2024, as stated in the consolidated statement, operating income amounted to RMB115,731,600, net profit amounted to RMB83,867,300, and net profit attributable to shareholders of the parent company amounted to RMB83,867,300.

② Financial position in the parent company's statements

As of 31 March 2024, the Valuation Benchmark Date, as stated in the company's statements of Minsheng Investment, total assets amounted to RMB4,685,792,100, liabilities amounted to RMB98,638,100, and net assets amounted to RMB4,587,154,000. From January to March 2024, as stated in the company's statement, operating income amounted to RMB114,766,700, and the net profit amounted to RMB83,849,700.

The table below sets forth the assets and financial position of Minsheng Investment in recent years:

Table 9 Assets, Liabilities and Financial Position in the Consolidated Statements

Unit: RMB10 thousand

Item	31 December 2021	31 December 2022	31 December 2023	31 March 2024
Total assets	512,294.98	490,463.92	459,364.81	470,325.49
Liabilities	27,169.78	16,598.18	9,000.84	11,574.80
Net assets	485,125.20	473,865.74	450,363.96	458,750.69
Net assets attributable to the parent company	485,125.20	473,865.74	450,363.96	458,750.69
Item	Year 2021	Year 2022	Year 2023	January to March 2024
Operating income	103,379.80	-15,424.79	-30,517.85	11,573.16
Total profits	76,773.17	-15,540.81	-31,852.22	11,175.65
Net profit	57,820.07	-11,259.46	-23,501.77	8,386.73
Net profit attributable to the parent company	57,820.07	-11,259.46	-23,501.77	8,386.73
Auditor	ShineWing Certified Public Accountants LLP	ShineWing Certified Public Accountants LLP	ShineWing Certified Public Accountants LLP	ShineWing Certified Public Accountants LLP

Table 10 Assets, Liabilities and Financial Position in the Company's Statements*Unit: RMB10 thousand*

Item	31 December 2021	31 December 2022	31 December 2023	31 March 2024
Total assets	511,259.47	489,102.14	457,702.75	468,579.21
Liabilities	26,141.29	15,249.20	7,372.32	9,863.81
Net assets	485,118.18	473,852.93	450,330.43	458,715.40
				January to March 2024
Item	Year 2021	Year 2022	Year 2023	
Operating income	102,676.35	-15,929.51	-30,963.22	11,476.67
Total profits	76,766.15	-15,546.59	-31,872.95	11,173.89
Net profit	57,813.04	-11,265.25	-23,522.50	8,384.97
Auditor	ShineWing Certified Public Accountants LLP	ShineWing Certified Public Accountants LLP	ShineWing Certified Public Accountants LLP	ShineWing Certified Public Accountants LLP

(3) *Minsheng Fund Management Co., Ltd.* (民生基金管理有限公司)

1) Basic information

Name of the company: Minsheng Fund Management Co., Ltd. (民生基金管理有限公司)

Type: Limited liability company (legal person wholly-owned)

Address: Room 1901, 17th Floor, Building 1, No. 28 Jianguomennei Avenue, Dongcheng District, Beijing (北京市東城區建國門內大街28號1幢17層1901室)

Legal representative: Shi Bing (石兵)

Registered capital: RMB200,000,000

Date of establishment: 2 June 2020

Duration of operation: 2 June 2020 to non-fixed term

Uniform social credit code: 91310000MA1FL78QX9

Business scope: Public offering of securities investment funds management, fund sales and other businesses licensed by the CSRC. (The market entity shall select business items and commence operations at its own discretion according to the law; for items requiring approval in accordance with the law, commencement of operations is subject to approval by the relevant authorities and to the extent authorised by such approval; it is not allowed to engage in operations prohibited or restricted by industrial policies of the state and the municipality.)

2) Shareholding structure

Minsheng Fund Management Co., Ltd. (民生基金管理有限公司) was established in Shanghai on 2 June 2020 and its registered office was relocated to Beijing on 1 April 2021, and the company's registered capital is RMB200 million.

As of the Valuation Benchmark Date, the name, capital contribution and percentage of capital contribution of the company's shareholders were as follows:

Table 11 Name, Capital Contribution and Percentage of Capital Contribution of Shareholders

Name of shareholder	Committed capital contribution (RMB10 thousand)	Proportion of committed capital contribution %	Paid-up capital contribution (RMB10 thousand)	Proportion of paid-up capital contribution %
Minsheng Securities Co., Ltd.	<u>20,000.00</u>	<u>100.00</u>	<u>20,000.00</u>	<u>100.00</u>
Total	<u><u>20,000.00</u></u>	<u><u>100.00</u></u>	<u><u>20,000.00</u></u>	<u><u>100.00</u></u>

3) Assets, financial and operating position

As of 31 March 2024, the Valuation Benchmark Date, as stated in the company's statement of Minsheng Fund, total assets amounted to RMB158,920,600, liabilities amounted to RMB506,500, and net assets amounted to RMB158,414,100. From January to March 2024, as stated in the company's statement, operating income amounted to RMB976,600, and net profit amounted to RMB-5,220,800.

The table below sets forth the assets and financial position of Minsheng Fund in recent years:

Table 12 Assets, Liabilities and Financial Position in the Company's Statements

Unit: RMB10 thousand

Item	31 December 2021	31 December 2022	31 December 2023	31 March 2024
Total assets	19,885.67	18,228.30	16,406.04	15,892.06
Liabilities	2.10	51.32	42.56	50.65
Net assets	19,883.57	18,176.97	16,363.48	15,841.41
				January to March 2024
Item	Year 2021	Year 2022	Year 2023	
Operating income	22.31	393.89	387.35	97.66
Total profits	-116.43	-1,779.90	-1,813.49	-522.08
Net profit	-116.43	-1,779.90	-1,813.49	-522.08
Auditor	ShineWing Certified Public Accountants LLP	ShineWing Certified Public Accountants LLP	ShineWing Certified Public Accountants LLP	ShineWing Certified Public Accountants LLP

(4) *Minsheng Futures Co., Ltd.* (民生期貨有限公司)

1) Basic information

Name of the company: Minsheng Futures Co., Ltd. (民生期貨有限公司)

Type: Other limited liability company

Address: 19th Floor, Block A, Minsheng Financial Center, No. 28 Jianguomennei Avenue, Dongcheng District, Beijing (北京市東城區建國門內大街28號民生金融中心A座19層)

Legal representative: Hu Tiancun (胡天存)

Registered capital: RMB361,000,000

Date of establishment: 29 January 1996

Duration of operation: 29 January 1996 to non-fixed term

Uniform social credit code: 911100001000229601

Business scope: Commodity futures brokerage, financial futures brokerage, futures investment consulting and asset management. (“1. No public fund-raising business shall be conducted without the approval of relevant authorities; 2. No public trading activities of securities products or financial derivatives shall be conducted; 3. No loan shall be granted; 4. No guarantee shall be provided to any enterprise other than the investees; 5. No promise shall be made to investors that the principal of an investment will not be lost or that the minimum return will be guaranteed”; the market entity shall select business items and commence operations at its own discretion according to the law; for items requiring approval in accordance with the law, commencement of operations is subject to approval by the relevant authorities and to the extent authorised by such approval; it is not allowed to engage in operations prohibited or restricted by industrial policies of the state and the municipality.)

2) Shareholding structure

Minsheng Futures Co., Ltd. (民生期貨有限公司) was established in January 1996 with capital contributions from Minsheng Securities Co., Ltd. and Minsheng Holdings Co., Ltd. (民生控股股份有限公司).

As of the Valuation Benchmark Date, the name, capital contribution and percentage of capital contribution of the company's shareholders were as follows:

Table 13 Name, Capital Contribution and Percentage of Capital Contribution of Shareholders

Name of shareholder	Committed capital contribution (RMB10 thousand)	Proportion of committed capital contribution %	Paid-up capital contribution (RMB10 thousand)	Proportion of paid-up capital contribution %
Minsheng Securities Co., Ltd.	34,300.00	95.01	34,300.00	95.01
Minsheng Holdings Co., Ltd. (民生控股股份有限公司)	<u>1,800.00</u>	<u>4.99</u>	<u>1,800.00</u>	<u>4.99</u>
Total	<u><u>36,100.00</u></u>	<u><u>100.00</u></u>	<u><u>36,100.00</u></u>	<u><u>100.00</u></u>

3) Assets, financial and operating position

① Financial position in the consolidated statements

As of 31 March 2024, the Valuation Benchmark Date, as stated in the consolidated statement of Minsheng Futures, total assets amounted to RMB4,695,536,200, liabilities amounted to RMB4,163,659,400, net assets amounted to RMB531,876,800, and net assets attributable to shareholders of the parent company amounted to RMB531,876,800. From January to March 2024, as stated in the consolidated statement, operating income amounted to RMB43,609,900, net profit amounted to RMB7,913,000, and net profit attributable to shareholders of the parent company amounted to RMB7,913,000.

② Financial position in the parent company's statements

As of 31 March 2024, the Valuation Benchmark Date, as stated in the parent company's statements of Minsheng Futures, total assets amounted to RMB4,608,596,500, liabilities amounted to RMB4,083,560,300, and net assets amounted to RMB525,036,200. From January to March 2024, as stated in the parent company's statement, operating income amounted to RMB39,855,200, and the net profit amounted to RMB5,445,200.

The table below sets forth the assets and financial position of Minsheng Futures in recent years:

Table 14 Assets, Liabilities and Financial Position in the Consolidated Statements

Unit: RMB10 thousand

Item	31 December 2021	31 December 2022	31 December 2023	31 March 2024
Total assets	256,330.38	404,516.04	430,923.72	469,553.62
Liabilities	212,295.06	357,761.98	378,527.34	416,365.94
Net assets	44,035.32	46,754.06	52,396.38	53,187.68
Net assets attributable to the parent company	44,035.32	46,754.06	52,396.38	53,187.68
Item	Year 2021	Year 2022	Year 2023	January to March 2024
Operating income	13,228.42	15,818.68	22,887.51	4,360.99
Total profits	2,861.37	3,620.58	7,288.60	1,059.09
Net profit	2,094.70	2,700.27	5,642.33	791.30
Net profit attributable to the parent company	2,094.70	2,700.27	5,642.33	791.30
Auditor	ShineWing Certified Public Accountants LLP	ShineWing Certified Public Accountants LLP	ShineWing Certified Public Accountants LLP	ShineWing Certified Public Accountants LLP

Table 15 Assets, Liabilities and Financial Position in the Parent Company's Statement

Unit: RMB10 thousand

Item	31 December 2021	31 December 2022	31 December 2023	31 March 2024
Total assets	259,405.67	403,479.32	430,521.84	460,859.65
Liabilities	215,424.78	356,987.81	378,562.74	408,356.03
Net assets	43,980.89	46,491.51	51,959.10	52,503.62
				January to March 2024
Item	Year 2021	Year 2022	Year 2023	
Operating income	12,497.29	15,085.12	22,554.06	3,985.52
Total profits	2,488.58	3,345.68	7,055.47	729.85
Net profit	1,815.17	2,492.16	5,467.59	544.52
Auditor	ShineWing Certified Public Accountants LLP	ShineWing Certified Public Accountants LLP	ShineWing Certified Public Accountants LLP	ShineWing Certified Public Accountants LLP

4) Long-term equity investments

① Basic company information

Name of the company: Minsheng Bohai Capital Management Co., Ltd. (民生博海資本管理有限公司)(herein after referred to as “Minsheng Bohai”)

Type: Limited liability company (wholly owned by a legal person that is invested in or controlled by a non-natural person)

Address: Room C2003, 2nd Floor, Building 5, No. 657 Guangzhong Road, Hongkou District, Shanghai (上海市虹口區廣中路657號5幢2樓C2003室)

Legal representative: Hu Tiancun (胡天存)

Registered capital: RMB122,000,000

Date of establishment: 23 May 2018

Duration of operation: 23 May 2018 to non-fixed term

Uniform social credit code: 91310109MA1G5HCG48

Business scope: Investment management, industrial investment, business management consulting, business consulting, market information consulting and investigation (social investigations, social surveys, public opinion surveys and public opinion polls shall not be engaged in), engaged in the import and export business of goods and technology, trade brokerage and agency, freight forwarding agency, warehousing of goods (except dangerous chemicals), engaged in the technology development, technology transfer, technology consulting and technical services in the professional field of computers, network information technology; sales of metal materials, minerals, metal products, gold and silver jewellery, construction materials, rubber products, edible agricultural products, petroleum products, feed, fuel oil, textile raw materials, glass products, coke, timber, knitted textiles, paper, paper products, hardware and electrical appliances, general merchandise, machinery and equipment, computers, software and auxiliary equipment, automobile parts, coal operations, wholesale of chemical products (excluding hazardous chemicals, controlled chemicals, fireworks and firecrackers, civil explosives and precursor chemicals). (For items requiring approval in accordance with the law, commencement of operations is subject to approval by the relevant authorities)

② History

Minsheng Bohai Capital Management Co., Ltd. (民生博海資本管理有限公司) was established in May 2018 with capital contribution from Minsheng Futures Co., Ltd. (民生期貨有限公司).

In May 2024, the registered capital of Minsheng Bohai was increased from RMB100,000,000 to RMB122,000,000.

As of the Valuation Benchmark Date, the name, capital contribution and percentage of capital contribution of the company's shareholders were as follows:

Table 16 Name, Capital Contribution and Percentage of Capital Contribution of Shareholders

Name of shareholder	Committed capital contribution (RMB10 thousand)	Proportion of committed capital contribution %	Paid-up capital contribution (RMB10 thousand)	Proportion of paid-up capital contribution %
Minsheng Futures Co., Ltd. (民生期貨有限公司)	<u>10,000.00</u>	<u>100.00</u>	<u>10,000.00</u>	<u>100.00</u>
Total	<u><u>10,000.00</u></u>	<u><u>100.00</u></u>	<u><u>10,000.00</u></u>	<u><u>100.00</u></u>

③ Assets, financial and operating position

As of 31 March 2024, the Valuation Benchmark Date, as stated in the company's statement of Minsheng Bohai, total assets amounted to RMB230,919,600, liabilities amounted to RMB124,079,000, and net assets amounted to RMB106,840,600. From January to March 2024, as stated in the parent company's statement, operating income amounted to RMB0.00, and net profit amounted to RMB2,467,800.

The table below sets forth the assets and financial position of Minsheng Bohai in recent years:

Table 17 Assets, Liabilities and Financial Position in the Company's Statements

Unit: RMB10 thousand

Item	31 December 2021	31 December 2022	31 December 2023	31 March 2024
Total assets	10,657.36	18,024.80	21,186.35	23,091.96
Liabilities	602.93	7,762.25	10,749.07	12,407.90
Net assets	10,054.44	10,262.54	10,437.28	10,684.06

Item	Year 2021	Year 2022	Year 2023	January to March 2024
Operating income	160.77	318.06	–	–
Total profits	372.81	274.88	233.13	329.24
Net profit	279.54	208.11	174.74	246.78
Auditor	ShineWing Certified Public Accountants LLP	ShineWing Certified Public Accountants LLP	ShineWing Certified Public Accountants LLP	ShineWing Certified Public Accountants LLP

3. Land use rights

There were 9 land use rights with the holders of rights being Minsheng Securities Co., Ltd., and the major information is set out in the table below.

Table 18 Land Use Rights Information Sheet

No.	Land title certificate number	Parcel name	Location	Date of acquisition	Nature of land	Land use	Validity period for use	Area (m ²)
1	Xin Mi Guo Yong (2004) No. 133	Land use rights	North side of Qingping Street East, Xinmi (新密市青屏大街東段北側)	1998/7/21	Transfer	Financial	2048/7/21	450.00
2	Shang Guo Yong (2004) No. 23	Off-site property in Shangjie District, Zhengzhou, Henan Province – Land use rights	South side of Qiyuan Road Central, Shangjie District (上街區濟源路中端南側)	1998/1/15	Transfer	Mixed-use	2047/7/4	1,131.09
3	Zhu Shi Guo Yong (2004) No. 1826-3	Off-site property in Zhumadian, Henan Province – Land use rights	North side of Jiaotong Road West (交通路西端北側)	2009/6/6	Transfer	Business and finance	2049/5/1	1,136.51
4	An Wen Guo Yong (27) No. 6133301	Land of Anyang Branch	Podium of Agricultural Building, No.15 Yongming Road South, Wenfeng District – Yongming Ginza 3rd Floor 01 (文峰區永明路南段15號農業大廈裙樓—永明銀座3層01)	2014/12/29	Transfer	Land for commercial services	2048/10/14	216.71
5	Zheng Guo Yong (2005) No. 0557	Land at Tongbai Road	Jianshe Road South, Tongbai Road West (建設路南、桐柏路西)	2005/7/18	Transfer	Residential land	2068/4/20	749.80
6	Zheng Guo Yong (2005) No. 0558	Land at Tongbai Road	Jianshe Road South, Tongbai Road West (建設路南、桐柏路西)	2005/7/18	Transfer	Land for commercial services	2038/9/28	1,052.40
7	Rong Jin Guo Yong (2015) No. 00291905057	Land 01 of Fuzhou Branch	Car Parking Space 13, Basement 2, Jinnuo Mansion (formerly known as Xinaofu Mansion), No. 289 Hualin Road, Chayuan Street, Jinan District (晉安區茶園街道華林路289號金諾大廈(原新澳福大廈)地下2層13車位)	2015/5/15	Transfer	Special land	Residential: to 2064/7/19 Commercial: 2034/7/19	2.10
8	Rong Jin Guo Yong 2015 No. 00291904041	Land 02 of Fuzhou Branch	Shop 01, Refractory Stockrooms 1 and 2 and Stockrooms, 2nd Floor, Jinnuo Mansion (formerly known as Xinaofu Mansion), No. 289 Hualin Road, Chayuan Street, Jinan District (晉安區茶園街道華林路289號金諾大廈(原新澳福大廈)2層01店面, 2層雜燃庫房1, 2層雜燃庫房2, 2層庫房)	2015/4/17	Transfer	Land for commercial services	Residential: to 2064/7/19 Commercial: 2034/7/19	72.30
9	Gong Guo Yong (2004) No. 00481	Land in Gongyi	No.16 Tongben Road (桐本路16號)	2004/9/15	Transfer	Land for commercial services	2047/4/16	734.80
Total								<u>5,545.71</u>

4. *Fixed assets*

Fixed assets include buildings, vehicles and electronic equipment.

(1) *Buildings*

The Valuation includes 82 building assets in total, 40 of which are buildings purchased and built between 1997 and 2024. The other 42 items are decoration and renovation costs, deed tax and maintenance funds. The buildings mainly comprise the first, second, eleventh and twelfth floors of China Resources Building, the office building at No.1, Annex to No.186 Tongbai Road, Zhongyuan District, and the off-site real property in Jinshui District, Zhengzhou, Henan Province – houses, which are the office buildings used for the daily operation of the business divisions of the valuation entity. A total of 2 buildings have not been issued title certificates, namely, the off-site property in Zhoukou, Henan Province – houses, and part of the property at No. 1, Annex to No. 186 Tongbai Road, Zhongyuan District, while all the holders of rights as shown in the certificates of the remaining properties are the valuation entity. The buildings are mainly located in Zhengzhou, Xinmi, Gongyi, Xinxiang, Nanyang and Zhumadian in Henan Province and are in good physical condition and normal use as of the benchmark date.

For the buildings for which no property ownership certificates have been obtained, the valuation entity has issued certified undertakings to the effect that the aforesaid buildings have been constructed and utilised by valuation entity and that there is no objection to their property rights.

(2) *Vehicles*

The vehicles have 47 items in total, 7 of which are vehicle licence fees. Vehicles mainly comprise sedans, GAC Motor MPV, Buick MPV, Tesla S(M15N), etc., located in Shanghai, Beijing, Zhengzhou, Shenzhen and Guangzhou, and the holders of rights as shown on the certificates are the valuation entity or its branch offices or operating divisions. They are vehicles used for daily operations, of which the old vehicle, 滬A39U06, was disposed of in March 2024 and the corresponding proceeds were received, while the remaining vehicles are in good physical condition and normal use.

(3) *Electronic equipment*

The electronic equipment has 17,688 items in total, which mainly comprises computers, air-conditioners, sofas, desks, photocopiers, printers, etc., located in Shanghai, Beijing, Zhengzhou, Shenzhen and Guangzhou. They are electronic equipment used for daily operations. Of which, 812 are intended to be scrapped (written off), 31 are inventory losses, 5 are damaged and 3 are lack of physical objects, while the remaining electronic equipment is in good physical condition and in normal use.

5. Construction in process

(1) *Construction in process – civil works*

The construction in process – civil works have 1 item in total.

(2) *Construction in process – equipment installation works*

The construction in process – equipment installation projects have 41 items in total, all of which are software development projects, mainly comprising Zero Trust Secure Office Mobile Terminal (零信任安全辦公移動端) of Minsheng Securities and Xin Account Phase II Project (鑫賬戶二期項目) of Minsheng Securities.

6. Trading seat fees

The trading seat fees have 20 items in total, mainly for Shanghai Stock Exchange Seat No. 712, Shanghai Stock Exchange Seat No. 13182 and Shanghai Stock Exchange Seat No. C47.

7. *Other intangible assets*

(1) *Outsourced software*

The outsourced software has 729 items in total, which mainly comprise the Kingdom Equity Incentive System V1.0 and the Hang Seng Investment System – Market Making for Spot Trading purchased by the enterprise. Of which, 116 of the outsourced software are no longer in use, while the remaining are in normal use.

(2) *Trademarks*

The trademarks have 11 items in total, and the holders of rights as shown on the certificates are the valuation entity.

(3) *Copyrights*

The copyrights have 12 items in total, and all holders of rights as shown on the certificates are the valuation entity.

(4) *Domain names*

The domain names have 3 items in total, including Internet domain name: mszq.com, Internet domain name: mszq.cn and Internet domain name: mszq.com.cn, the owner of which is the valuation entity.

(5) *WeChat official account and WeChat video channel*

The WeChat official accounts and WeChat video channels have 43 items in total, of which 39 are WeChat official accounts and 4 are WeChat video channels, mainly comprise Xiaomin Finance and Economics Academy (小民財經學堂) and Minsheng Securities, the applicant of which is the valuation entity.

(II) Types and quantity of off-balance sheet assets declared by the enterprise

As of 31 March 2024, the Valuation Benchmark Date, the off-balance sheet assets within the valuation scope declared by the enterprise were 11 trademarks, 12 copyrights, 3 domain names, 39 WeChat official accounts and 4 WeChat video channels.

Apart from the off-balance sheet assets declared above within the valuation scope, the valuation enterprise has no other off-balance sheet assets.

(III) Type, quantity and carrying amount of assets involved in the conclusions of reports quoted from other institutions

The carrying amount of various assets and liabilities on the benchmark date in this valuation report is the audit result of the Special Audit Report on Minsheng Securities Co., Ltd. for January to March 2024, Year 2023, Year 2022, and Year 2021 (《民生證券股份有限公司2024年1-3月、2023年度、2022年度、2021年度專項審計報告》)(XYZH/2024BJAB1B0454) without qualified opinions issued by ShineWing Certified Public Accountants LLP on 17 June 2024. The valuation was carried out after the audit of the enterprise.

Save for the above, no report from other institutions has been quoted.

IV. VALUE TYPE

Based on the purpose of this valuation, the value type of this valuation is defined as market value.

The market value refers to the estimated amount of the value of normal and fair transactions of the valuation subject on the Valuation Benchmark Date when the voluntary buyer and the voluntary seller act rationally without any coercion.

V. VALUATION BENCHMARK DATE

The benchmark date for the asset valuation of this project is 31 March 2024.

This benchmark date was determined by the principals, taking into consideration the amount of assets, workload, estimated time required, compliance and other factors of the valuation entity.

VI. BASIS OF VALUATION

The basis of valuation on which this asset valuation was conducted mainly includes the basis of economic activity, the basis of laws and regulations, the basis of valuation criteria, the basis of asset ownership, as well as the pricing basis adopted for the determination of valuation and other reference information, with details as follows:

(I) Basis of economic activity

1. Resolution of the Sixteenth Meeting of the Fifth Session of the Board of Guolian Securities Co., Ltd. (《國聯證券股份有限公司第五屆董事會第十六次會議決議》) dated 14 May 2024 of Guolian Securities Co., Ltd.;
2. Resolution of the Board of Directors of Wuxi Guolian Development (Group) Co., Ltd. (Xi Guo Lian Lin Jue [2024] No. 10)(無錫市國聯發展(集團)有限公司董事局決議(錫國聯臨決[2024]10號));
3. Form of Decision Opinion of the Investment Decision Committee of Qingdao Jinyuan Minfu Equity Investment Partnership (Limited Partnership)(青島金源民福股權投資合夥企業(有限合夥)投資決策委員會決策意見表)(26 April 2024);
4. Copy List of the General Manager's Office Meeting of Taizhou State-owned Capital Operation Group Co., Ltd. (台州市國有資本運營集團有限公司總經理辦公會議抄告單)(No. [2024]19-5);
5. Resolution of the Eighteenth Meeting of the Third Session of the Board of Directors of Shanghai Zhangjiang (Group) Co., Ltd. (上海張江(集團)有限公司)(25 April 2024);
6. Notice of Resolution of the General Manager's Office Meeting of Zhangjiang High-Tech (張江高科總辦會決議告知單)(29 April 2024);
7. Resolution of the 2024 Interim General Manager's Office Meeting of Shanghai Pudong Innovative Investment Development (Group) Co., Ltd. (上海浦東創新投資發展(集團)有限公司)(24 April 2024).

(II) Basis of laws and regulations

1. The Asset Valuation Law of the People's Republic of China (《中華人民共和國資產評估法》)(passed at the 21st session of the 12th Standing Committee of the National People's Congress on 2 July 2016);
2. The Company Law of the People's Republic of China (《中華人民共和國公司法》)(amended at the 6th session of the 13th Standing Committee of the National People's Congress on 26 October 2018);
3. The Civil Code of the People's Republic of China (《中華人民共和國民法典》)(passed at the 3rd session of the 13th National People's Congress on 28 May 2020);
4. The Securities Law of the People's Republic of China (《中華人民共和國證券法》)(amended and passed at the 15th session of the 13th Standing Committee of the National People's Congress on 28 December 2019);
5. The Enterprise State-owned Assets Law of the People's Republic of China (《中華人民共和國企業國有資產法》)(passed at the 5th session of the 11th Standing Committee of the National People's Congress on 28 October 2008);
6. The Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》)(passed at the 7th session of the 13th Standing Committee of the National People's Congress on 29 December 2018);
7. The Implementation Rules of Interim Regulations on Value-Added Tax of the People's Republic of China (Order No. 691 of the State Council)(《中華人民共和國增值稅暫行條例》(國務院令第691號))(passed at the 191st executive meeting of the State Council on 30 October 2017);
8. The Detailed Rules for the Implementation of the Interim Regulations of the People's Republic of China on Value Added Tax (Order No. 50 of the Ministry of Finance and the State Taxation Administration)(《中華人民共和國增值稅暫行條例實施細則》(財政部國家稅務總局令第50號));
9. The Notice on Several Issues Concerning the National Implementation of Value-added Tax Reform (Cai Shui [2008] No. 170)(《關於全國實施增值稅轉型改革若干問題的通知》(財稅[2008]170號));
10. The Notice on Carrying out Pilot Operation of Change from Business Tax to Value-added Tax (Cai Shui [2016] No. 36)(《關於全面推開營業稅改徵增值稅試點的通知》(財稅[2016]36號));

11. The Announcement on the Policies in relation to Deepening Value-added Tax Reform (No. 39 of 2019 of the Ministry of Finance, State Taxation Administration and General Administration of Customs)(《關於深化增值稅改革有關政策的公告》(財政部稅務總局海關總署公告2019年第39號));
12. The Administrative Measures for State-owned Assets Valuation (《國有資產評估管理辦法》)(promulgated by Order No. 91 of the State Council (國務院令第91號) on 16 November 1991, and amended in accordance with the Decision of the State Council on Revising or Abolishing Some Administrative Regulations (Order No. 732 of the State Council)(《國務院關於修改和廢止部分行政法規的決定》(國務院令第732號))) on 29 November 2020;
13. The Detailed Rules for the Implementation of the Measures for the Administration of State-owned Assets Valuation (Guo Zi Ban Fa [1992] No. 36) (《國有資產評估管理辦法施行細則》(國資辦發[1992]第36號));
14. The Interim Measures for the Supervision and Administration of State-owned Assets of Enterprises (《企業國有資產監督管理暫行條例》)(Order No. 378 of the State Council (國務院第378號令), amended in 2019);
15. The Interim Measures for the Administration of State-owned Assets Valuation of Enterprises (《企業國有資產評估管理暫行辦法》)(Order No. 12 of the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會令第12號), 25 August 2005);
16. The Notice on Relevant Issues Concerning Strengthening the Administration of State-owned Assets Valuation of Enterprises (SASAC Chan Quan [2006] No. 274)(《關於加強企業國有資產評估管理工作有關問題的通知》(國資委產權[2006]274號));
17. The Notice on Relevant Matters Concerning the Examination of Valuation Reports on State-owned Assets of Enterprises (Guo Zi Chan Quan [2009] No. 941)(《關於企業國有資產評估報告審核工作有關事項的通知》(國資產權[2009]941號));
18. The Notice on Guidelines on the Filing of State-owned Assets Valuation Projects for Enterprises (Guo Zi Fa Chan Quan [2013] No. 64)(《關於〈企業國有資產評估項目備案工作指引〉的通知》(國資發產權[2013]64號));
19. The Measures for the Supervision and Administration of the Transactions of State-owned Assets of Enterprises (《企業國有資產交易監督管理辦法》)(Order No. 32 of the State Council, SASAC and Ministry of Finance (國務院國資委財政部令第32號), 2016);

20. The Notice on Relevant Issues Concerning the Agreement-based Transfer of State-owned Property Rights of Central Enterprises (Guo Zi Chan Quan Fa [2010] No. 11)(《關於中央企業國有產權協議轉讓有關事項的通知》(國資產權發[2010]11號));
21. The Measures for the Supervision and Administration of State-owned Shares of Listed Companies (Order No. 36 of SASAC, Ministry of Finance and CSRC) (《上市公司國有股權監督管理辦法》(國資委財政部證監會令第36號));
22. The Opinions of the Ministry of Finance on Reforming State-owned Asset Valuation Administration Method and Strengthening Asset Valuation Administration Work (Guo Ban Fa [2001] No. 102)(《財政部關於改革國有資產評估行政管理方式、加強資產評估監督管理工作的意見》(國辦發[2001]102號));
23. The Interim Measures for the Supervision and Administration of Assessment on State-owned Assets of Financial Enterprises (《金融企業國有資產評估監督管理暫行辦法》)(Order No. 47 of Ministry of Finance (財政部令第47號), 2007);
24. The Administrative Measures for the Transfer of State-owned Assets of Financial Enterprises (《金融企業國有資產轉讓管理辦法》)(Order No. 54 of Ministry of Finance (財政部令第54號), 17 March 2009);
25. The Notice on Issues Concerning the Supervision and Administration of State-owned Assets Valuation of Financial Enterprises (《關於金融企業國有資產評估監督管理有關問題的通知》)(Cai Jin [2011] No. 59 (財金[2011]59號), 16 June 2011);
26. The Notice on Further Clarification of Asset Management Issues Concerning Direct Equity Investments by State-owned Financial Enterprises (Cai Jin [2014] No. 31)(《關於進一步明確國有金融企業直接股權投資有關資產管理問題的通知》(財金[2014]31號));
27. The Notice on Issues concerning Further Strengthening the Administration of Equities of State-owned Financial Enterprises (Cai Jin [2016] No. 122)(《關於進一步加強國有金融企業股權管理工作有關問題的通知》(財金[2016]122號));
28. The Notice on Further Clarification of Issues Concerning the Administration of Equities of State-owned Financial Enterprises with respect to Capital Increases (Cai Jin [2019] No. 130)(《關於進一步明確國有金融企業增資擴股股權管理有關問題的通知》(財金[2019]130號));

29. The Notice on Matters Concerning the Regulation of the Approval and Filing of State-owned Asset Valuation Projects of Financial Enterprises (Cai Ban Jin [2021] No. 89)(《關於規範金融企業國有資產評估項目核準備案工作有關事項的通知》(財辦金[2021]89號));
30. The Administrative Measures for Major Assets Reorganisation of Listed Companies (Order No. 214 of China Securities Regulatory Commission) (《上市公司重大資產重組管理辦法》(中國證券監督管理委員會令第214號));
31. The Administrative Measures for the Issuance and Registration of Securities by Listed Companies (Order No. 206 of China Securities Regulatory Commission) (《上市公司證券發行註冊管理辦法》(中國證券監督管理委員會令第206號));
32. The Provisional Measures for the Administration of State-owned Asset Valuation of Enterprises in Jiangsu Province (《江蘇省企業國有資產評估管理暫行辦法》)(Issued under Notice No. 60 of Su Guo Zi [2008] (蘇國資[2008]60號通知));
33. The Measures for the Administration of Asset Valuation of Municipal State-owned Enterprises in Wuxi (Xi Guo Zi [2020] No.13)(《無錫市市屬國有企業資產評估管理辦法》(錫國資[2020]13號));
34. Other laws, regulations, rules, and systems related to the valuation.

(III) Basis of valuation criteria

1. Basic Standards of Asset Valuation (Cai Zi [2017] No. 43)(《資產評估基本準則》(財資[2017]43號));
2. Code of Professional Ethics for Assets Valuation (CAS [2017] No. 30)(《資產評估職業道德準則》(中評協[2017]30號));
3. Asset Valuation Practicing Standards – Asset Valuation Procedures (CAS [2018] No. 36)(《資產評估執業準則—資產評估程序》(中評協[2018]36號));
4. Asset Valuation Practicing Standards – Asset Valuation Report (CAS [2019] No. 35)(《資產評估執業準則—資產評估報告》(中評協[2019]35號));
5. Asset Valuation Practicing Standards – Asset Valuation Approaches (CAS [2018] No. 35)(《資產評估執業準則—資產評估方法》(中評協[2018]35號));
6. Guidance on Value Type for Asset Valuation (CAS [2017] No. 47)(《資產評估價值類型指導意見》(中評協[2017]47號));

7. Asset Valuation Practicing Standards – Enterprise Value (CAS [2018] No.38) (《資產評估執業準則—企業價值》(中評協[2018]38號));
8. Asset Valuation Practicing Standards – Real Estate (CAS [2017] No. 38)(《資產評估執業準則—不動產》(中評協[2017]38號));
9. Asset Valuation Practicing Standards – Intangible Assets (CAS [2017] No. 37) (《資產評估準則—無形資產》(中評協[2017]37號));
10. Asset Valuation Practicing Standards – Intellectual Property Rights (CAS [2023] No. 14)(《資產評估執業準則—知識產權》(中評協[2023]14號));
11. Guidance on Patent Asset Valuation (CAS [2017] No. 49)(《專利資產評估指導意見》(中評協[2017]49號));
12. Guidance on Copyright Asset Valuation (CAS [2017] No. 50)(《著作權資產評估指導意見》(中評協[2017]50號));
13. Guidance on Trademark Asset Valuation (CAS [2017] No. 51)(《商標資產評估指導意見》(中評協[2017]51號));
14. Guidelines of the Valuation Report on State-owned Assets of Enterprises (CAS [2017] No.42)(《企業國有資產評估報告指南》(中評協[2017]42號));
15. Guidelines of the Valuation Report on State-owned Assets of Financial Enterprises (CAS [2017] No.43)(《金融企業國有資產評估報告指南》(中評協[2017]43號));
16. Asset Valuation Practicing Standards – Contract on Asset Valuation Entrustment (CAS [2017] No. 33)(《資產評估執業準則—資產評估委託合同》(中評協[2017]33號));
17. Asset Valuation Practicing Standards – Asset Valuation Files (CAS [2018] No. 37)(《資產評估執業準則—資產評估檔案》(中評協[2018]37號));
18. Guidelines for Business Quality Control of Asset Valuation Institutions (CAS [2017] No. 46)(《資產評估機構業務質量控制指南》(中評協[2017]46號));
19. Guidance on Legal Ownership of Asset Valuation Object (CAS [2017] No. 48) (《資產評估對象法律權屬指導意見》(中評協[2017]48號));
20. Asset Valuation Practicing Standards – Engagement of Experts and Relevant Reports (CAS [2017] No. 35)(《資產評估執業準則—利用專家工作及相關報告》(中評協[2017]35號));
21. Other standards related to the valuation.

(IV) Basis of asset ownership

1. Real estate title certificates;
2. Certificates of state-owned land use rights;
3. Motor vehicle driving permit;
4. Patent certificate;
5. Trademark registration certificate;
6. Right of authorship (copyright);
7. Domain name registration form;
8. Certificate of holding financial assets such as shares, bonds and funds on the benchmark date;
9. Certificate of long-term equity investment contribution;
10. Building Use Certificate (Zhou Jun Fang Zi No. 9)(《房屋使用證》(周軍房字第9號)) of Zhoukou Branch, the Contract for the Sale and Purchase of Commodity Properties (Contract No. 001) and its supplemental agreement;
11. Purchase contracts or evidences of material assets;
12. Other reference information.

(V) Pricing basis

1. The benchmark exchange rate of RMB announced by the State Administration of Foreign Exchange on benchmark date;
2. The announcement on loan prime rate (LPR) on the benchmark date promulgated by the National Interbank Funding Center under authorization published by the People's Bank of China;
3. Provisions on the Standards for Compulsory Retirement of Motor Vehicles (Order 2012 No. 12 issued by the Ministry of Commerce, the National Development and Reform Commission, the Ministry of Public Security, and the Ministry of Environmental Protection)(《機動車強制報廢標準規定》(商務部、發改委、公安部、環境保護部令2012年第12號));

4. 2024 Information System for Quotation of Electromechanical Products (Mechanical Industry Information Research Institute)(《2024機電產品報價信息系統》(機械工業信息研究院));
5. Information on the quotation website of Zhongguancun;
6. Relevant data from price information database of China United Assets Appraisal Group Co., Ltd.;
7. Contracts and information of significant businesses;
8. Other reference information.

(VI) Other reference information

1. The standard Special Audit Report on Minsheng Securities Co., Ltd. for January to March 2024, Year 2023, Year 2022, and Year 2021 (《民生證券股份有限公司2024年1-3月、2023年度、2022年度、2021年度專項審計報告》)(XYZH/2024BJAB1B0454) without qualified opinions issued by ShineWing Certified Public Accountants LLP on 17 June 2024.

VII. VALUATION APPROACHES

(I) Introduction to valuation approaches

In accordance with the Asset Valuation Practicing Standards – Enterprise Value (CAS [2018] No. 38) (《資產評估執業準則—企業價值》(中評協[2018]38號)) and the Asset Valuation Practicing Standards – Asset Valuation Approaches (CAS [2019] No. 35)(《資產評估執業準則—資產評估方法》(中評協[2019]35號)), when performing any valuation of enterprise value, the suitability of the three basic asset valuation approaches, namely, the income approach, the market approach and the asset-based approach shall be analyzed based on the purpose of valuation, the valuation subject, the type of the value, suitability requirements of valuation approaches, quality and quantity of reference data adopted under the valuation approaches.

The income approach for the valuation of enterprise value refers to the valuation approach whereby the value of the valuation subject was determined by capitalising or discounting the projected income. The professional asset valuers shall appropriately take into consideration the suitability of the income approach with reference to the business nature, asset size, historical operations, future profit forecast, and adequacy of information collected for valuation.

The market approach for the valuation of enterprise value refers to the valuation approach whereby the value of the valuation subject was determined by comparing the valuation subject with comparable listed companies or comparable transaction cases. The professional asset valuers shall take into consideration the suitability of the market approach with reference to the adequacy and reliability of business operations and financial data, and comparable enterprises available.

The asset-based approach for the valuation of enterprise value refers to the valuation approach whereby the value of the valuation subject was determined by evaluating the value of various assets and liabilities that can be identified on and off the balance sheet as of the Valuation Benchmark Date.

(II) Election of valuation approaches

The purpose of this valuation is that Guolian Securities Co., Ltd. proposes to acquire the shares of Minsheng Securities Co., Ltd. held by Wuxi Guolian Development (Group) Co., Ltd. (無錫市國聯發展(集團)有限公司) and other shareholders by issuing shares.

As the assets-based approach reflects an enterprise's value by putting business acquisition and construction into perspective and serves as the basis for enterprise operation, management and assessment after the economic activity, the assets-based approach is used for the valuation.

Prior to and after the Valuation Benchmark Date, there are many equity transaction cases with similar business scope, business scale and development stage as the valuation entity in the market with stronger comparability. Therefore, the market approach can be selected for the valuation.

According to the profitability of Minsheng Securities, the valuation entity, in recent years, it has been affected by a number of factors such as the state of economic development, economic policies and the international securities market conditions in recent years, resulting in significant fluctuations in revenue and profit. Through communication and interviews with the management of Minsheng Securities, it is difficult to accurately predict the scale and revenue of the brokerage business and investment banking business in the future under the prevailing market conditions, the overall profit expectation is uncertain, and it is not possible to reliably predict the future cash flows, therefore, the income approach has not been selected for the valuation.

Given the above, the asset-based approach and market approach are adopted for this valuation.

(III) Asset-based approach

The asset-based approach refers to the valuation approach whereby the value of the valuation subject was determined by evaluating the value of various assets and liabilities that can be identified on and off the balance sheet of the valuation entity or business units as at the Valuation Benchmark Date, that is, the approach of calculating an enterprise's value by adding up the assessment value of assets which are the various elements that constitute the enterprise and deducting the assessment value of liabilities.

The valuation approaches for various types of assets and liabilities are as follows:

1. Monetary capital

Monetary capital refers to bank deposits only.

For the bank deposit accounts, the valuer verified the actual existence of bank deposits by bank confirmation, and at the same time, checked whether there were any unrecorded bank deposits, reviewed the authenticity of the outstanding accounts in the "bank reconciliation statement" and the crediting status after the Valuation Benchmark Date. For bank deposits in RMB, the assessment value was determined by the verified book value; for bank deposits in foreign currencies, the assessment value of bank deposits is measured by the verified foreign currency amount combined with the foreign currency exchange rate as of the Valuation Benchmark Date.

2. Clearing settlement funds

Clearing settlement funds refer to the funds used for the settlement of securities transactions and futures reserve deposited in an account opened with Minsheng Futures Co., Ltd. (民生期貨有限公司) for futures transactions by Minsheng Securities as a member unit of Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, Shanghai Branch of China Securities Depository and Clearing Corporation Limited and Beijing Branch of China Securities Depository and Clearing Corporation Limited by opening specialised clearing accounts with the depository and clearing company according to the Regulations for the Administration of Reserve Funds.

The valuer has verified the relevant book records and accounting vouchers, reconciled the statement of clearing settlement funds issued by the designated financial institution and verified the deposit accounts of the clearing settlement funds by confirmation letters. The clearing settlement funds were valued at the checked and verified book value.

3. Refundable deposits

Refundable deposits refer to the transaction deposits deposited by Minsheng Securities with Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, Shanghai Branch of China Securities Depository and Clearing Corporation Limited, Beijing Branch of China Securities Depository and Clearing Corporation Limited and Minsheng Futures Co., Ltd. (民生期貨有限公司) for the purpose of commencing transactions.

The valuer has verified the relevant book records and accounting vouchers and confirmed that the monetary deposits receivable are true with accurate amounts and the refundable deposits were valued at the checked and verified book value.

4. Financial assets held under resale agreements

Financial assets held under resale agreements mainly refer to the funds financed by Minsheng Securities through purchasing and reselling bonds at a fixed price under the resale agreements. The valuer verified the bonds repurchase contract and the issuance announcement and other information to confirm the book value. The assessment value was determined based on the transaction price and the cost of funds for the actual number of days, of which the cost of funds was determined based on the agreed repurchase rate and the actual number of days.

5. Financial assets held for trading

Financial assets held for trading comprise shares, bonds, funds, and others.

(1) Financial assets held for trading – shares

Financial assets held for trading – shares mainly refer to share investments held by the valuation entity as of the Valuation Benchmark Date, including tradable shares, restricted shares and NEEQ shares.

The valuer reviewed the reconciliation of the secondary securities trading market accounts of the valuation entity as of the Valuation Benchmark Date and confirmed the names of the shares held, the number of shares held and the restricted/tradable status of the shares held as of the Valuation Benchmark Date; and verified the current operating status of the listed company and the recent trend and fluctuation of the share prices in the secondary market.

1) Tradable shares

For tradable shares, the assessment value of share investment was determined by multiplying the price per share by the number of shares held for this valuation.

Assessment value of tradable shares = price per share × number of shares held

The price per share is based on the closing price on the last trading day prior to the Valuation Benchmark Date.

For the tradable shares on the Hong Kong Stock Exchange, the assessment value of the share investment was determined by multiplying the price per share by the number of shares held and multiplying it by the central parity price of HK\$ against RMB as of 29 March 2024 on the Stock Exchange for this valuation.

Assessment value of tradable shares on the Hong Kong Stock Exchange = price per share x number of shares held x central parity price of HK\$ against RMB

2) Restricted shares

For restricted shares, the assessment value of share investments was determined by multiplying the price per share by the number of shares held and deducting the marketability discount for the lock-up period.

Assessment value of restricted shares = price per share × number of shares held × (1 – liquidity discount for the lock-up period)

A. Price per share

The price per share was recognised by using the closing price on the last trading day prior to the Valuation Benchmark Date for this valuation.

B. Marketability discount for the lock-up period

We measured the restricted marketability discount based on the Asian option (AAP) model proposed in the Guidelines for Valuation of Marketability Restricted Shares for Securities Investment Funds (Trial Implementation) (《證券投資基金流動受限股票估值指引(試行)》) issued by Asset Management Association of China on 4 September 2017.

The AAP model is shown as follows:

$$d(T) = e^{-qt} \left[N\left(\frac{v\sqrt{T}}{2}\right) - N\left(-\frac{v\sqrt{T}}{2}\right) \right]$$

$$v\sqrt{T} = [\sigma^2 T + \ln\{2\{e^{\sigma^2 T} - \sigma^2 T - 1\}\} - 2\ln[e^{\sigma^2 T} - 1]]^{\frac{1}{2}}$$

Wherein,

d(T): restricted marketability discount;

q: expected annualised dividend yield;

σ : expected annualised fluctuation rate of the share price of the shares during the remaining lock-up period, for this valuation the average annualised fluctuation rate for the ten years prior to the benchmark date of comparable companies in the same industry was being taken as the expected annualised fluctuation rate;

T: lock-up period, the time (in years) elapsed from the Valuation Benchmark Date to the date of release of the shares.

3) NEEQ shares

For NEEQ shares with relatively active trading and high turnover rate, trading price approach in the last 90 natural days was adopted for this valuation;

For NEEQ shares with inactive trading and low turnover rates, appropriate approaches (net asset approach, net asset discounting approach, market approach, repurchase price approach, etc.) were selected based on the actual circumstances of the enterprise for this valuation.

(2) *Financial assets held for trading – bonds*

Financial assets held for trading – bonds mainly refer to enterprise bonds and corporate bonds held by the valuation entity as at the Valuation Benchmark Date, as well as privately issued bonds purchased.

The valuer checked the original vouchers and accounting vouchers, verified the reconciliation of the secondary securities trading market accounts, the bond distribution agreement, the notification of bond distribution and transfer of accounts, the transaction orders for spot bond trading, and the delivery orders for bonds (spot bond trading) of the valuation entity on the Valuation Benchmark Date, and confirmed that the names and number of bonds held were in line with the account statements. Further, the valuer enquired about the bond market ratings as at the benchmark date through the iFind financial terminal, kept an eye on the negative information of bond issuers and enquired about the trading conditions in the secondary market to assess whether there were any indications of impairment of the bonds.

For bond investments, the assessment value was determined by multiplying the unit price of the bonds by the number of bonds held. i.e.:

Assessment value of bonds = unit price of bonds x number of bonds held

For bonds listed for trading or transferred through bidding on the exchange, where it has been verified that the accrued interest as of the Valuation Benchmark Date has been accounted for under the interest receivable item, the unit price of the bonds was determined based on the net valuation price provided by China Securities Index Co., Ltd. (hereinafter referred to as the “CSI Net Valuation Price”) on the last trading day prior to the Valuation Benchmark Date.

For bonds listed for trading or transferred through bidding on the interbank market, where it has been verified that the accrued interest as of the Valuation Benchmark Date has been accounted for under the interest receivable item, the unit price of the bonds was determined based on the net valuation price provided by China Central Depository & Clearing Co., Ltd. (hereinafter referred to as the “CCDC Net Valuation Price”) on the last trading day prior to the Valuation Benchmark Date.

For exchangeable bonds acquired within one year, the unit price of the bonds was determined at their unit cost or the net closing price on the exchange on the last trading day prior to the Valuation Benchmark Date; for high-yield bonds, the unit price of the bonds was determined at their cost; and for defaulted bonds, the unit price of the bonds was determined by using the net valuation price of the most recent CCDC Net Valuation Price prior to the Valuation Benchmark Date.

(3) *Financial assets held for trading – funds*

Financial assets held for trading – funds mainly refer to monetary funds and other net worth fund products held by the valuation entity as of the Valuation Benchmark Date.

The valuer checked the original vouchers and accounting vouchers, verified the reconciliation of the fund account of the valuation entity as of the Valuation Benchmark Date, and confirmed that the names of the funds and a number of the funds held were in line with the account statements. Further, the valuer reviewed the prospectus of each fund product, verified the fund’s income calculation model and accounting measurement method, and determined the valuation approaches for the fund’s investments based on the specific circumstances.

For monetary funds with daily interest credited to the fund account balance, the valuer determined the assessment value based on the verified fund account balance.

For net worth fund products with a publicly available net value of unit fund shares, the valuer determined the assessment value by multiplying the net value of unit fund shares as of the benchmark date by the number of fund products held as checked through the iFind financial terminal.

(4) *Financial assets held for trading – others*

Financial assets held for trading – Others mainly refer to asset backed securities, asset management schemes, trust schemes, wealth management products, equity investments and securities lending held by the valuation entity as of the Valuation Benchmark Date.

The valuer checked the original vouchers and accounting vouchers, verified the reconciliation of the fund account of the valuation entity as of the Valuation Benchmark Date, and confirmed that the names of the funds and the number of the funds held were in line with the account statements. Further, the valuer reviewed the product brochures of the asset management schemes and wealth management products, verified the income calculation model and accounting measurement method of the asset management schemes and wealth management products, and determined the valuation approaches for the investments of asset management schemes and wealth management products based on the specific circumstances.

For investments in asset backed securities, the assessment value was determined by multiplying the unit price of the bonds by the number of securities held, and the unit price of the bonds was determined by the CSI Net Valuation Price as of the Valuation Benchmark Date. i.e:

Assessment value of bonds = unit price of bonds x number of bonds held

For asset management schemes, the valuer determined the assessment value by multiplying the net value of the shares recognised in the valuation table for each asset management scheme as of the Valuation Benchmark Date obtained by the valuer by the number of schemes held.

For trust schemes, where the investment was of a debt restructuring nature, the assessment value was determined by multiplying the unit valuation price of the trust scheme based on a comprehensive analysis of the asset valuation report of the trust platform or the liquidation value of the restructuring proposal by the number of schemes held.

For equity investments, as the shareholding ratio was relatively low, the assessment value was determined by multiplying the net assets at the benchmark date by the shareholding ratio. For equity investments involving debt restructuring, the assessment value was determined based on the comprehensive analysis of the valuation report or liquidation value.

For accounts of wealth management products, the valuers verified the actual existence of wealth management products by confirmation letters and determined the assessment value based on the verified carrying amount.

For securities lending, which included tradable shares, the assessment value of the equity investment was determined by multiplying the price per share by the number of shares held. i.e.: assessment value of tradable shares = price per share x number of shares held. For net worth fund products with a publicly available net value of unit fund shares, the valuer determined the assessment value by multiplying the net value of unit fund shares as of the benchmark date by the number of fund products held as checked through the iFind financial terminal.

6. *Margin accounts receivable*

The valuer has verified the relevant book records and accounting vouchers and reviewed the transaction agreement and the share pledge agreement, and the margin accounts receivable were valued at the checked and verified carrying amount.

7. *Accounts receivable*

In respect of the valuation of accounts receivable, the valuer verified the book records, checked part of the original vouchers and other relevant information on a sampling basis to verify the authenticity, aging, business content and amount of the transactions and checked the confirmation letters, and there were no discrepancies in the amounts recorded in the accounts, statements and bills. On the basis of verifying that the accounts receivable are accurate, the valuer, relying on the historical information and the current investigation and understanding, specifically analysed the amount, time and reasons for arrears, recovery of payments, funds, credit and current status of operation and management of the defaulter, and so on. Based on the specific conditions of the entity, the assessment risk of loss was estimated using the individual identification method and aging analysis method.

The probability of assessment risk of loss was 0% for amounts due from related parties, etc., for which there were sufficient grounds to believe that they would be recovered in full, and 100% for those accounts that would not be recovered with solid proofs or with extra-long aging.

For accounts receivables a portion of which could not be recovered from external entities and the unrecoverable amount of which was difficult to determine, the assessment risk of loss was estimated according to aging and historical recovery analysis by reference to the accounting methods of calculating bad debt provision.

Assessment risk of loss of accounts receivables was determined according to the above standards, and the assessment value was determined by the total accounts receivable less the assessment risk of loss. The bad debt provision was assessed as zero according to the relevant provisions of the valuation.

8. *Other debt investments*

Other debt investments mainly refer to bond investments.

For bonds listed for trading or transferred through bidding on the interbank market, where it has been verified that the accrued interest as of the Valuation Benchmark Date has been accounted for under the interest receivable item, the unit price of the bonds was determined based on the CCDC Net Valuation Price on the last trading day prior to the Valuation Benchmark Date.

9. *Long-term equity investments*

For long-term equity investments, the valuers first verified the reasons for the formation, carrying amount and actual conditions of long-term investments, and determined the authenticity and completeness of long-term investments by reviewing investment agreements, resolutions from shareholders' meetings, articles of association and relevant accounting records.

For wholly-owned subsidiaries and controlling subsidiaries holding more than 50% of the shares, the overall assets of the investee as of the Valuation Benchmark Date were evaluated, and the assessment value was then determined by multiplying the assessment value of the net assets of the investee as of the Valuation Benchmark Date by the shareholding ratio of Minsheng Securities:

Assessment value of long-term equity investments = Assessment value of the net assets of the investee as a whole after valuation × shareholding ratio

10. Investment in other equity instruments

Investment in other equity instruments mainly refers to investment in tradable shares.

The valuer reviewed the reconciliation of the secondary securities trading market accounts of the valuation entity as of the Valuation Benchmark Date and confirmed the names of the shares held, the number of shares held and the restricted/tradable status of the shares held as of the Valuation Benchmark Date; and verified the current operating status of the listed company and the recent trend and fluctuation of the share prices in the secondary market.

For tradable shares, the assessment value of share investment was determined by multiplying the price per share by the number of shares held for this valuation.

Assessment value of tradable shares = price per share × number of shares held

The price per share is the closing price of the shares on the last trading day prior to the Valuation Benchmark Date.

For the tradable shares on the Hong Kong Stock Exchange, the assessment value of the share investment was determined by multiplying the price per share by the number of shares held and multiplying it by the central parity price of HK\$ against RMB as of 29 March 2024 for this valuation.

Assessment value of tradable shares on the Hong Kong Stock Exchange = price per share × number of shares held × central parity price of HK\$ against RMB

11. Fixed assets*(1) Fixed assets – valuation of building assets*

1) Selection of valuation approach

According to the requirements of the Asset Valuation Practicing Standards – Real Estate (《資產評估執業準則—不動產》), when performing real estate valuation business, the three basic asset valuation approaches, namely the market approach, income approach and cost approach, and the applicability of derivative approaches, such as the hypothetical development approach and the benchmark land price correction approach, shall be analysed based on the purpose of valuation, the valuation subject, the valuation type and the information collected to select the valuation approach.

- ① For assets under the type of commercial properties purchased by enterprise, the market approach was adopted for valuation purpose;
- ② No. 52 “off-site property in Zhoukou, Henan Province – right to use houses”, a military property acquired by the enterprise in 2004 and cannot be sold externally. As of the Valuation Benchmark Date, the property was unable to be leased out due to the requirement for overhaul and refurbishment. Based on the current status, the valuation cannot be conducted using the cost approach, income approach or market approach, and therefore the assessment value was presented at the carrying amount of the right to use the military property and the renovation expenses.

2) Introduction to the valuation approach

The market approach refers to a valuation approach whereby the price of a property to be valued is arrived at by comparing the property to be valued with examples of similar properties that have been sold during a period close to the Valuation Benchmark Date, according to the prices of these sold properties, and take reference to the corrections made for a number of factors, such as the transaction status, date, area and individual factors of such property.

Formula:

Assessment value under the market approach = transaction price of the property in the transaction case x A x B x C x D x E

wherein:

A – transaction correction coefficient;

B – transaction date correction coefficient;

C – regional element correction coefficient;

D – individual element correction coefficient;

E – term of land use right correction coefficient.

(2) *Valuation of equipment assets*

According to the purpose of this valuation, the valuer mainly adopted the replacement cost method on sustainable use basis based on the market price, together with the characteristics of the equipment under valuation and the information collected. For used equipment for which prices can be enquired in the secondary market, the market approach was adopted.

Assessment value = replacement cost × residue rate

1) Determination of replacement cost

A. Replacement cost for transportation vehicles

The determination of the current tax-included purchase price of vehicles as at the Valuation Benchmark Date was based on the local vehicle market sales information and the recent vehicle market price data, and on such basis, the calculations of vehicle purchase tax and new car licence registration charges and miscellaneous expenses was made in accordance with the Vehicle Purchase Tax Law of the People's Republic of China (《中華人民共和國車輛購置稅法》). According to the Notice on Implementing the Pilot Programme of Replacing Business Tax with Value-Added Tax in an All-round Manner (《關於全面推開營業稅改徵增值稅試點的通知》)(Cai Shui [2016] No. 36) and (Cai Shui [2018] No. 32), and the Document No. 39 of 2019 of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs, the replacement cost of the vehicles for enterprises eligible for value-added tax deduction shall be:

Replacement cost (tax exclusive) = purchase price + vehicle purchase tax + license fee and other miscellaneous fees – deductible value-added tax

Explanation: the replacement cost (tax exclusive) of a vehicle under valuation with a vehicle licence obtained by auction did not include the fee for obtaining a vehicle licence for a special city.

Deductible value-added tax = purchase price/1.13×13%

B. Replacement cost for electronic equipment

Electronic equipment price shall be determined on the Valuation Benchmark Date according to the local market information and the recent market price information, as posted on ZOL (《中關村在線》), PConline (《太平洋電腦網》) or other websites that are of similar nature. Generally, manufacturers or agents would provide transportation, installation and adjustment services for free. The replacement cost shall be determined according to the purchase price excluding tax:

Replacement cost (tax exclusive) = purchase price – deductible value-added tax

Deductible value-added tax = purchase price/1.13×13%

2) Determination of residue rate

A. Residue rate of vehicles

According to the Provisions on the Standards for Compulsory Retirement of Motor Vehicles (《機動車強制報廢標準規定》)(Order 2012 No. 12 issued by the Ministry of Commerce, the National Development and Reform Commission, the Ministry of Public Security, and the Ministry of Environmental Protection), the final residue rate of vehicles shall be determined with reference to the residue rate calculated by using the following methods, whichever is lower, namely:

Residue rate of useful life = $(1 - \text{used life}/\text{stipulated useful life or economic useful life}) \times 100\%$

Residue rate of mileage = $(1 - \text{travelled mileage}/\text{stipulated mileage}) \times 100\%$

Residue rate = Min (residue rate of useful life, residue rate of mileage)

Meanwhile, mandatory survey and evaluation were conducted for the vehicles to be evaluated. Where the survey and evaluation results show a great difference from the residue rates determined above, an appropriate adjustment should be made; where the two are equivalent to each other, no adjustment is required, namely:

Residue rate = Min (residue rate of useful life, residue rate of mileage) + a

a: Adjustment coefficient for special vehicle conditions.

B. Residue rate of electronic equipment

The residue rate of electronic equipment was determined by using the serviceable life method.

Residue rate = remaining useful life/(used life + remaining useful life) × 100%

In addition, for electronic equipment that is directly evaluated based on the second-hand market price, calculation of the residue rate is not required.

3) Determination of assessment value

- 1) Vehicles under valuation for which vehicle licences have not been obtained by auction:

Assessment value of vehicle = replacement cost x residue rate

- 2) Vehicles under valuation for which vehicle licences were obtained by auction:

Assessment value of vehicle = replacement cost x residue rate + fee for obtaining a vehicle licence for a special city

- 3) Assessment value of electronic equipment = replacement cost x residue rate

12. Construction in process

Construction in process included in the scope of this valuation includes construction in process – civil works and equipment installation works of construction in process. The valuation was conducted under the cost approach based on the characteristics of the construction in process, the type of assessment value, the status of information collection and other relevant conditions.

For projects under construction commencing within half a year from the Valuation Benchmark Date, the assessment value was determined by the verified carrying amount.

For projects under construction commencing more than half a year from the Valuation Benchmark Date, if capital costs were not included in the carrying amount, capital costs were calculated based on a reasonable construction period. If capital costs have been included in the carrying amount, no recalculation will be conducted.

13. Right-of-use assets

The right-of-use assets were accounted for as right-of-use assets arising from buildings and land leased by the property owner.

The valuer verified the general ledgers, subsidiary ledgers, accounting statements and valuation declarations of the enterprise, reviewed the relevant original vouchers and lease contracts, analysed the accuracy and reasonableness of the initial measurement and amortisation amount of each leased assets, which were in compliance with the accounting provisions of the accounting standards on leasing, and the book balance reasonably reflected the equity value of the relevant right-of-use assets shared by the enterprise as of the benchmark date, therefore, the assessment value of this valuation was determined by the verified carrying amount.

14. Intangible assets*(1) Intangible assets – land use rights*

A combined valuation of buildings and land was adopted for this valuation, and the assessment value has been included in the buildings.

(2) Intangible assets – trading seat fee

Intangible asset – trading seat fee is the seat fee paid by Minsheng Securities to the stock exchange for conducting securities business transactions. After verification by reviewing relevant accounting vouchers, book records, certificates, etc., the amount was accurate, and the verified carrying amount was used as the assessment value.

(3) Intangible assets – other intangible assets

1) Valuation of technical intangible assets

The commonly used valuation techniques for valuing technical intangible assets include the market approach, income approach and cost approach.

As market transactions in respect of the technical intangible assets in the PRC were still at a preliminary stage and it was relatively difficult to collect data on the relevant arm's length transactions, the market approach was not applicable to this valuation of technical intangible assets.

The technical intangible assets included in the scope of this valuation were mainly software copyrights, which were mainly generated in the course of research and development of projects and could not generate revenue independently or be applied to products to generate revenue, therefore the income approach was not applicable to this valuation of technical intangible assets.

Therefore, the cost approach was adopted for this valuation of technical intangible assets.

A. Valuation model

Assessment value = replacement cost x residue rate

Replacement cost = labour cost + other shared costs + opportunity cost + registration cost

Opportunity cost = (labour cost + other shared costs) x opportunity cost ratio

Opportunity cost ratio = return on invested capital (ROIC)

Residue rate = remaining useful life ÷ (used life + remaining useful life) × 100%

2) Valuation of outsourced software

For outsourced software, the valuer checked the relevant supporting information to understand the composition of the original recorded value, the method and period of amortisation, and checked the original contract. Upon verification, it was shown that the amounts in the accounts and statements were consistent with each other.

For software that was in normal use as of the Valuation Benchmark Date, the assessment value was determined by enquiring the price from the software supplier or checking the internet for the current tax-exclusive value of the software.

For software that was no longer in use as of the Valuation Benchmark Date, it was specialised software of the valuation entity and could not be sold to the public. The valuation was zero.

3) Valuation of trademark rights

The commonly used valuation approaches for trademark rights include the income approach, market approach and cost approach.

The market approach mainly involves selecting the same or similar trademark right as a reference in the trademark market or the property rights market or the capital market, focusing on various factors affecting the value, comparing and adjusting the price difference between the evaluated trademark and the reference trademark, and analysing the results of various adjustments to determine the value of the trademark right. The preconditions for using the market approach in the valuation of trademark rights are the relative openness of market data, the existence of comparable trademark references, and the clarification and quantification of the factors affecting the value of the references. The trademark market transaction in China is still at a preliminary stage, and it is relatively difficult to collect data on the fair trade of trademark rights, therefore, the market approach is not operational for this valuation.

The income approach determines the assessment value of an intangible asset based on the present value of the future income it can generate. For intangible assets such as trademarks, their value is attributable to the fact that the asset owner or the authorised user can generate income through the sale of the trademarked products. The basic conditions applicable to the income approach are that the trademark has the basis and conditions for going concern, there exists a relatively stable correlation between operation and income, and the future income and risks can be predicted and quantified. As the valuation entity is a securities company and the trademark mainly serves as a logo, it was not possible to forecast the future earnings of the trademark reasonably and objectively, therefore the income approach was not adopted for the valuation.

The cost approach is an approach to recognise the value of a trademark right based on the various costs and expenses required in the formation process of the trademark right. When an enterprise obtains and holds a trademark right according to the law, the costs it needs to invest in the process generally include the trademark design fee, registration fee, maintenance fee during the period of use, and the fee for renewal of the trademark upon its expiry. As the value brought to an enterprise in using a trademark and the actual expenses incurred by the enterprise usually do not constitute a direct relationship, the cost approach is generally applicable to the valuation of trademarks that are not in use or have just been put into use.

Given that the 11 trademark rights included in the scope of this valuation were registered after 2011, and taking into account the fact that the valuation enterprise is in the securities industry, and trademark, as the external manifestation of such technological resources, mainly serves as an identifier and does not contribute significantly to the results of the valuation enterprise, therefore the cost approach has been adopted for this valuation.

A. Valuation model of the cost approach

The value of trademark rights is recognised based on the replacement value of the various costs and expenses required in the formation process of the intangible assets of trademark rights. The basic formula is as follows:

$$P = C_1 + C_2 + C_3$$

Wherein:

P: assessment value

C₁: design costs

C₂: registration and renewal costs

C₃: maintenance and use costs

4) Valuation of other intangible assets such as domain name rights and WeChat official accounts

The commonly used valuation approaches for other intangible assets include the income approach, market approach and cost approach.

The market approach mainly involves selecting the same or similar intangible asset as a reference in the property rights market or the capital market, focusing on various factors affecting the value, comparing and adjusting the price difference between the valuation subject and the reference, and analysing the results of various adjustments to determine the value of other intangible assets. The preconditions for using the market approach are the relative openness of market data, the existence of comparable references, and the clarification and quantification of the factors affecting the value of the references. The market transaction of intangible assets in China is still at a preliminary stage, and it is relatively difficult to collect data on fair trade, therefore, the market approach is not operational for this valuation.

The income approach determines the assessment value of an intangible asset based on the present value of the future income it can generate. For intangible assets, their value is attributable to the fact that the asset owner or the authorised user can generate income through the sale of products. The basic conditions applicable to the income approach are that the intangible asset has the basis and conditions for going concern, there exists a relatively stable correlation between operation and income, and the future income and risks can be predicted and quantified. As the valuation entity is a securities company and the domain name mainly serves as a logo, it was not possible to forecast the future earnings of the domain name reasonably and objectively, therefore the income approach was not adopted for the valuation.

The cost approach is an approach to recognise the value of an intangible asset based on the various costs and expenses required in the formation process of the intangible asset. When an enterprise obtains and holds an intangible asset according to the law, the costs it needs to invest in the process generally include the design fee, registration fee, maintenance fee during the period of use, and the fee for renewal upon its expiry.

Taking into account the fact that a corporate domain name mainly serves as an identifier and does not contribute significantly to the results of the valuation enterprise, the cost approach has been adopted for this valuation.

A. Valuation model of the cost approach

The value of intangible assets is recognised based on the replacement value of the various costs and expenses required in the formation process of the intangible assets. The basic formula is as follows:

$$P = C_1 + C_2 + C_3$$

Wherein:

P: assessment value

C₁: design costs

C₂: registration and renewal costs

C₃: maintenance and use costs

15. Deferred income tax assets

Deferred income tax assets were accounted for as deferred income tax assets arising from changes in the fair value of financial assets held for trading and bad debt provisions. During the verification, the valuer verified whether the subsidiary ledgers were consistent with the general ledgers and statement balances, verified whether they were consistent with the detailed statements commissioned to be evaluated, and checked the account records such as amount, time of occurrence and business content to verify the authenticity and completeness of the deferred income tax assets. On the basis of verifying that they were accurate, the assessment value was determined by the verified carrying amount.

16. Prepayments

Prepayments were accounted for as other prepayments, prepayments for vehicles, prepayments for fixed assets, prepayments for intangible assets and prepayments for renovation.

The valuer verified the book records, checked the original vouchers and relevant contracts and other information, verified the authenticity, aging, business content and amount of the transactions and checked the confirmation letters, and no anomalies were found. On the basis of verifying that the prepayments are accurate, the valuer, relying on the historical information and the current investigation and understanding, specifically analysed the amount, time and reasons for arrears, recovery of payments, funds, credit and current status of operation and management of the defaulter, and so on.

Upon verification, there were no discrepancies in the amounts recorded in the accounts, statements and bills of prepayments, and no indication of bankruptcy, cancellation of business or failure of the supplier to deliver the goods on time according to the terms of the contract, etc., and on the basis that the prepayments were verified to be accurate, the assessment value was determined based on the verified carrying amounts by the valuer.

17. Other receivables

Other receivables were accounted for as deposits, guarantees and provisional input tax. The valuer verified the book records, checked part of the original vouchers and other relevant information on a sampling basis to verify the authenticity, aging, business content and amount of the transactions and checked the confirmation letters, and there were no discrepancies in the amounts recorded in the accounts, statements and bills. On the basis of verifying that the other receivables are accurate, the valuer, relying on the historical information and the current investigation and understanding, specifically analysed the amount, time and reasons for arrears, recovery of payments, funds, credit and current status of operation and management of the defaulter, and so on. Based on the specific conditions of the entity, the assessment risk of loss was estimated using the individual identification method and aging analysis method.

The probability of assessment risk of loss was 0% for amounts due from related parties, etc., for which there were sufficient grounds to believe that they would be recovered in full, and 100% for those accounts that would not be recovered with solid proofs or with extra-long aging.

For accounts receivable a portion of which could not be recovered from external entities and the unrecoverable amount of which was difficult to determine, individual provisions and portfolio provisions are made by reference to the accounting methods of calculating bad debt provision. Portfolio provisions were divided into low-risk credit portfolios and aging portfolios. Low-risk credit portfolios included refundable deposits and prepayment of social insurance and provident fund, while aging portfolios were other portfolio provisions in addition to the above two, which were based on the migration rate of 5% within 1 year, 40% between 1-2 years, 70% between 2-3 years, and 100% over 3 years.

The assessment risk of loss of other receivables was determined according to the above standards, and the assessment value was determined by the total other receivables less the assessment risk of loss. The bad debt provision was assessed as zero according to the relevant provisions of the valuation.

18. Prepaid expenses

Prepaid expenses were accounted for as expenses apportioned in respect of rentals, service charges and other expenses over the contract term. During the verification, the valuer checked whether the sub-ledgers were consistent with the general ledgers and statement balances, verified whether they were consistent with the detailed statements commissioned to be evaluated, checked the account records such as amount, time of occurrence and business content, and randomly checked the original entry vouchers and contracts to verify the authenticity and completeness of the accounting content.

For prepaid expenses that have already been verified to be authentic and accurate in terms of the original amount incurred with accurate amortised balance, and where the prepaid expenses were still entitled to the corresponding rights and interests or assets in the future beneficial period, the assessment value was determined based on the apportionment of the balance over the remaining beneficial period.

19. Long-term prepaid expenses

Long-term prepaid expenses were accounted for as amortisation of renovation expenses and office renovation works. During the verification, the valuer checked whether the sub-ledgers were consistent with the general ledgers and statement balances, verified whether they were consistent with the detailed statements commissioned to be evaluated, checked the account records such as amount, time of occurrence and business content, and randomly checked the original entry vouchers and contracts to verify the authenticity and completeness of the accounting content.

For renovation costs of owned buildings, the value of which has already been reflected in the buildings, the long-term prepaid expenses were evaluated as zero.

For long-term prepaid expenses that were authentic and accurate in terms of the original amount incurred with accurate amortised balance, and where the long-term prepaid expenses were still entitled to the corresponding rights and interests or assets in the future beneficial period, the assessment value was determined based on the apportionment of the balance over the remaining beneficial period.

For the purchase of office furniture as part of long-term prepaid expenses, the valuation was conducted on the basis of office furniture, and the specific approach was detailed in the “Valuation of equipment assets”.

20. Liabilities

Liabilities within the valuation scope include placements from banks and other financial institutions, amount of agency sales of securities, payables for underwriting, financial liabilities held for trading, short-term financing instruments payables, accounts payable, receipts in advance, contract liabilities, remuneration payable to employees, tax payable, dividends payable, other payables, bonds payable, lease liabilities and provisions, and the valuation was carried out based on the verified carrying amounts.

(IV) Market Approach

1. Overview

In accordance with the Asset Valuation Practicing Standards – Enterprise Value (《資產評估執業準則—企業價值》), the market approach for the valuation of enterprise value refers to the valuation approach whereby the value of the valuation entity was determined by comparing the valuation entity with comparable listed companies or comparable transaction cases.

(1) Preconditions for the application of market approach

The following basic preconditions shall be met for the application of the market approach in evaluating enterprise value:

- 1) There should be a fully developed, active and open market in which transaction prices essentially reflect the quotation of buyers and sellers on the market, thus eliminating the chance of individual transactions.
- 2) There should be comparable enterprises and their transaction activities in the open market, and the trading activities should reflect the trend of enterprise value well. Comparability of enterprises and their transactions means that the selected comparable enterprises and their transaction activities have occurred in the open market recently and are similar to the target enterprises to be evaluated and their upcoming business activities.
- 3) The factors influencing the value of the object of reference and the valuation entity are clear and quantifiable, and the relevant information can be collected.

(2) The reason and basis for selecting the market approach

The two commonly used specific methods in market approach are the comparison method of listed companies and the comparison method of transaction cases.

The comparison method of listed companies refers to a specific method of determining the value of the valuation subject based on obtaining and analysing the operation and financial data of comparable listed companies, calculating the value ratio, and making comparative analyses with the valuation entity.

The comparison method of transaction cases refers to a specific method of determining the value of the valuation subject based on obtaining and analysing information on the transaction, acquisition and merger cases of comparable transaction cases, calculating the value ratio, and making comparative analyses with the valuation entity.

Although there are currently a large number of securities companies listed on the A share market in the PRC, the securities industry is subject to multi-level influences such as policies and the market, and the A share market has been in a turbulent downward trend since 2018, resulting in greater volatility in the share prices of listed companies. Prior to and after the Valuation Benchmark Date, there are many equity transaction cases with similar business scope, business scale and development stage as the valuation entity in the market, which has strong comparability. Given the above, the comparison method of transaction cases is selected to evaluate in this valuation.

(3) *Valuation ideas*

The financial data of the audited consolidated statements has been used for measuring in this valuation. Valuation by market approach is carried out in the following steps:

1) Selection of comparable transaction cases

Collect information about comparable transaction cases and select and determine an appropriate number of comparable transaction cases. The selection of comparable transaction cases is based on the following principles:

- A. Select cases whose transaction-related information and financial data are available from public sources;
- B. Select comparable transaction cases that are identical or comparable in terms of the trading market;
- C. Select comparable transaction cases that are identical or similar in terms of influence factors of value;

- D. Select comparable transaction cases whose trading time is close to the Valuation Benchmark Date;
- E. Select comparable transaction cases whose transaction background is suitable for the valuation purpose;
- F. Select comparable transaction cases that are normal or can be modified to normal transaction prices.

2) Establishment of a comparison benchmark

The adjustments of transaction prices for the comparable enterprises are mainly considered in the following aspects:

- A. Adjust the differences in trading time between the comparable transaction cases and valuation entities, including the impact of market cycle fluctuations;
- B. Adjust the differences in the transaction backgrounds between the comparable transaction cases and valuation entities, including the impact of transaction methods;

3) Calculation of value ratio

The proper value ratio shall be selected. The value ratio usually includes profit, asset, income and other specific ratios. The relatively proper value ratio shall be selected by way of conducting linear regression analysis to factors affecting the value of the industry that the valuation entity and comparable companies operate in combination with data of the capital market.

Each value ratio was arrived at by dividing the 100% equity price by the value factor of the comparable companies.

(4) *Calculation of valuation results*

- 1) Differential valuation. To analyse and compare the differences between the comparable companies and the valuation entity in terms of business structure, business life cycle, business scale, operational risk and growth, and to select appropriate indicators for quantification and evaluation.
- 2) Differential coefficient. The differential coefficient was arrived at by dividing the valuation scores of the valuation entity for each of the indicators with the scores of the comparable companies.
- 3) Comparative benchmark value. The comparative benchmark value was arrived at by multiplying the comparative benchmark value with the differential adjustment coefficient.

(5) *Calculation of assessment value*

Each comparative benchmark value was analysed mathematically and statistically to arrive at the assessment value of the net operating assets of the valuation entity, and the value of the entire shareholders' equity of the valuation entity was arrived at by considering the subsequent adjustment matters.

2. Valuation model

The basic model of this valuation is as follows:

Value of entire shareholders' equity = (net assets attributable to the parent company – adjustment amount) × value ratio × adjustment coefficient + adjustment amount

VIII. IMPLEMENTATION PROCESS AND STATUS OF THE VALUATION PROCEDURES

The overall valuation work was performed in four stages:

(I) Preparation stage of the valuation**1. *Project negotiation and acceptance of project commission***

The asset valuation commission contract was signed after understanding the basic information of the valuation entity and the valuation subject involved in the business to be undertaken, defining the valuation purpose, the valuation subject, the scope of valuation and the Valuation Benchmark Date, and conducting comprehensive analysis and valuation of our professional competence, independence and business risks according to the specific conditions including the valuation purpose and transaction background.

2. *Determination of the valuation scheme and preparing the work plan*

Following full communications between the principals and the intermediaries of the relevant parties, the basic matters of asset valuation, and the assets and operating conditions of the valuation entity are further confirmed, while the basic policies, laws and regulations governing the industry where the valuation entity operates, and market operations in the industry are collected, based on which, the proposed preliminary work plan and valuation scheme were formulated.

3. *Submission of the information list and the interview outline*

A list of information required for the due diligence as well as the list of assets, profit forecast and other sample forms based on the characteristics of the assets under valuation were submitted for the valuation entity to prepare for the valuation.

4. *Counselling on form filling and preparation of valuation materials*

The relevant staff of the valuation entity were contacted and provided with instructions to facilitate the valuation entity to prepare the required information and complete the relevant forms according to the requirements of the asset valuation.

(II) On-site valuation stage

The major tasks of the project team at the on-site valuation stage were as follows:

1. Preliminary understanding of the overall situation

Relevant personnel of the principals and the valuation entity introduced the overall situation of the valuation entity and the historical and current conditions of the assets under valuation, and explained the history and development, financial system, operation situation, fixed assets and technological conditions of the valuation entity.

2. Review and verification of materials

The declaration materials provided by the valuation entity were reviewed and examined, complete title documents of the assets under valuation were collected and inspected and checked against the relevant financial data, and coordinated with the enterprise to correct any problems if identified.

3. Targeted inspection

A comprehensive inspection of major assets and operation and office premises was conducted based on the declaration materials. Its declared financial assets and accounts were checked and verified against its bank statements, confirmation letters and various business contracts to confirm their existence and analyse their risks. An on-site investigation was conducted for its declared physical assets, of which inventory and electronic equipment were stock-taking on a sampling basis, and buildings, machinery and equipment were comprehensively stock-taking and investigated. At the same time, an understanding of the buildings, management systems, maintenance, alteration and expansion was conducted and relevant information was collected. For general-purpose equipment, pricing information was collected through market research and online enquiry; and for leased office premises, the leasing contracts of office premises were reviewed.

4. *Due diligence interview*

Through due diligence and interviews with senior management, the status and market share of the enterprise in the securities industry as well as the cost of the enterprise were understood, and an analysis of the future development trend of the enterprise was carried out.

5. *Determination of valuation way and approach*

Specific models and approaches for asset valuation were determined according to the actual status and features of the assets under valuation.

6. *Assessment and estimation*

The valuation models were determined to calculate the valuation conclusions and relevant text descriptions were prepared based on the consensus reached.

(III) Valuation summarisation stage

The preliminary conclusions of the valuation of various types of assets and liabilities were analysed and summarised, and necessary adjustments, amendments and improvements were made to the valuation results.

(IV) Report submission stage

Based on the above processes, an Asset Valuation Report was drafted and preliminarily reviewed, and ideas were exchanged with the principals concerning the valuation results. After an independent analysis of relevant opinions had been carried out, corrections and adjustments were made according to the internal audit system for Asset Valuation Report and procedures of the valuation institution and the final Asset Valuation Report was produced.

IX. VALUATION ASSUMPTIONS

In the valuation, the valuers followed the following valuation assumptions:

(I) General assumptions**1. Transaction assumption**

In the transaction assumption, all assets to be evaluated are assumed to be already in the process of transaction, and the valuers assess the value based on the trading conditions of the assets to be evaluated in a simulated market. The transaction assumption is one of the most basic prerequisites that asset valuation can be carried out.

2. Open market assumption

In the open market assumption, it is assumed that for assets to be traded or intended to be traded in the market, the parties to an asset transaction shall have equal status, and also have the opportunity and time to gain sufficient market information to make a rational judgment on functions, purpose and trading prices of assets. The open market assumption is based on the fact that assets can be publicly traded on the market.

3. Going concern assumption for the enterprise

The going concern assumption for the enterprise is a valuation assumption made by taking the overall assets of the enterprise as the valuation subject. That is, the enterprise, as the main body of operation, will continue as a going concern under the external environment according to the business objectives. The enterprise operator is responsible and capable of assuming the responsibility. The enterprise operates legally and can obtain appropriate profits to maintain its ability to continue as a going concern. For various operating assets of the entities, such assets can be used continuously based on the current purpose, method of operation, scale, frequency and environmental conditions, etc., or can be used on a changed basis.

(II) Special assumptions

1. The valuation assumed that the external economic environment remains unchanged and the current national macro-economy did not change significantly from that as of the Valuation Benchmark Date;
2. There would be no significant change in the social and economic environment where the enterprise operated and the applicable policies on tax and tax rate, etc.;
3. The future operation and management team of the enterprise would be diligent and would continue the existing operation and management models;
4. Each asset under the valuation was based on the actual stock on the Valuation Benchmark Date, and the current market price of the relevant asset was based on the domestic effective price on the Valuation Benchmark Date;
5. The value of each parameter measured in the valuation did not take into account the effect of inflation;
6. The information disclosure of comparable enterprises is true, accurate, and complete, and there are no false statements, erroneous records or major omissions that affect the value judgment;
7. The valuers select comparison dimensions and indicators only based on the relevant information of the publicly disclosed comparable enterprises and do not consider the impact of other undisclosed matters on the value of the valuation entity.

When the above conditions change, the valuation results may usually become invalid.

X. VALUATION CONCLUSION

Based on the judgment of the valuation entity and the management of the enterprise on the future development trend and the implementation of business plans, and in accordance with the relevant laws and regulations and asset valuation standards, the asset-based approach and market approach have been adopted after the implementation of valuation procedures, including checking and verification, on-site inspection, market research and inquiry, assessment and estimation. The valuation of the market value of the entire shareholders' equity in Minsheng Securities Co., Ltd. as of 31 March 2024, the Valuation Benchmark Date, was carried out.

(I) Valuation conclusion under the asset-based approach

By adopting the asset-based approach, the valuation conclusions of the valuation entity as of 31 March 2024, the Valuation Benchmark Date, are as follows:

The carrying amount of the total assets of the parent company was RMB53,423,165,100, and the assessment value amounted to RMB54,488,690,700, representing an appreciation of RMB1,065,525,600 or 1.99%.

The carrying amount of the liabilities of the parent company was RMB38,129,949,500, and the assessment value amounted to RMB38,129,949,500, with no appreciation or depreciation in the valuation.

The carrying amount of the net assets of the parent company was RMB15,293,215,600, and the assessment value amounted to RMB16,358,741,200, representing an appreciation of RMB1,065,525,600 or 6.97%. See the table below for details:

Table 19 Summary of Asset Valuation Results

Valuation Benchmark Date: 31 March 2024

Unit: RMB10 thousand

	Item	Carrying amount A	Assessment value B	Appreciation or depreciation C=B-A	Appreciation rate % D=C/A×100%
1	Current assets	4,450,454.54	4,450,478.43	23.89	0.00
2	Non-current assets	891,861.97	998,390.64	106,528.67	11.94
3	Including: long-term equity investments	522,541.11	597,528.08	74,986.97	14.35
4	Investment properties	–	–	–	–
5	Fixed assets	23,192.53	40,772.79	17,580.26	75.80
6	Construction in process	2,819.69	2,916.40	96.71	3.43
7	Intangible assets	3,668.47	17,549.27	13,880.80	378.38
7-1	Including: land use rights	99.53	–	-99.53	-100.00
8	Other non-current assets	<u>339,640.17</u>	<u>339,624.10</u>	<u>-16.07</u>	<u>0.00</u>
9	Total assets	<u>5,342,316.51</u>	<u>5,448,869.07</u>	<u>106,552.56</u>	<u>1.99</u>
10	Current liabilities	3,410,283.17	3,410,283.17	–	–
11	Non-current liabilities	<u>402,711.78</u>	<u>402,711.78</u>	<u>–</u>	<u>–</u>
12	Total liabilities	<u>3,812,994.95</u>	<u>3,812,994.95</u>	<u>–</u>	<u>–</u>
13	Net assets (owners' equity)	<u>1,529,321.56</u>	<u>1,635,874.12</u>	<u>106,552.56</u>	<u>6.97</u>

The details of the valuation conclusions under the asset-based approach are set out in the valuation statement.

(II) Valuation conclusion under the market approach

By adopting the market approach, the valuation conclusions of the valuation entity as of 31 March 2024, the Valuation Benchmark Date, are as follows:

The assessment value of the entire shareholders' equity was RMB29,888,785,700, representing an appreciation of RMB13,839,817,000 or 86.23% in valuation, as compared with the net assets attributable to the parent company of RMB16,048,968,700 on a consolidated basis as of 31 March 2024, the Valuation Benchmark Date; representing an appreciation of RMB14,595,570,100 or 95.44% in valuation, as compared with the carrying amount of net assets of RMB15,293,215,600 in the parent company's statement.

(III) Analysis of the differences between the valuation conclusions

In this valuation, the net assets (being the entire shareholders' equity) arrived at by using the market approach was RMB29,888,785,700, which was RMB13,530,044,500 or 82.71% higher than the net assets (being the entire shareholders' equity) value of RMB16,358,741,200 calculated using the asset-based approach. The major reasons for the difference in outcome under the two valuation approaches are set out as follows:

1. The asset-based approach takes the replacement cost of assets as the valuation standard and reflects the necessary social labour consumed by asset investments (acquisition and construction cost), but such acquisition and construction cost usually changes along with the changes in national economy.
2. The valuation under the market approach is to estimate the value of the valuation entity by analysing transactions in the market of the same industry, reflecting the assessment of the value of the enterprise in the open market under normal and arm's-length conditions, which will generally be subject to the influence of the comparable companies and the adjustment system.

3. By applying the market approach, a valuer may select references that are the same as or comparable to the valuation subject in terms of the trading market, and references that are the same as or similar to the valuation subject in terms of the factors affecting the value of the valuation subject, thereby eliminating the short-term or cyclical effects of fluctuations in the industry on the valuation subject's current operating conditions.
4. The valuation process is more intuitive by comparing the parameters of the valuation subject with those of comparable transaction cases, the valuation data is directly sourced from the capital market and the valuation results are derived from the comparison between the subject company and the comparable transaction cases are closer to the expectations of investors in the capital market as of the Valuation Benchmark Date in respect of the value of the subject company, thus fairly and reasonably reflecting the market value of the valuation subject.

(IV) Selection of valuation results

The securities industry is subject to the influence to a larger extent of the overall economic environment with stronger cyclicalities. The market approach directly reflects the exchange value of the equity interests of the enterprise in terms of the recognition of the securities company by market participants, and the valuation results of the market approach can reflect the value of the valuation subject more directly in the context of fair and orderly market transactions. Therefore, the valuation results of the market approach can relatively better reflect the overall value of the enterprise, and the valuation results of the market approach have been adopted as the final valuation conclusion for this valuation.

Based on the above analysis, the market value of the entire shareholders' equity in Minsheng Securities Co., Ltd. as of the benchmark date was RMB29,888,785,700.

XI. NOTES ON SPECIAL MATTERS**(I) Conclusions of reports quoted from other institutions**

The carrying amount of various assets and liabilities on the benchmark date in this valuation report is the audit result of the Special Audit Report on Minsheng Securities Co., Ltd. for January to March 2024, Year 2023, Year 2022, and Year 2021 (《民生證券股份有限公司2024年1-3月、2023年度、2022年度、2021年度專項審計報告》)(XYZH/2024BJAB1B0454) issued by ShineWing Certified Public Accountants LLP.

Save for the above, no reports from other institutions have been quoted.

(II) Incomplete or defective ownership information

As of the Valuation Benchmark Date, there were 2 properties of the valuation entity for which no title certificate had been issued, the details of which are set out as follows:

1. Building of Zhoukou Branch

The property is located at the intersection of Qiyi Road and Bayi Road (Xinyuan Building) in Zhoukou (周口市七一路與八一路交叉口(鑫源大廈)) and was purchased by the valuation entity with a gross floor area of 2,305.53 sq.m., with the use of rights from the second to sixth floors, and it has been recognised that it is unable to apply for a property ownership certificate as the property is of military property nature. In respect of such assets, the area was declared by the enterprise according to the Building Use Certificate (Zhou Jun Fang Zi No. 9)(《房屋使用證》(周軍房字第9號)) issued by the Logistics Department of Henan Zhoukou Military Sub-district of the Chinese People's Liberation Army and the Contract for the Sale and Purchase of Commodity Properties (Contract No. 001) and its supplemental agreement entered into by Minsheng Securities Co., Ltd. and Zhoukou Xinyuan Real Estate Development Co., Ltd. (周口鑫源房地產開發有限公司) on 23 November 2005. For the gross floor area, the valuer has verified and then carried out a valuation based on the area declared by the enterprise. In the event that the area of the enterprise does not correspond to the declared area when it applies for the relevant title certificate in the future, the valuation result should be adjusted according to the area as set out in the title certificate.

After considering that the military property cannot be traded normally in the market and the property was unable to be leased out due to the requirement for overhaul and refurbishment, it was not possible to adopt the market approach or income approach for the valuation, and the assessment value of the aforesaid property was determined at the carrying amount in the valuation.

2. Part of the properties at No. 1, Annex to No. 186 Tongbai Road, Zhongyuan District, Zhengzhou

The building was erected on the ground in the backyard of No. 1, Annex to No. 186 Tongbai Road, Zhengzhou (鄭州市桐柏路186號附1號後院), with land certificate No. Zheng Guo Yong (2005) No. 0557, is a detached three-storey property built in 2000 with a gross floor area of 719.00 sq.m. The reason for not applying for a title certificate of the property is the lack of procedures for submitting the report for examination and construction. In respect of such assets, the area was declared by the enterprise according to the Attachment [I] to the Construction Project Planning Permit ((1999) Zheng Cheng Gui Jian Guan (Xu) Zi No. (0475))《《建設工程規劃許可證附件[I]》((1999)鄭城規建管(許)字第(0475)號)). For the gross floor area, the valuer has verified and then carried out a valuation based on the area declared by the enterprise. In the event that the area of the enterprise does not correspond to the declared area when it applies for the relevant title certificate in the future, the valuation result should be adjusted according to the area as set out in the title certificate.

In respect of the aforesaid buildings for which no property ownership certificates have been issued, the enterprise has undertaken that such assets are under its ownership, and the impact of the aforesaid property rights defects on the valuation has not been considered in this valuation.

(III) Restrictions on the valuation procedures or incomplete valuation information

Nil.

(IV) Pending legal and economic matters as of the Valuation Benchmark Date

As of the Valuation Benchmark Date, the information on pending litigated cases involving RMB10 million and above (inclusive) of Minsheng Securities and its subsidiaries is set out below:

1. Bond custody contract dispute case

In September 2011, Bank of Zhengzhou filed a lawsuit with Zhengzhou Intermediate People's Court on the grounds of a bond custody contract dispute, claiming Minsheng Securities, Henan Branch of Minsheng Securities (民生證券河南分公司) to return the bonds under their custody and to pay compensation for the principal amount and interest of RMB60,122,900 in aggregate (provisionally calculated up to 16 September 2011) if the aforesaid bonds are not returned after the due date. The case was heard by Zhengzhou Intermediate People's Court of Henan Province, and no final judgement has been obtained.

2. Trust contract dispute case

In March 2024, Sichuan Zhongteng Kema Co., Ltd. (四川中騰科貿有限公司) filed an arbitration with China International Economic and Trade Arbitration Commission on the grounds of a trust contract dispute, claiming a ruling that SDIC Taikang and Minsheng Securities should compensate Zhongteng Kema for the loss of subscription amount of RMB130 million, loss of interest of RMB10,614,900, and the fee for loss of capital occupation (from 15 January 2021 until the date of actual settlement), etc.

Upon the application of Minsheng Securities, Beijing Financial Court accepted the case of application for confirmation of the validity of the arbitration agreement, and China International Economic and Trade Arbitration Commission has decided that the arbitration proceedings in this case should be suspended accordingly. In July 2024, Beijing Financial Court ruled to confirm that there was no arbitration agreement between Minsheng Securities and Zhongteng Kema, the arbitration applicant.

3. *Partnership contract dispute case*

In August 2023, Liaocheng Heshan Haibo Technology Consulting Partnership (Limited Partnership)(聊城合杉海博科技諮詢合夥企業(有限合夥)) filed a lawsuit with the People's Court of Dong'e County, Shandong Province on the grounds that Minsheng Securities had defaulted on the payment of remuneration under the cooperative agreement and prejudiced its interests, claiming that Minsheng Securities would pay the corresponding amount of remuneration of RMB5,684,500, interest on the overdue payment, liquidated damages of RMB40,000,000, etc. After Minsheng Securities filed an objection to the jurisdiction, the case was transferred to the jurisdiction of the People's Court of Guang'an District, Guang'an, Sichuan Province (四川省廣安市廣安區人民法院), and a judgement of first instance has not yet been made.

The impact of the aforesaid pending matters on the assessment value has not been considered in this valuation.

(V) Nature and amount of guarantees, mortgages and contingent liabilities (contingent assets) and relationship with the valuation subject

1. *Pledge of equity interests*

As of 31 March 2024, the Valuation Benchmark Date, the equity interests in Minsheng Securities were pledged as follows:

Pledgor	Name of pledgee	Number of equity interests pledged ('0,000 shares)	Date of pledge registration	Date of discharge of pledge
Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司)	Suzhou Asset Management Co., Ltd. (蘇州資產管理有限公司)	6,535.9478	2019/3/19	2022/12/31
Xinxiang Bailu Investment Group Co., Ltd. (新鄉白鷺投資集團有限公司)	Xinxiangfengquan Sub-branch of Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司 新鄉鳳泉支行)	8,000.0000	2023/4/25	2032/4/26

As of the Valuation Benchmark Date, Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司) held 83,967,330 shares of Minsheng Securities Co., Ltd. which have all been frozen, of which 65,359,478 shares were subject to pledge.

The impact of the aforesaid equity pledge and freezing on the valuation has not been considered in this valuation.

(VI) Significant subsequent events

Subsequent events refer to significant events occurring after the Valuation Benchmark Date and before the valuation report is issued.

1. Repurchase of equity interests

In May 2024, according to the Employee Equity Incentive Scheme of Minsheng Securities Co., Ltd. (《民生證券股份有限公司員工股權激勵計劃》), many employees withdrew from the scheme due to resignation, dismissal, retirement, voluntary withdrawal, etc., Minsheng Securities repurchased 10,958,303 shares in May 2024, part of which were recovered without compensation and part of which were repurchased based on the most recent net assets per share, for a total repurchase amount of RMB7,025,700.

Such an event has been considered under the market approach of this valuation, in which the amount of repurchase was reduced by the carrying amount of the net assets, multiplied by the PB multiplier, and such amount was added back as a non-operating asset. Such an event did not cause any impact on the valuation conclusion of the asset-based approach.

2. Dividend distribution

In June 2024, according to the Resolution on Profit Distribution of the Company for the Year 2023 (《關於公司2023年度利潤分配的議案》), after withdrawing the surplus reserve and risk reserve based on the net profit attributable to the parent company as reported in the special audit report for the year 2023, the profits available for distribution for the year 2023 were RMB432,082,700 in total and Minsheng Securities proposed to distribute a total of RMB170,593,200 cash dividends to all shareholders.

Such an event has been considered under the market approach of this valuation, in which the amount of the cash dividends was reduced by the carrying amount of the net assets, multiplied by the PB multiplier, and such amount was added back as a non-operating asset. Such an event did not cause any impact on the valuation conclusion of the asset-based approach.

3. Repurchase of underlying projects of Minsheng Investment

Minsheng Investment invested in Beijing Puran Railway Braking High-tech. Co., Ltd. (北京浦然轨道交通科技有限公司)(hereinafter referred to as “Puran High-tech”) by way of capital increase and equity transfer in 2019, with an aggregate investment amount of RMB20 million, which was accounted for under the item of financial assets held for trading – equity investment, and the fair value of the investment in Puran High-tech was determined by Minsheng Investment using the net asset approach as at the Valuation Benchmark Date, with a carrying amount of RMB5,619,207.42. The equity repurchase clause of the project has been triggered. As it was not possible to reach an enforceable plan for the withdrawal of the investment through negotiation with Puran High-tech and its actual controller, Minsheng Investment (i.e. the applicant) filed an application for arbitration on 7 May 2024 to enforce the equity repurchase clause by way of formally filing an arbitration against Huang Qizhen (黃啟鎮)(i.e. the respondent), the obligor of the repurchase. The applicant mainly seeks a ruling that the respondent shall pay to it the amount of redeemed equity interests and the delayed charges arising from the late payment of the amount of redeemed equity interests, both amounting to a total of RMB27,414,655.98. On 9 May 2024, the arbitration application was accepted. This valuation does not take into account the impact of this pending arbitration issue on the valuation conclusion, which should be brought to the attention of the users of the report.

4. Cancellation of registration of equity pledge

As of the Valuation Benchmark Date, 80,000,000 shares of Minsheng Securities held by Xinxiang Bailu Investment Group Co., Ltd. (新鄉白鷺投資集團有限公司) were subject to a pledge. According to the Notice of Cancellation of Registration of Equity Pledge (Gu Zhi Deng Ji Zhu Zi [002023] No. 0060)(《股權出質註銷登記通知書》(股質登記注字[002023]第0060號)) issued by Shanghai Administration for Market Regulation (上海市市場監督管理局) on 21 May 2024, the cancellation of registration of the pledge of the aforesaid shares has been completed.

Apart from the above, no other significant subsequent events have been identified.

(VII) Defects in the economic activities relating to this valuation which may have a material effect on the valuation conclusion

Nil.

(VIII) Other matters to be clarified

1. In this valuation of financial assets measured at fair value using the asset-based approach, part of which requires the use of financial data of the investee to draw the valuation conclusions, the latest available data before the reporting date was used.
2. For the financial assets measured at fair value for which the market approach PE indicator was used to draw the valuation conclusions, the most recent 2023 annual report data at the benchmark date was used for the measurements, taking into account that the quarterly and semi-annual data could not be annualised to represent a full year.
3. For items of financial assets measured at fair value by the valuation entity that were evaluated using the net asset approach or the net asset discounting approach, part of the enterprise did not have access to the audit report and financial statements at the point in time of the benchmark date, and the valuation was carried out using the most recent financial data available before the reporting date. The details are shown in the table below:

Accounting entity	Stock code	Name of enterprise	Number of shares held as of the benchmark date (shares)	Carrying amount (RMB)	Reporting period adopted	Valuation approach determined
Minsheng Securities	430157.NQ	Dragontec (騰龍電子)	164,600	283,490.58	2023/12/31	Net asset approach
Minsheng Securities	430251.NQ	Optical Electrical Gaosi (光電高斯)	94,737	150,413.93	2023/12/31	Net asset approach
Minsheng Securities	430356.NQ	Raxtone (雷騰軟件)	724,173	3,059,196.42	2023/12/31	Net asset approach
Minsheng Securities	430515.NQ	Win-stock (麟龍股份)	145,530	417,423.70	2023/12/31	Net asset approach
Minsheng Securities	830978.NQ	Shining 3D (先臨三維)	216,776	739,748.10	2023/12/31	Net asset approach
Minsheng Securities	831234.NQ	TC – Alum (天辰股份)	243,050	910,027.81	2023/12/31	Net asset approach
Minsheng Securities	831524.NQ	Comyoung Electronics (康耀電子)	583,966	278,902.16	2023/12/31	Net asset approach
Minsheng Securities	831983.NQ	Chunsheng TCM (春盛中藥)	330,037	1,044,237.07	2023/12/31	Net asset approach
Minsheng Securities	832537.NQ	Jiehua Holdings (潔華控股)	902,269	3,012,495.74	2023/12/31	Net asset approach
Minsheng Securities	832710.NQ	ZNXY (志能祥贏)	1,216,147	1,809,140.28	2023/06/30/	Net asset approach
Minsheng Securities	833029.NQ	Ponshine (鵬信科技)	390,343	575,482.68	2023/12/31	Net asset approach
Minsheng Securities	833665.NQ	TSTD (清大天達)	329,401	1,034,022.68	2023/12/31	Net asset approach
Minsheng Securities	833960.NQ	Huafa Education (華發教育)	12,483	58,676.34	2023/12/31	Net asset approach

Accounting entity	Stock code	Name of enterprise	Number of shares held as of the benchmark date (shares)	Carrying amount (RMB)	Reporting period adopted	Valuation approach determined
Minsheng Securities	834849.NQ	Boyu Tech (博宇科技)	123,400	67,030.88	2023/12/31	Net asset approach
Minsheng Securities	835033.NQ	JingJing Pharmaceutical (精晶藥業)	997,930	1,972,807.82	2023/12/31	Net asset approach
Minsheng Securities	836346.NQ	Emar (億瑪在線)	143,419	516,164.98	2023/12/31	Net asset approach
Minsheng Securities	873567.NQ	Pacific Home Fashion (明遠創意)	100,000	449,920.00	2023/12/31	Net asset approach
Minsheng Securities	430665.NQ	Golcom (高衡力)	210,014	8,442.56	2023/6/30	Net asset discounting approach
Minsheng Securities	835063.NQ	Wangxiang Media (旺翔傳媒)	710,800	32,270.32	2023/12/31	Net asset discounting approach
Minsheng Securities	832035.NQ	Tianqing (天晴股份)	430,000	54,954.00	2023/12/31	Net asset discounting approach
Minsheng Securities	430077.NQ	Dwsoft (道隆軟件)	200,000	1,560.00	2023/12/31	Net asset discounting approach
Minsheng Securities	832533.NQ	Limacon (利美康)	616,000	217,817.60	2023/12/31	Net asset discounting approach
Minsheng Securities	833534.NQ	Shineyue Soft (神玥軟件)	20,000	24,388.00	2023/12/31	Net asset discounting approach
Minsheng Securities	836460.NQ	Fengyun Technology (風雲科技)	131,705	29,475.58	2023/12/31	Net asset discounting approach
Minsheng Investment	--	Beijing Puran Railway Braking High-tech. Co., Ltd. (北京浦然軌道交通科技股份有限公司)	1,281,396	5,619,207.42	2022/12/31	Net asset approach
Minsheng Investment	--	Shenzhen GrenTech Co., Ltd. (深圳國人科技股份有限公司)	1,200,000.00	25,114,132.38	2023/12/31	Net asset approach

Accounting entity	Stock code	Name of enterprise	Number of shares held as of the benchmark date (shares)	Carrying amount (RMB)	Reporting period adopted	Valuation approach determined
Minsheng Investment	--	Zhejiang Shuyou Surgical Instrument Co., Ltd. (浙江舒友儀器設備股份有限公司)	600,000.00	5,693,952.24	2023/9/30	Net asset approach
Minsheng Investment	--	Jiangsu Wangao Pharmaceutical Co. Ltd. (江蘇萬高藥業股份有限公司)	466,200.00	4,253,011.49	2022/12/31	Net asset approach
Minsheng Investment	--	Shanghai Hengye Microcrystalline Materials Technology Co., Ltd. (上海恒業微晶材料科技股份有限公司)	910,747.00	8,948,406.70	2023/12/31	Net asset approach
Minsheng Investment	--	Kunshan Tungray Industrial Automation Co., Ltd. (昆山同日工業自動化有限公司)	833,333.00	893,216.60	2023/12/31	Net asset approach
Minsheng Investment	--	Chengdu Baiyu Pharmaceutical Co., Ltd. (成都百裕製藥股份有限公司)	1,191,109.00	10,044,476.53	2023/12/31	Net asset approach
Minsheng Investment	833682.NQ	FOCtek (福特科)	2,368,250.00	21,530,046.73	2023/12/31	Net asset approach

Minsheng Equity Investment Fund Management Co., Ltd. (民生股權投資基金管理有限公司) has adopted the most recent financial data available before the reporting date for the financial assets measured at fair value and part of the financial data of the underlying subject enterprises using the net asset approach and the market approach PE indicators. The details are shown in the table below:

Investing entity	Name of subject enterprise	Initial investment date	Shareholding ratio	Investment cost (RMB10 thousand)	Reporting period adopted	Valuation approach determined
Jinan Minsheng Tonghai Economic Development Equity Investment Partnership (Limited Partnership) (濟南民生通海經發股權投資合夥企業(有限合夥))	Xiangcun Gaoke Agricultural Co., Ltd. (湘村高科農業股份有限公司)	2018/9/26	1.33%	2,970.00	2022/12/31	Net asset approach
Nanning Minsheng Tiansheng New Energy Industry Fund Partnership (Limited Partnership)(南寧民生天勝新能源產業基金合夥企業(有限合夥))	ENOVATE Automotive Technology Group Co., Ltd. (天際汽車科技集團有限公司)	2020/5/25	4.91%	60,000.00	2023/3/31	Net asset approach
Huzhou Jianing Equity Investment Partnership (Limited Partnership)(湖州佳寧股權投資合夥企業(有限合夥))	Jinan Senfeng Laser Technology Co., Ltd. (濟南森峰激光科技股份有限公司)	2021/3/30	0.80%	500.00	2022/12/31	Market multiple approach
Huzhou Jianing Equity Investment Partnership (Limited Partnership)(湖州佳寧股權投資合夥企業(有限合夥))	Dehe Technology Group Co., Ltd. (德和科技集團股份有限公司)	2021/3/30	3.28%	2,496.00	2022/12/31	Market multiple approach

In the event that the investee announces financial data as of the Valuation Benchmark Date in the future, the corresponding valuation results shall be adjusted according to the financial data as of the Valuation Benchmark Date. The attention of the principals and other users of the valuation report should be drawn regarding the impact of the issue on the valuation results.

4. It is the legal responsibility for the valuer and the valuation institution to make professional judgment on the value of the assets for the valuation purposes depicted herein, and no judgment whatsoever would be made by the valuer and the valuation institution as to the economic activity corresponding to those valuation purposes. To a large extent, the valuation depends on the information provided by the principals and the valuation entity. Therefore, valuation is premised on the fact that economic activity documents, asset title documents, license and accounting vouchers and the relevant legal documents provided by the principals and the valuation entity are authentic and legal.
5. During the valuation process, the evaluators observed the exterior appearance of the buildings and constructions assessed, and as far as possible viewed the interior decoration conditions and usage conditions of the constructions, and no structural nor material testing had been made. For inspections of the equipment, due to the restraints of the testing methods and the fact that some equipment was in operation, this task was mainly done by exterior observation by the evaluators and the recent testing information provided by the valuation entity as well as the enquiries to the relevant operators to judge the conditions of the equipment.
6. The purposes of the valuers conducting the asset valuation are to estimate the value of the valuation subject and to express professional advice thereof, and accept no responsibilities for the decision of the relevant party. The valuation conclusion shall not be construed as a guarantee of the realisable price of the valuation subject.
7. The principals and the valuation entity are held responsible for the authenticity and completeness of the data, statements and relevant information which were provided by the valuation entity and were used within the scope of this valuation.
8. The principals and the valuation entity are held responsible for the authenticity and legality of the title documentary proof and relevant information provided by the valuation entity and referred to in the valuation report.

9. In the event that any changes in the quantity and the pricing standard of assets occur within the term of validity after the Valuation Benchmark Date, the principles set out below shall be followed:
 - (1) In the event that the quantity of assets changes, corresponding adjustments shall be made to the quantity of assets according to the original valuation approach;
 - (2) In the event that the pricing standard of the assets changes and imposes obvious impacts on the asset valuation results, the principals shall timely employ a qualified asset valuation institution to redetermine the assessment value;
 - (3) After the Valuation Benchmark Date, the principals shall give due consideration to changes in the quantity and the pricing standard of assets and make corresponding adjustments when determining prices.

10. The scope of valuation shall be subject to that in the asset valuation declarations provided by the principals and the valuation entity, without taking into account any existing or contingent assets or contingent liabilities other than those included in the aforesaid list.

XII. EXPLANATION ON LIMITATION ON THE USE OF THE VALUATION REPORT

- (I) This valuation report may only be used for the valuation purposes and uses as stated herein. Meanwhile, the valuation conclusion reflects the prevailing market fair value for the valuation purpose based on the open market principle, without considering the impact of mortgages and guarantees that the valuation entity may be subject to in the future, nor the impact of additional price which may be paid by special trading parties. Meanwhile, the effects of changes in national macro-economic policies, the natural force and other force majeure on the price of assets are not taken into account. In general, if the aforesaid conditions and other situations such as the going concern principle followed in the valuation changes, the valuation conclusion will become invalid. The valuation institution is not liable for invalidity of the valuation conclusion due to changes of such conditions.
- (II) This valuation report is only valid when the economic activity complies with the national laws and regulations and the valuation report is approved by relevant departments.
- (III) The valuation report may only be used by users expressly stated herein. The right to use the valuation report is vested in the principals. The valuation institution will not make the report public without the approval of the principals.
- (IV) The asset valuation firm and its valuers shall not bear responsibilities if the principals or other users of the asset valuation report fail(s) to use the Asset Valuation Report according to the laws and administrative regulations or within the scope of use specified in the Asset Valuation Report.
- (V) Except for the principals, other users of the asset valuation report designed in the asset valuation entrustment contract and users of the Asset Valuation Report stipulated by laws and administrative regulations, any other firms or individuals cannot be the users of the Asset Valuation Report.
- (VI) Save as required by laws and regulations or otherwise agreed upon by relevant parties concerned, the extraction, reference or disclosure of the whole or any part of the contents of the valuation report in any public media shall be subject to approval and review of such contents by the valuation institution.

(VII) The users of the asset valuation report shall understand and use valuation conclusion correctly. The valuation conclusion is not equivalent to the realisable price of the valuation subject, and should not be deemed as the guarantee of the realisable price of the valuation subject.

(VII) Validity period of the valuation conclusion: According to relevant laws and regulations on asset valuation, the asset valuation report involving statutory valuation business must be used by the principals after performing the asset valuation supervision and management procedures according to the requirements of relevant laws and regulations. The valuation results shall be valid for a term of one year from 31 March 2024, the Valuation Benchmark Date, to 30 March 2025. Revaluation is required after the one-year term expires.

XIII. DATE OF VALUATION REPORT

The date of the valuation report is 18 June 2024.

China United Assets Appraisal Group Co., Ltd.

Asset valuer: Nie Fengzhan (倪楓展) (a practicing member of the China Appraisal Society)

Asset valuer: Liu Chen (劉晨) (a practicing member of the China Appraisal Society)

18 June 2024

I. SELECTION OF THE COMPARISON METHOD OF TRANSACTION CASES

The two commonly used specific methods in market approach are the comparison method of listed companies and the comparison method of transaction cases.

The comparison method of listed companies refers to a specific method of determining the value of the valuation subject based on obtaining and analysing the operation and financial data of comparable listed companies, calculating the value ratio, and making comparative analyses with the valuation entity.

The comparison method of transaction cases refers to a specific method of determining the value of the valuation subject based on obtaining and analysing information on the transaction, acquisition and merger cases of comparable transaction cases, calculating the value ratio, and making comparative analyses with the valuation entity.

Although there are currently a large number of securities companies listed on the A share market in the PRC, the securities industry is subject to multi-level influences such as policies and the market, and the A share market has been in a turbulent downward trend since 2018, resulting in greater volatility in the share prices of listed companies. Prior to and after the Valuation Benchmark Date, there are many equity transaction cases with similar business scope, business scale and development stage as the valuation entity in the market, which has strong comparability. Given the above, the comparison method of transaction cases is selected to evaluate in this valuation.

II. SELECTION AND REASONS FOR THE VALUE RATIO

The value ratio is a “ratio multiplier” of asset value to its operating profitability indicator, asset value or other specific non-financial indicators. The value ratios commonly used include: price-to-earnings (P/E) ratio, price-to-book (P/B) ratio, price-to-sales (P/S) ratio and enterprise value/earnings before interest and taxes (EV/EBIT), etc.

Through the regression analysis of the correlation between each value ratio and market value of 41 listed companies in the securities industry, the correlation, goodness of fit and standard deviation between P/B and market value show the best performance, therefore, P/B is adopted as the value ratio. Details of the reason are as follows:

Firstly, the adoption of P/B as the final value ratio in the valuation is mainly based on the results of correlation analysis. For financial enterprises, P/E, P/B and P/S are mainly adopted in the industry. In order to further assess the applicability of different value ratios to the industry to which the valuation entity belongs, the regression analysis of the correlation between each value ratio and market value of listed companies in the securities industry was conducted, and the results are as follows:

Dependent variable	P		
	B	E	S
Independent variable			
Correlation coefficient	95.16%	82.07%	89.22%
Goodness of fit R2	90.55%	67.35%	79.61%
Observed value	41	41	41
Value ratio	P/B	P/E	P/S

Note: The source of data is Wind, according to the SWS Industry Classification (申萬行業分類) “Securities III”, there are currently 50 A-share listed securities companies. In order to strengthen the effectiveness of the analysis, 2 securities companies listed for less than two years and 7 securities companies with large market capitalization were excluded and the data of 41 listed securities companies in the last one year are ultimately analyzed.

Based on the regression results, it can be concluded that the regression analysis using net assets attributable to the parent company as the independent variable shows the best performance in terms of correlation, goodness of fit, goodness of fit of samples and standard deviation.

Secondly, the financial industry is affected by various aspects such as policies and market, and its profit and revenue have fluctuated greatly in recent years, characterized with periodicity and fluctuation. Therefore, P/E and P/S indicators lack stability. The P/E in the valuation is 46.3 times (based on the transaction price of RMB29,491,805,700 for 99.26% shares of Minsheng Securities and net profits for the year 2023 of RMB641,982,000 of Minsheng Securities). If taking 15 March 2023, the time of auction of the shares of Minsheng Securities, as the benchmark, the P/E of Minsheng Securities is 156.2 times (based on the auction price of RMB9,105,426,723 for the 3,470,666,700 shares of Minsheng Securities and net profits for the year 2022 of RMB191,228,900 of Minsheng Securities), which is significantly different from the P/E in the valuation. It indicates that at a certain time point, P/E ratio lacks representativeness and stability. Therefore, P/B is more suitable for the valuation of industries with strong periodicity, such as the securities industry.

In conclusion, it is reasonable to adopt P/B indicator as the final value ratio in the valuation to reach the final valuation conclusion and the valuation is reasonable.

III. SELECTION OF COMPARABLE CASES

(I) Basis of selection

The valuation entity belongs to the securities industry, and the selection of cases is analysed as follows:

1. Consistent company type

The case companies should all be in the securities industry with similar business operations to the valuation entity and have similar future growth expectations basically.

2. Similar time span

The dates of first announcement of the selected cases are all after 1 January 2020, and the transactions have been approved by the CSRC or have been completed.

3. Transaction consideration and financial data can be obtained through public channels

In general, according to public information inquiries, there are currently a total of 15 cases in the market where the first announcement date was after 1 January 2020 and the transactions have been completed as of the date of the valuation report and the transaction consideration can be obtained through public information. The details are as follows:

Unit: RMB100 million

No.	Subject company short name	Transaction subject	First announcement date	Transaction amount	Transaction method	Benchmark date	P/B
1	Minsheng Securities	30.30% equity interests in Minsheng Securities	2023/3/15	91.05	Judicial auction	2022/6/30	1.95
2	Yingda Securities	3.33% equity interests in Yingda Securities	2022/08/26	2.91	Transfer by agreement	2021/12/31	1.31
3	JZ Securities	72.50% equity interests in JZ Securities	2022/4/25	48.87	Transfer by agreement	2021/9/30	1.77
4	New Times Securities	98.24% equity interests in New Times Securities	2021/12/14	131.35	Transfer through bidding	2020/12/31	1.40
5	Zhongshan Securities	4.49% equity interests in Zhongshan Securities	2021/10/13	2.90	Capital increase by agreement	2021/6/30	1.12
6	Huarong Securities	71.99% equity interests in Huarong Securities	2021/09/29	109.33	Transfer through bidding	2021/9/30	1.51
7	Donghai Securities	9.3860% equity interests in Donghai Securities	2021/03/10	12.02	Transfer by agreement	2020/9/30	1.45
8	Shanghai Securities	51% equity interests in Shanghai Securities	2020/01/14	104.68	Capital increase by agreement	2019/8/31	1.93
9	Wangxin Securities	100% equity interests in Wangxin Securities	2022/03/17	15.00	Bankruptcy reorganisation investments	2021/12/31	5.74
10	Morgan Securities	39% equity interests in Morgan Stanley Huaxin Securities	2021/12/30	5.70	Transfer through bidding	2020/12/31	2.69

No.	Subject company short name	Transaction subject	First announcement date	Transaction amount	Transaction method	Benchmark date	P/B
11	China Dragon Securities	0.1578% equity interests in China Dragon Securities	2020/07/01	0.28	Acquisition by agreement	2019/12/31	1.22
12	Tianfeng Securities	7.85% equity interests in Tianfeng Securities	2022/04/02	21.24	Transfer by agreement		
13	First Capital	11.0576% equity interests in First Capital	2022/09/10	37.55	Transfer by agreement		
14	Pacific Securities	10.29% equity interests in Pacific Securities	2022/04/25	17.26	Judicial auction		
15	Western Securities	5.74% equity interests in Western Securities	2021/10/08	21.36	Transfer by agreement		

Notes:

1. Since No. 12-15 are equity transfers of listed companies, the pricing is based on the average price or closing price of transactions in a certain interval, and there is no definite base date, therefore, the Valuation Benchmark Date and PB value on the benchmark date have not been presented.
2. All of the above companies are securities companies operating in the PRC, of which Yingda Securities, Tianfeng Securities, First Capital, Pacific Securities and Western Securities are listed companies in the PRC and the remaining are unlisted companies.
3. The above cases are all market transaction cases that satisfy the aforesaid three bases of selection (i.e., consistent company type, similar time span, and transaction consideration and financial data can be obtained through public channels).

4. Exclusion of cases with small transaction amounts or equity transaction ratios

The valuation excludes cases with a small equity ratio (less than 15%) or a transaction amount of less than RMB1 billion.

Since the equity ratio and transaction amount of Yingda Securities, Zhongshan Securities, Donghai Securities, China Dragon Securities, Tianfeng Securities, First Capital and Pacific Securities are relatively small, they are excluded from the selection of cases.

5. Exclusion of cases with PB seriously higher than the average level

Upon analysis, as Wangxin Securities is under bankruptcy reorganization due to its economic behavior, Compass Investment's 100% equity acquisition price premium was relatively high, with a PB ratio of 5.74 times, which was seriously higher than the industry average and was, therefore, excluded from the valuation;

Morgan Stanley Huaxin Securities, the case company is relatively small, and the equity transfer price premium is high, with a PB ratio of 2.69 times, which is seriously higher than the industry average and was, therefore, excluded from the valuation.

As a result of the above analysis, Minsheng Securities itself and a total of five securities industry transaction cases with the same transaction conditions and similar business models with the enterprise were finally selected as comparable transaction cases. The details are as follows:

Table 1. List of Comparable Transaction Cases

No.	Company short name	First disclosure date	Transaction equity ratio	Transaction price	Transaction progress	Information source	Valuation Benchmark Date	Transaction method
1	Minsheng Securities	2023/3/15	30.30%	910,542.67	Completed	Announcement of listed company	2022/6/30	Judicial auction
2	JZ Securities	2022/4/25	72.50%	488,650.00	Completed	Announcement of listed company	2021/9/30	Transfer by agreement
3	New Times Securities	2021/10/08	98.24%	1,313,500.00	Completed	Announcement of listed company	2020/12/31	Transfer through bidding
4	Huarong Securities	2021/9/29	71.99%	1,093,298.05	Completed	Announcement of listed company	2021/9/30	Transfer through bidding
5	Shanghai Securities	2020/1/14	51.00%	1,046,802.00	Completed	Announcement of listed company	2019/8/31	Capital increase by agreement

(II) Details of comparable cases

1. *Minsheng Securities Co., Ltd. (referred to as “Minsheng Securities”)***Table 2. Basic Information Table of Minsheng Securities**

Name	Minsheng Securities Co., Ltd.
Type	Other joint stock limited company (non-listed)
Address	No. 8 Puming Road, China (Shanghai) Pilot Free Trade Zone (中國(上海)自由貿易試驗區浦明路8號)
Legal representative	Gu Wei (顧偉)
Registered capital	RMB11,383,836,763
Date of establishment	9 January 1997
Duration of operation	9 January 1997 to long term
Uniform social credit code	00000000202404020004
Business scope	Licensed items: securities brokerage, securities investment consultation, financial advisory in relation to securities trading and securities investment activities, securities underwriting and sponsorship, proprietary securities trading, securities assets management, margin financing and securities lending, sales of securities investment funds on a commission basis, sales of financial products on a commission basis, and operating insurance business as a sideline agent (except for items requiring approval according to the law, operations shall be commenced independently with the business licences in accordance with the law)

According to the notice of auction ((2022) Lu 01 Zhi No. 515) dated 30 January 2023 and the notice of assistance in enforcement ((2022) Lu 01 Zhi No. 515-3) dated 1 February 2023 of Jinan Intermediate People’s Court of Shandong Province (山東省濟南市中級人民法院), the Jinan Intermediate People’s Court publicly auctioned off 347,100 equity shares (equity ratio of 30.30%) of Minsheng Securities held by Oceanwide Holdings on the online judicial auction platform of JD.com. Three entities, Guolian Group, Dongwu Securities and Zheshang Securities, participated in the auction. After 162 rounds of bidding, Guolian Group concluded the deal at RMB9.105 billion. Guolian Securities became one of the substantial shareholders of Minsheng Securities after acquiring 30.3% equity interests in Minsheng Securities. On 15 December 2023, the Company received the Reply on Approving the Change of Substantial Shareholder of Minsheng Securities Co., Ltd. (Zheng Jian Xu Ke [2023] No. 2822)(《關於核准民生證券股份有限公司變更主要股東的批覆》證監許可[2023] 2822號)) issued by the CSRC.

As of 30 June 2022, Minsheng Securities had total assets of RMB52,143,176,000 and net assets attributable to the parent company of RMB15,409,604,200. Based on the transaction consideration of RMB9.105 billion, the total market value of 100% equity interests in Minsheng Securities is RMB30,052,789,500, with a PB ratio of 1.95 times.

2. *JZ Securities Co., Ltd. (referred to as “JZ Securities”)*

Table 3: Basic Information Table of JZ Securities

Name	Huayuan Securities Co., Ltd. (renamed in September 2023)
Type	Other joint stock limited company (non-listed)
Address	No. 108, Chuangye Road, Nanchuan Industrial Park, Xining (西寧市南川工業園區創業路108號)
Legal representative	Deng Hui (鄧暉)
Registered capital	RMB4,575,755,396
Date of establishment	10 December 2002
Duration of operation	10 December 2002 to 9 December 2032
Uniform social credit code	916300007105213377

Business scope	Securities brokerage; securities investment consultation; sales of securities investment funds on a commission basis; proprietary securities trading; financial advisory in relation to securities trading and securities investment activities (operating under a securities and futures business license); securities underwriting and sponsorship, securities assets management, margin financing and securities lending, and sales of financial products on a commission basis (operating under a license); provision of intermediary introduction business for futures companies; and other businesses approved by the CSRC (for items above requiring approval according to the law, commencement of operations is subject to approval by the relevant authorities)
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Formerly known as Sanjiangyuan Securities Brokerage Co., Ltd. (三江源證券經紀有限公司), JZ Securities was initiated and established by 8 shareholders in 2002.

In the Announcement on the Disposal of 72.5% of Equity Interests in JZ Securities Co., Ltd. (Revised)(《關於出售九州證券股份有限公司百分之七十二點五股權的公告(更正後)》) issued by Jiuding Group on 11 May 2022, Jiuding Group and its subsidiaries intend to assign the 2,443 million shares of JZ Securities, representing 72.5% of the total share capital of JZ Securities, for a transaction consideration of RMB4,886.5 million. In terms of counterparties, Wuhan Development intends to take up 1.685 billion shares of JZ Securities, representing 50% of the total share capital; Guanggu Jinkong intends to take up 421 million shares, representing 12.5% of the total share capital; and Sanheng Investment and Zhongtian Yucheng both intend to take up 168.5 million shares, representing 5% of the total share capital respectively.

According to the publicly disclosed financial data of JZ Securities, as of 31 December 2021, total assets amounted to RMB6,604,384,100 and net assets attributable to the parent company amounted to RMB3,798,629,200. If calculated based on the transaction consideration of RMB4.8865 billion, the total market value of 100% equity interests is RMB6.74 billion, with a PB ratio of 1.77 times.

On 14 December 2022, JZ Securities received the Reply on Approving the Change of Substantial Shareholder and Actual Controllers of JZ Securities Co., Ltd. (《關於核准九州證券股份有限公司變更主要股東、實際控制人的批覆》) issued by the CSRC, which approved Wuhan Financial Holdings (Group) Co., Ltd. (referred to as “Wuhan Financial Holdings”) to become the actual controller of JZ Securities.

In September 2023, with the approval of the Nanchuan Industrial Park Branch of the Qinghai Provincial Market Supervision Administration Bureau (青海省市場監督管理局南川工業園區分局), JZ Securities Co., Ltd. changed its name to Huayuan Securities Co., Ltd.

3. *New Times Securities Co., Ltd. (referred to as “New Times Securities”)*

Table 4. Basic Information Table of New Times Securities

Name	Chengtong Securities Co., Ltd. (誠通證券股份有限公司)(renamed in June 2022)
Type	Other joint stock limited company (non-listed)
Address	12/F, Building 27, North Dongsanhuan Road, Chaoyang District, Beijing (北京市朝陽區東三環北路27號樓12層)
Legal representative	Zhang Wei (張威)
Registered capital	RMB2,910,000,000
Date of establishment	26 June 2003
Duration of operation	26 June 2003 to non-fixed term
Uniform social credit code	91110108752150255N

Business scope

Securities brokerage; securities investment consultation; financial advisory in relation to securities trading and securities investment activities; securities underwriting and sponsorship; proprietary securities trading; sales of securities investment funds on a commission basis; securities assets management business; margin financing and securities lending business; sales of financial products on a commission basis business; operating insurance business as a sideline agent; internet information services. (The market entity shall select business items and commence operations at its own discretion according to the law; for items requiring approval in accordance with the law, commencement of operations is subject to approval by the relevant authorities and to the extent authorised by such approval; it is not allowed to engage in operations prohibited or restricted by industrial policies of the state and the municipality.)

On 16 September 2021, Beijing Equity Exchange listed 2,858,872,097 shares (98.24%) of New Times Securities Co., Ltd. at a transfer floor price of RMB13.135 billion. In October 2021, Dongxing Securities announced that China Chengtong and Dongxing Securities were jointly assigned 98.24% of the shares in New Times Securities. Later, on 14 December 2021, Dongxing Securities announced that it had decided to withdraw from the acquisition because it failed to reach an agreement with the relevant parties on the terms of the acquisition, and China Chengtong was assigned 98.24% of the equity interests in New Times Securities for a total acquisition price of RMB13.135 billion. Based on the net assets attributable to the parent company in 2020 of RMB9,541,910,900, the PB ratio is 1.40 times.

On 2 June 2022, the company name was changed from “New Times Securities Co., Ltd.” to “Chengtong Securities Co., Ltd.”

4. *Huarong Securities Co., Ltd. (referred to as “Huarong Securities”)***Table 5. Basic Information Table of Huarong Securities**

Name	Guoxin Securities Co., Ltd. (國新證券股份有限公司)(renamed in July 2022)
Type	Other joint stock limited company (non-listed)
Address	Room A2112, 1/F, Block 2, No. 4 Chegongzhuang Street, Xicheng District, Beijing (北京市西城區車公莊大街4號2幢1層A2112室)
Legal representative	Zhang Haiwen (張海文)
Registered capital	RMB5,840,702,569
Date of establishment	7 September 2007
Duration of operation	7 September 2007 to non-fixed term
Uniform social credit code	91110000710935011N
Business scope	Securities brokerage; securities investment consultation; financial advisory in relation to securities trading and securities investment activities; securities underwriting and sponsorship; proprietary securities trading business; securities assets management; margin financing and securities lending; sales of financial products on a commission basis business; sales of securities investment funds. (The market entity shall select business items and commence operations at its own discretion according to the law; for items requiring approval according to the law, commencement of operations is subject to approval by the relevant authorities and to the extent authorised by such approval; it is not allowed to engage in operations prohibited or restricted by industrial policies of the state and the municipality.)

Huarong Securities Co., Ltd. was established in September 2007. Before this transfer, Huarong Asset Management Co., Ltd. held 71.99% of the shares. In November 2011, after receiving approval from the Ministry of Finance, China Huarong Asset Management Co., Ltd. publicly listed and transferred 71.99% of the equity interests in Huarong Securities Co., Ltd.

China Huarong solicited an intended transferee, Guoxin Capital, after the closing of the disclosure period for the listing of 71.99% equity interests in Huarong Securities on the Beijing Financial Exchange. On 27 January 2022, the two parties entered into the State-owned Property Rights Transaction Contract for a consideration of RMB10,932,980,500. Based on the net assets attributable to the parent company of Huarong Securities as of 30 September 2021 of RMB10,057,602,500, the PB ratio is 1.51 times.

5. Shanghai Securities Co., Ltd. (referred to as “Shanghai Securities”)

Table 6. Basic Information Table of Shanghai Securities

Name	Shanghai Securities Co., Ltd.
Type	limited company (state-owned holding)
Address	7/F, No. 213 Middle Sichuan Road, Huangpu District, Shanghai (上海市黃浦區四川中路213號7樓)
Legal representative	He Wei (何偉)
Registered capital	RMB5,326,532,000
Date of establishment	27 April 2001
Duration of operation	27 April 2001 to non-fixed term
Uniform social credit code	913100007034406864
Business scope	Licensed items: securities business (securities brokerage; securities investment consultation; financial advisory in relation to securities trading and securities investment activities; underwriting of securities (excluding stocks and corporate bonds issued by listed companies); proprietary securities trading; securities assets management; margin financing and securities lending; the sales of financial products on a commission basis); sales of securities investment funds services. (For items requiring approval according to the law, commencement of operations is subject to approval by the relevant authorities, and the specific items are subject to the approval documents or licences of relevant authorities) General item: securities companies to provide an intermediary introduction to futures companies. (Except for items requiring approval according to the law, operations shall be commenced independently with the business licences in accordance with the law)

Established in May 2001, Shanghai Securities Co., Ltd. is a comprehensive securities company invested and controlled by Guotai Junan Securities Co., Ltd., Shanghai International Group Co., Ltd. and Shanghai SITICO Asset Management Co., Ltd.

On 14 January 2020, to solve the problem of competition with Shanghai Securities, Bailian Group and Shanghai Urban Investment contributed RMB2,663.266 million and RMB53.266 million, respectively, to the newly registered capital of Shanghai Securities, RMB2,716.532 million, in the form of capital increase by a non-public agreement. The price of the capital increase was RMB3.85345 per RMB1 of newly registered capital, and the total amount of the capital increase was RMB10,468.02 million. After the capital increase, Bailian Group's equity interests in Shanghai Securities is 50% for a consideration of RMB10,262.76 million. Shanghai Urban Investment's equity interests in Shanghai Securities is 1% for a consideration of RMB205.26 million.

The directional capital increase of Shanghai Securities realised the change of the Shanghai Securities' controlling interests. After the completion of the capital increase, Bailian Group, Shanghai Urban Investment and Guotai Junan held as to 50.0000%, 1.0000% and 24.9900% of the equity interests in Shanghai Securities, respectively.

IV. ADJUSTMENTS

(I) Establishment of a comparison benchmark

1. Price correction

(1) Transaction date adjustment

The natural logarithm of the arithmetic mean of the securities III (SWS) index for the 30 trading days preceding the Valuation Benchmark Date of comparable transaction cases and the valuation entity was adopted to adjust the time factor of comparable transaction cases and the valuation entity. Using the benchmark date of the valuation entity as the base, the comparable transaction case date adjustment coefficient was arrived at by dividing it by the natural logarithm of the arithmetic mean of the securities III (SWS) index for the 30 trading days preceding the benchmark date of each comparable transaction case and the valuation entity. The results of the transaction date adjustment are set out in the table below:

Table 7. Transaction Date Adjustment Process Table

No.	Company short name	Transaction date	Securities III (SWS) index	Natural logarithm	Date adjustment coefficient b
1	Minsheng Securities	2022/6/30	5,546.15	8.62	0.9920
2	JZ Securities	2021/9/30	6,999.88	8.85	0.9659
3	New Times Securities	2020/12/31	7,114.29	8.87	0.9642
4	Huarong Securities	2021/9/30	6,999.88	8.85	0.9659
5	Shanghai Securities	2019/8/31	5,766.59	8.66	0.9876
6	Minsheng Securities (Subject)	2024/3/31	5,178.02	8.55	1.0000

(2) Adjustment of transaction method

The transaction methods of the valuation entity and comparable transaction cases were adopted for analysis, scoring and adjustment.

Having analysed the judicial auction case of Minsheng Securities, after 162 rounds of bidding, as there are certain bidding rules in the judicial auction case, and there is a prescribed incremental range in the bidders' quoted price for the equity interests, this valuation has referred to the average of the last round of transaction prices of the top two bidders for making adjustments to the price, with the transaction price scores being 100.11 points. For this transaction of the valuation entity and the remaining four comparable transaction cases, no special transaction situation was disclosed and no significant difference existed in the transaction method, with the transaction method scores all being 100 points. The results of the transaction method adjustments are set out in the table below:

Table 8. Transaction Method Adjustment Process Table

No.	Company short name	Transaction method	Valuation score	Adjustment coefficient
1	Minsheng Securities	Judicial auction	100.11	0.9989
2	JZ Securities	Transfer by agreement	100	1.0000
3	New Times Securities	Transfer through bidding	100	1.0000
4	Huarong Securities	Transfer through bidding	100	1.0000
5	Shanghai Securities	Capital increase by agreement	100	1.0000
6	Minsheng Securities (Subject)	Acquisition of assets by issuing Shares	100	1.0000

(3) *Price adjustment coefficient*

Based on the above adjustment procedures,

Price adjustment coefficient = transaction date adjustment coefficient × transaction method adjustment coefficient

Price adjustment coefficient is calculated as shown in the table below:

Table 9. Price Adjustment Process Table

No.	Company short name	Original transaction price (RMB)	Transaction date adjustment coefficient	Transaction method adjustment coefficient	Price adjustment coefficient
1	Minsheng Securities	3,005,278.95	0.9920	0.9989	0.9909
2	JZ Securities	674,000.00	0.9659	1.0000	0.9659
3	New Times Securities	1,336,990.56	0.9642	1.0000	0.9642
4	Huarong Securities	1,518,672.55	0.9659	1.0000	0.9659
5	Shanghai Securities	1,005,750.45	0.9876	1.0000	0.9876

(II) **Comparability adjustment**

Comparative analysis was conducted concerning the differences in comparability between the valuation entity and the comparable transaction cases in respect of various aspects such as business structure, enterprise life cycle, enterprise scale, business risks and growth, etc. Therefore, this valuation analyzed the aforesaid indicators and adjusted the differences to make the comparable cases and the valuation entity more comparable.

1. Business structure valuation

The valuation entity and the comparable transaction cases are in the securities industry and have similar business structures. Each major business is scored separately, with a score of 100 for having qualifications in that business, 90 for lack of qualifications and 95 for having qualifications but subject to limitation.

The business structure and valuation results are shown in the table below:

Table 10. Business Structure Valuation Table

No.	Company short name	Descriptions	Valuation score	Adjustment coefficient
1	Minsheng Securities	Securities brokerage, securities underwriting and sponsorship, proprietary securities trading business, securities investment consultation, asset management, financial advisory, margin financing and securities lending, and futures business	100	1.0000
2	JZ Securities	Securities brokerage, securities underwriting and sponsorship, proprietary securities trading, securities investment consultation, asset management, financial advisory, margin financing and securities lending, and futures business	100	1.0000
3	New Times Securities	Securities brokerage, securities underwriting and sponsorship, proprietary securities trading, securities investment consultation, asset management, financial advisory and margin financing and securities lending	90	1.1111
4	Huarong Securities	Securities brokerage, securities underwriting and sponsorship, proprietary securities trading, securities investment consultation, asset management, financial advisory, margin financing and securities lending, and futures business	100	1.0000

No.	Company short name	Descriptions	Valuation score	Adjustment coefficient
5	Shanghai Securities	Securities brokerage, securities (excluding shares of listed companies and corporate bonds issued by listed companies) underwriting, proprietary securities trading, securities investment consultation, financial advisory, asset management, margin financing and securities lending, and futures business	95	1.0526
6	Minsheng Securities (Subject)	Securities brokerage, securities underwriting and sponsorship, proprietary securities trading business, securities investment consultation, asset management, financial advisory, margin financing and securities lending, and futures business	100	1.0000

2. *Enterprise life cycle valuation*

The life cycle of an enterprise is mainly divided into four stages: start-up, developing, developed and degenerating stage. Since a start-up enterprise is in the position of competing for market share, there exist material risks. A developing enterprise is in the stage of maintaining its position and market share. A developed enterprise is in a stable stage, and a degenerating enterprise is in a gradual exit stage with potential being consumed.

Each of the comparable case companies has been established for a long period of time, and has experienced a long period of development, through which those companies already possess a certain capital base, human resources and management standard, have a stronger viability and competitiveness, and can effectively carry out the co-ordination of day-to-day business processes and the effective deployment of resources, which are in line with the characteristics of developed enterprises. The valuation entity and the comparable transaction cases are both in their developed stage, therefore all their valuation scores are 100 points, and the scores and adjustment coefficients are set out below.

Table 11. Enterprise Life Cycle Valuation Table

No.	Company short name	Enterprise life cycle	Valuation score	Life cycle adjustment coefficient
1	Minsheng Securities	developed	100.00	1.000
2	JZ Securities	developed	100.00	1.000
3	New Times Securities	developed	100.00	1.000
4	Huarong Securities	developed	100.00	1.000
5	Shanghai Securities	developed	100.00	1.000
6	Minsheng Securities (Subject)	developed	100.00	1.000

3. Enterprise scale valuation

The valuation entity differs to a certain extent from the comparable companies in terms of total assets scale, revenue scale and branches scale, and therefore a certain scale difference correction is required.

- 1) The asset size and revenue indicators of the valuation enterprises and the comparable cases are shown in the table below.

No.	Company short name	Total assets (RMB10 thousand)	Operating income (RMB10 thousand)
1	Minsheng Securities	5,214,317.60	264,924.28
2	JZ Securities	660,438.41	71,349.99
3	New Times Securities	1,767,412.73	160,440.76
4	Huarong Securities	4,946,296.51	82,666.36
5	Shanghai Securities	3,321,900.00	152,995.50
6	Minsheng Securities (Subject)	5,834,983.80	375,659.73

Total assets and operating income were selected as indicators for the valuation of enterprise scale. The natural logarithm of the two indicators of the valuation enterprises was used as the benchmark and divided by the natural logarithm of the corresponding data of each comparable transaction case to determine its corresponding adjustment coefficient. The results of the valuation of enterprise scale are set out in the table below:

Table 12. Assets Scale Valuation Table

No.	Company short name	Total assets	Natural logarithm	Adjustment coefficient
1	Minsheng Securities	5,214,317.60	15.47	1.0073
2	JZ Securities	660,438.41	13.40	1.1626
3	New Times Securities	1,767,412.73	14.39	1.0830
4	Huarong Securities	4,946,296.51	15.41	1.0107
5	Shanghai Securities	3,321,900.00	15.02	1.0375
6	Minsheng Securities (Subject)	5,834,983.80	15.58	1.0000

Table 13. Revenue Scale Valuation Table

No.	Company short name	Operating income	Natural logarithm	Adjustment coefficient
1	Minsheng Securities	264,924.28	12.49	1.0280
2	JZ Securities	71,349.99	11.18	1.1486
3	New Times Securities	160,440.76	11.99	1.0710
4	Huarong Securities	82,666.36	11.32	1.1337
5	Shanghai Securities	152,995.50	11.94	1.0752
6	Minsheng Securities (Subject)	375,659.73	12.84	1.0000

2) Branch scale

The number of branches of the valuation entity and various comparable cases are summarised as follows:

No.	Company short name	Branch offices	Number of branches	Total
1	Minsheng Securities	42	45	87
2	JZ Securities	36	6	42
3	New Times Securities	5	63	68
4	Huarong Securities	18	64	82
5	Shanghai Securities	3	76	79
6	Minsheng Securities (Subject)	43	45	88

According to the analysis in the above table, we took 88 branches in the Subject Company as the benchmark and assigned a score of 100 points. Based on this, companies of similar scale are assigned a score of 100 points, those larger than the Subject Company are assigned a score of over 100 points, and those smaller than the Subject Company are assigned a score of less than 100 points. The total number of companies in the range of 79-88 is considered similar in scale to the Subject Company and is assigned a score of 100 points. The total number of companies in the range of 69-78 is considered to be slightly smaller than the Subject Company and is assigned a score of 99 points. The total number of companies in the range of 59-68 is assigned a score of 98 points. The total number of companies in the range of 49-58 are assigned a score of 97 points. The total number of companies in the range of 39-48 are assigned a score of 96 points, the others are assigned a score with the same basis.

Based on the above scores, the adjustment coefficients for the indicators are as follows:

Table 14. Branches Valuation Table

No.	Company short name	Valuation score	Scale indicator adjustment coefficients
1	Minsheng Securities	100	1.000
2	JZ Securities	96	1.042
3	New Times Securities	98	1.020
4	Huarong Securities	100	1.000
5	Shanghai Securities	100	1.000
6	Minsheng Securities (Subject)	100	1.000

The final scale indicator adjustment coefficient is obtained by multiplying the above two scale indicators.

4. Risk indicators analysis

In accordance with Administrative Measures for Risk Control Indicators of Securities Companies issued by the CSRC, securities companies are required to establish a risk control indicator system focusing on net capital to strengthen the risk supervision of securities companies. In particular, securities companies are required to comply with the following risk control indicator standards on an ongoing basis:

- A. Risk coverage ratio shall be no less than 100%;
- B. Capital leverage ratio shall be no less than 8%;
- C. Liquidity coverage ratio shall be no less than 100%;
- D. Net stable funding ratio shall be no less than 100%.

The regulatory indicators disclosed in the annual reports of the comparable case companies for corresponding years are as follows (null values are data not available from public sources):

Company short name	Net capital/net assets	Net capital/sum of provisions for various risks	Liquidity coverage ratio	Net stable funding ratio	Capital leverage ratio
Minsheng Securities	58.77	231.56	157.86	141.60	16.90
JZ Securities	-	-	418.20	134.34	-
New Times Securities	74.73	-	-	-	-
Huarong Securities	126.53	228.31	-	-	32.74
Shanghai Securities	104.80	-	-	-	-

Due to the limited data published in the annual reports, no non-compliance with the requirements of the management measures for risk control indicators has been identified based on the regulatory indicators set out in the above table. No adjustment was made to this indicator in this valuation.

5. Growth analysis

The changes in operating incomes and net profits of enterprises are indicators for evaluating the growth status and development capability of the enterprise. In general, the higher the growth rate, the better the competitiveness and growth of the consolidated incomes and profits of an enterprise's business, and the higher the premium of such a company's valuation.

The statistics on the operating income growth rate and net profit growth rate of comparable cases for the three-time points in respect of the corresponding year to the Valuation Benchmark Date, 2022 and 2023 are set out as below:

Table 15. Operating Income Growth Rates Table of Comparable Cases

No.	Company short name	Operating income growth rate in 2022 (%)	Operating income growth rate in 2023 (%)	Operating income growth rate in transaction year (%)
1	Minsheng Securities	-36.32	41.80	-36.32
2	JZ Securities	2.07	-137.51	13.00
3	New Times Securities	-13.74	12.17	-17.89
4	Huarong Securities	-27.76	171.48	-30.30
5	Shanghai Securities	25.46	19.48	-68.87

Table 16. Net Profit Growth Rates Table of Comparable Cases

No.	Company short name	Net profit growth rate in 2022 (%)	Net profit growth rate in 2023 (%)	Net profit growth rate in transaction year (%)
1	Minsheng Securities	-81.09	236.61	-81.09
2	JZ Securities	2.65	-798.59	-4.39
3	New Times Securities	42.49	-3.68	-129.03
4	Huarong Securities	178.04	-3.66	102.20
5	Shanghai Securities	-61.20	18.85	329.81

The above table shows that the fluctuations of operating income and net profit of the comparable case companies in each of the years from 2021 to 2023 are relatively significant.

According to the industry characteristics of the securities companies, in recent years, the industry as a whole has been more affected by market fluctuations and policy changes, and the results of enterprises are volatile due to such impacts, with more significant changes in operating income and net profit, hence using of the growth rate of operating income and the growth rate of net profit as the growth indicators for the period lacks stability and representativeness, therefore, the market approach to this valuation does not adjust the growth indicators.

7. *Comparability adjustment coefficient*

In accordance with the aforesaid adjustment procedures, only the business structure, life cycle and enterprise scale were adjusted in this valuation. Multiply the business structure adjustment coefficient, life cycle adjustment coefficient and enterprise scale indicator adjustment coefficient together to obtain the final comparability adjustment coefficient.

Comparability adjustment coefficient = business structure adjustment coefficient x life cycle adjustment coefficient x enterprise scale adjustment coefficient.

The results of the comparability adjustment coefficient are shown in the table below:

Table 17. Comparability Adjustment Coefficient

No.	Company short name	Business structure adjustment coefficient	Life cycle adjustment coefficient	Enterprise scale adjustment coefficient	Comparability adjustment coefficient
1	Minsheng Securities	1.0000	1.000	1.0176	1.0176
2	JZ Securities	1.0000	1.000	1.2038	1.2038
3	New Times Securities	1.1111	1.000	1.0990	1.2211
4	Huarong Securities	1.0000	1.000	1.0722	1.0722
5	Shanghai Securities	1.0526	1.000	1.0564	1.1120

V. VALUATION RESULTS

By adopting the market approach, the valuation conclusions of the valuation entity as of 31 March 2024, the Valuation Benchmark Date, are as follows:

The assessment value of the entire shareholders' equity was RMB29,888,785,700, representing an appreciation of RMB13,839,817,000 or 86.23%, as compared with the net assets attributable to the parent company of RMB16,048,968,700 on a consolidated basis as at 31 March 2024, the Valuation Benchmark Date. It represents an appreciation of RMB14,595,570,100 or 95.44%, as compared with the carrying amount of net assets of RMB15,293,215,600 in the statements of the parent company.

VI. OPINIONS OF THE BOARD OF DIRECTORS

China United Assets is an independent professional valuer, an institution established upon the approval of the financial department of the PRC and provides asset valuation services in the PRC. To the best of the Directors' knowledge, information and belief, and after having made all reasonable inquiries, China United Assets and its ultimate beneficial owners are third parties independent of the Company and its associates.

The Board has reviewed the Asset Valuation Report prepared by China United Assets and discussed the valuation approaches, valuation assumptions and value ratios selected and used in the Asset Valuation Report with China United Assets. The Board considered the following factors: (a) there are several equity transaction cases on the market with similar business scope, business scale and development stage as Minsheng Securities and the specific conditions and related data which affect transaction price can be obtained through public information, which allowed China United Assets to make a reasonable analysis on the transaction price; (b) the securities companies are highly regulated in the PRC and have relatively stringent requirements on information disclosure, and it is reasonable to rely on the relevant information of the selected comparable companies obtained by China United Assets; (c) the comparable transaction cases selected by China United Assets were conducted after 1 January 2020 and the comparable companies are in the same industry as Minsheng Securities; (d) China United Assets has taken into consideration of various adjustment factors, such as business structure, life cycle, growth capacity, operation risks, etc., and (e) the Asset Valuation Report has been prepared by China United Assets in accordance with relevant laws and regulations and the Asset Valuation Report has been filed with the authorized state-owned assets supervisory and management authorities. Having considered the above, the Directors concur with the valuation approaches and value ratios adopted, the valuation assumptions used and the comparable companies selected by the valuer and are of the view that the valuation is fair and reasonable.

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for each of the three years ended 31 December 2021, 31 December 2022 and 31 December 2023 respectively, together with the relevant notes thereto are disclosed in the following documents, which were published on both the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.glsc.com.cn):

- the annual report of the Company for the year ended 31 December 2021 published on 11 April 2022 (pages 179 to 330) at <https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0411/2022041100732.pdf>
- the annual report of the Company for the year ended 31 December 2022 published on 12 April 2023 (pages 183 to 342) at <https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0412/2023041200572.pdf>
- the annual report of the Company for the year ended 31 December 2023 published on 11 April 2024 (pages 163 to 326) at <https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0411/2024041100649.pdf>

2. STATEMENT OF INDEBTEDNESS OF THE ENLARGED GROUP

As of 30 June 2024, being the latest practicable date for the purpose of determining the indebtedness of the Enlarged Group prior to the printing of this circular is summarized as follows:

The following table sets forth a breakdown of the indebtedness of the Enlarged Group by type as of the dates indicated:

	As of 30 June 2024 <i>(unaudited)</i> <i>(RMB'000)</i>
Lease liabilities	401,118
Due to other financial institutions	15,008,097
Income certificate	4,465,612
Bonds in issue	<u>30,617,781</u>
Total	<u><u>50,492,608</u></u>

Due to other financial institutions

The amount due to other financial institutions consist of placement from banks. As of 30 June 2024, the balance of the borrowings from certain banks by the Enlarged Group was in aggregate to RMB15,008,097,000.

Income certificates

As of 30 June 2024, the Enlarged Group had issued income certificate to certain financial institutions in the PRC in an aggregate amount of RMB4,465,612,000.

Bonds issued

As of 30 June 2024, the Enlarged Group issued bonds with the outstanding amount in aggregate to RMB30,617,781,000.

As of 30 June 2024, the Enlarged Group did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments, any guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the expected completion of the Acquisition and the financial resources available to the Enlarged Group, the working capital available to the Enlarged Group is sufficient for the Enlarged Group's requirements for at least 12 months from the date of this circular. The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

4. MATERIAL ADVERSE CHANGE

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

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

Before the Acquisition, Minsheng Securities was owned as to 100% by 46 shareholders, including Guolian Group and Fengquanyu. Upon completion of the Acquisition, the Company will hold 99.26% shares of Minsheng Securities and Minsheng Securities will become a subsidiary of the Company and the financial information of Minsheng Securities will be consolidated into the consolidated financial statements of the Group.

The following analyses are based on the 2023 financial statements of the Company and the notes thereto audited by ShineWing Certified Public Accountants LLP, and the Special Audit Report on Minsheng Securities Co., Ltd. for January to March 2024, Year 2023, Year 2022, and Year 2021 (《民生證券股份有限公司2024年1-3月、2023年度、2022年度、2021年度專項審計報告》) and the Pro Forma Review Report (《備考審閱報告》) issued by ShineWing Certified Public Accountants LLP.

(I) Analysis of financial position

The actual and pro forma key financial information of the Company upon completion of the Transactions are set out below:

RMB10 thousand

Items	31 March 2024/January-March 2024			31 December 2023/Year 2023		
	Pre-transaction	Post-transaction	Rate of change	Pre-transaction	Post-transaction	Rate of change
Total assets	9,323,201.27	16,528,666.75	77.29%	8,712,887.48	16,036,060.86	84.05%
Total liabilities	7,496,436.41	11,742,165.83	56.64%	6,900,531.69	11,310,187.85	63.90%
Owners' equity	1,826,764.86	4,786,500.92	162.02%	1,812,355.79	4,725,873.00	160.76%
Shareholders' equity attributable to the parent company	1,791,067.36	4,736,255.78	164.44%	1,776,868.96	4,676,225.12	163.17%
Operating income	17,342.04	123,673.36	613.14%	295,546.14	671,191.72	127.10%
Total profit	-29,940.77	9,511.08	131.77%	82,541.71	153,825.93	86.36%
Net profit attributable to shareholders of the parent company	-21,875.43	9,643.11	144.08%	67,131.91	127,403.63	89.78%
Basic earnings per share (RMB/share)	-0.0772	0.0176	122.80%	0.2371	0.2328	-1.81%
Gearing ratio	78.30%	66.57%	-14.98%	76.79%	66.05%	-13.99%

Note: Gearing ratio = (Total liabilities – amount of agency sales of securities – payables for underwriting) / (Total assets – amount of agency sales of securities – payables for underwriting)

As shown in the table above, the total assets and operating income of the Company will increase significantly upon completion of the Transactions, and the Company's risk-resistant ability will be further enhanced. Moreover, the net profit and basic earnings per share of the Company for the first quarter of 2024 will increase, the simulated pro forma basic earnings per share for the year 2023 will be less changed than before the transaction, and its profitability will be strengthened in general. Although the debt size of the Company will also increase, however, its gearing ratio will decrease upon completion of the Transactions. The debt size and solvency of the Company are still within the safety range.

The Company and the Subject Company in the Transactions are both comprehensive securities companies, and the Transactions are merger and reorganisation of securities companies. Upon completion of the Transactions, the principal business of the Company has not changed.

The Subject Company, Minsheng Securities, is a nationwide comprehensive securities company approved by the CSRC, with brokerage branches in nearly 30 provinces (including municipalities and autonomous regions) and has an investment banking business with significant competitive advantages. Upon completion of the Transactions, the business layout of the Company will become more reasonable, and the strength of each business line will improve comprehensively. It strives to realize the effect of "1+1>2" through the business integration of both parties to achieve leapfrog development of the Company.

(II) Analysis of advantages and disadvantages in future operations**(1) Advantages of the Company in future operations**

Upon completion of the Transactions, the capital strengths of the Company will be enhanced, its business scale will be significantly expanded and its business layout will be more reasonable. It is expected that its comprehensive strengths will be practically enhanced with more prominent advantages in market competition.

In addition, upon completion of the Transactions, the Company will have certain advantages in terms of market reputation. The Subject Company, Minsheng Securities, is an early-established securities company in China and has established a good reputation in its decades of development.

In terms of investment banking business, it was awarded the Outstanding Contributor to the Successful Listing of Guangdong SMEs in 2023 by the Department of Industry and Information Technology of Guangdong Province, and the “Best A-share IPO Underwriter (最佳A股IPO承銷商)”, “Best Equity Underwriter on the Sci-Tech Board (最佳科創板股權承銷商)”, “Best Equity Underwriter on the ChiNext Board (最佳創業板股權承銷商)” and “Best Sponsoring Broker on the NEEQ (最佳新三板主辦券商)” in the Wind Best Investment Bank Awards successively. In terms of wealth management business, it has been ranked as the “Most Promising Research Institution (最具潛力研究機構)” and “Most Improved Research Institution (進步最快研究機構)” in the New Wealth Best Analyst Awards; and was awarded the “Most Improved Research Institution (最快進步研究機構)” in the “2023 Golden Bull Award for Securities Analysts” by the China Securities Journal. In terms of investment and trading business, Minsheng Securities was awarded the “Annual Market Influence Award (Active Dealer)(年度市場影響力獎(活躍交易商))” and the “Most Popular Interest Rate Market Maker (最受市場歡迎的利率做市商)” by the China Foreign Exchange Trade System and National Interbank Funding Center in 2022, and the “Most Popular Interest Rate Bond Market Maker (最受市場歡迎的利率債做市商)” and the “Most Popular Credit Bond Market Maker (最受市場歡迎的信用債做市商)” and other awards by the interbank local currency market in 2023. In terms of asset management business, Minsheng Securities’ asset management product “Jin Sheng Li Shui FOF Growth No. 1 (金生麗水FOF成長1號)” won the “2022 Golden Bull Award for One-Year FOF-type Asset Management Plan of China Securities Company (2022年中國證券公司一年期FOF型資管計劃金牛獎)”, “2023 Golden Bull Award for One-Year FOF-type Asset Management Plan (2023年一年期FOF資管計劃金牛獎)” and “2023 Jun Ding Award for Innovative Asset Management Plan of China Securities Industry (2023年中國證券業創新資管計劃君鼎獎)”. Minsheng Equity Investment, a private equity subsidiary of Minsheng Securities, was awarded “Excellent Brokerage Subsidiary Demonstrator (優秀券商子公司示範機構)” in the list of the first “China Equity Venture Capital Private Equity Ying Hua Awards (中國股權創投私募英華獎)”, and “2022 China Private Equity Investment Institutions TOP100 (2022年度中國私募股權投資機構TOP100)”, “2023 Best PE Fund TOP30 (2023最佳PE基金TOP30)” and other industry awards.

The Company can assimilate high-quality resources in the industry through the Transactions and synergize with the Subject Company in market reputation to further strengthen its competitive advantages.

(2) Disadvantages of the Company in future operations

Upon completion of the Transactions, the Subject Company will become a subsidiary of the Company. However, from the perspective of operation management and resources integration, the Company and the Subject Company still need to conduct in-depth integration in respect of corporate culture building, corporate governance structure, employee management and incentives, financial and internal control management, customer development and maintenance, resources integration and synergies, system management, and business expansion to achieve the desirable integration effect. In the event that the integration control plan is not formulated and implemented properly, then certain management conflicts and business conflicts may arise during the integration process and they may exert a potential adverse impact on the normal business development of the Company and the Subject Company.

Set out below is the text of a report received from the independent reporting accountants of the Company, SHINEWING (HK) CPA Limited, which has been prepared for the purpose of incorporation in this circular.



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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF GUOLIAN SECURITIES CO., LTD.

Introduction

We report on the historical financial information of Minsheng Securities Co., Ltd. (the “Target Company”) and its subsidiaries (collectively referred to as the “Target Group”) set out on pages 333 to 477, which comprises the consolidated statements of financial position as at 31 December 2021, 2022 and 2023 and 31 March 2024 and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the years ended 31 December 2021, 2022 and 2023 and the three months ended 31 March 2024 (the “Relevant Periods”), and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages 333 to 477 forms an integral part of this report, which has been prepared for inclusion in the circular of Guolian Securities Co., Ltd. (the “Company”) dated 20 August 2024 (the “Circular”) in connection with the proposed acquisition of the Target Group by the Company.

Director's responsibility for the Historical Financial Information

The director's of the Target Company is responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1.2 to the Historical Financial Information, and for such internal control as the director of the Target Company determines is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants' Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1.2 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the consolidated financial position of the Target Group as at 31 December 2021, 2022 and 2023 and 31 March 2024, and of the consolidated financial performance and consolidated cash flows of the Target Group for each of the Relevant Periods in accordance with the basis of preparation and presentation set out in note 1.2 to the Historical Financial Information.

Review of Stub Period comparative financial information

We have reviewed the stub period comparative financial information of the Target Group which comprises the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the three months ended 31 March 2023 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Target Company is responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in note 1.2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 1.2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance***Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page 333 have been made.

Dividends

We refer to note 20 of Section B to the Historical Financial Information which contains information about the dividends paid by Target Company in respect of the Relevant Periods.

Preparation or audit of financial statements

Section A to the Historical Financial Information contains information about whether the consolidated financial statements of the Target Group for the Relevant Periods have been audited and, if applicable, the name of the auditors.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Pang Wai Hang

Practising Certificate Number: P05044

Hong Kong

20 August 2024

A. HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP**Preparation of Historical Financial Information**

The consolidated financial statements of the Target Company and the subsidiaries of the Target Group for which there are statutory requirements were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated and/or established. The statutory consolidated financial statements of the Target Company for the years ended 31 December 2021, 31 December 2022 and 31 December 2023 were prepared in accordance with the Accounting Regulations for Business Enterprises issued by the Ministry of Finance of the People's Republic of China (the "PRC") and were audited by BDO China Shu Lun Pan Certified Public Accountants LLP in accordance with the Chinese Certified Public Accountant auditing standards.

The consolidated financial statements of the Target Group for the year ended 31 December 2021, 2022 and 2023 and three months ended 31 March 2023 and 2024 (the "Relevant Periods") (the "Underlying Financial Statements") are the first consolidated financial statements prepared by the Group in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), with transition date being 1 January 2021. IFRS 1 "First-time adoption of IFRSs" has been applied save for certain presentation and disclosure provisions therein in preparing the Underlying Financial Statement. The Underlying Financial Statements were audited by SHINEWING (HK) CPA Limited in accordance with International Standards on Auditing ("ISAs").

There is no material impact transiting from IFRS 1 "First-time adoption of IFRSs" on the consolidated statements as at 1 January 2021, the date of transition to IFRSs, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Relevant Periods.

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

	Notes	Year ended 31 December			Three months ended 31 March	
		2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (Unaudited)	2024 RMB'000
Revenue						
– Commission and fee income	8	3,163,383	2,777,069	3,545,075	750,365	607,208
– Interest income under effective interest method	9	761,219	721,342	703,606	175,343	160,429
Net investments gains	10	1,097,024	19,229	369,487	640,892	558,813
Other income	11	12,846	8,852	3,856	1,572	1,749
Total revenue, net investment gains and other income		<u>5,034,472</u>	<u>3,526,492</u>	<u>4,622,024</u>	<u>1,568,172</u>	<u>1,328,199</u>
Commission and fee expenses	12	(250,884)	(239,018)	(343,999)	(59,610)	(100,094)
Interest expenses	13	(704,821)	(674,732)	(683,862)	(159,260)	(178,855)
Staff costs	14	(1,916,058)	(1,915,097)	(2,300,291)	(589,068)	(497,955)
Depreciation and amortisation	15	(110,408)	(136,351)	(145,065)	(34,135)	(33,946)
Other operating expenses	16	(513,357)	(435,250)	(564,669)	(109,839)	(117,485)
Impairment losses under expected credit loss model, net of reversal	17	<u>(268,612)</u>	<u>(4,614)</u>	<u>13,447</u>	<u>22,677</u>	<u>(1,163)</u>
Total expenses		<u>(3,764,140)</u>	<u>(3,405,062)</u>	<u>(4,024,439)</u>	<u>(929,235)</u>	<u>(929,498)</u>
Total revenue, net investment gains and other income less total expenses		1,270,332	121,430	597,585	638,937	398,701
Share of results of a joint venture		(1,347)	1,063	229	(806)	105
Other (losses)/gains, net	18	<u>(2,586)</u>	<u>16,048</u>	<u>157,126</u>	<u>80,476</u>	<u>6,013</u>
Profit before income tax		1,266,399	138,541	754,940	718,607	404,819
Income tax (expense)/credit	19	<u>(260,923)</u>	<u>52,688</u>	<u>(112,958)</u>	<u>(166,022)</u>	<u>(78,464)</u>
Profit for the year/period		<u>1,005,476</u>	<u>191,229</u>	<u>641,982</u>	<u>552,585</u>	<u>326,355</u>

Notes	Year ended 31 December			Three months ended 31 March	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (Unaudited)	2024 RMB'000
Attributable to:					
Shareholders of the Company	1,004,270	189,882	639,166	552,126	325,961
Non-controlling interests	<u>1,206</u>	<u>1,347</u>	<u>2,816</u>	<u>459</u>	<u>394</u>
	<u>1,005,476</u>	<u>191,229</u>	<u>641,982</u>	<u>552,585</u>	<u>326,355</u>
Profit for the year/period	1,005,476	191,229	641,982	552,585	326,355
Other comprehensive income/(expense):					
<i>Item that will not be reclassified to profit or loss:</i>					
Fair value gain on investments in equity instruments at fair value through other comprehensive income	-	-	52,177	-	189,519
Income tax relating to item that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>(13,044)</u>	<u>-</u>	<u>(47,379)</u>
	<u>-</u>	<u>-</u>	<u>39,133</u>	<u>-</u>	<u>142,140</u>
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Fair value loss on debt instruments measured at fair value through other comprehensive income	-	-	(1,748)	-	(981)
Impairment loss for debt instruments at fair value through other comprehensive income included in profit or loss	-	-	-*	-	-*
Income tax relating to items that may be reclassified subsequently	<u>-</u>	<u>-</u>	<u>437</u>	<u>-</u>	<u>245</u>
	<u>-</u>	<u>-</u>	<u>(1,311)</u>	<u>-</u>	<u>(736)</u>
Other comprehensive income for the year/period	<u>-</u>	<u>-</u>	<u>37,822</u>	<u>-</u>	<u>141,404</u>
Total comprehensive income for the year/period	<u>1,005,476</u>	<u>191,229</u>	<u>679,804</u>	<u>552,585</u>	<u>467,759</u>
Attributable to:					
Shareholders of the Company	1,004,270	189,882	676,988	552,126	467,365
Non-controlling interests	<u>1,206</u>	<u>1,347</u>	<u>2,816</u>	<u>459</u>	<u>394</u>
	<u>1,005,476</u>	<u>191,229</u>	<u>679,804</u>	<u>552,585</u>	<u>467,759</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December			As at
		2021	2022	2023	31 March
		RMB'000	RMB'000	RMB'000	2024
					RMB'000
ASSETS					
Non-current assets					
Property and equipment	22	243,282	252,776	246,123	235,113
Right-of-use assets	23	257,327	229,979	186,986	175,080
Goodwill	24	7,071	7,071	7,071	7,071
Intangible assets	25	53,409	44,019	45,944	37,458
Interest in a joint venture	26	1,720	2,783	3,012	3,117
Equity instruments at fair value through other comprehensive income	34	–	–	1,975,935	2,236,933
Financial assets at fair value through profit or loss	36	1,904,466	1,570,761	1,184,840	1,219,301
Derivative financial assets	37	–	145	–	–
Deferred tax assets	27	610,724	794,651	862,679	780,281
Refundable deposits	28	1,138,656	1,720,045	2,052,038	2,297,385
Construction in progress	29	21,501	24,751	28,493	28,197
Other non-current assets	30	63,200	54,070	46,123	44,577
Total non-current assets		<u>4,301,356</u>	<u>4,701,051</u>	<u>6,639,244</u>	<u>7,064,513</u>
Current assets					
Other current assets	31	284,351	973,987	722,728	493,625
Margin accounts receivables	32	5,068,267	4,470,401	4,654,084	4,399,235
Financial assets held under resale agreements	33	2,973,190	4,003,529	1,499,300	1,506,139
Debt instruments at fair value through other comprehensive income	35	–	–	197,646	198,915
Financial assets at fair value through profit or loss	36	27,884,792	30,922,818	31,593,315	28,839,841
Derivative financial assets	37	238	–	–	–
Clearing settlement funds	38	1,663,947	1,210,762	1,196,840	1,604,893
Cash held for brokerage clients	39	9,193,000	9,760,261	9,190,014	9,752,304
Cash and bank balances	40	3,032,458	2,359,876	3,762,001	4,490,373
Total current assets		<u>50,100,243</u>	<u>53,701,634</u>	<u>52,815,928</u>	<u>51,285,325</u>
Total assets		<u>54,401,599</u>	<u>58,402,685</u>	<u>59,455,172</u>	<u>58,349,838</u>
EQUITY AND LIABILITIES					
Equity					
Share capital	41	11,456,161	11,456,161	11,383,837	11,383,837
Share premium	42	804,837	806,028	801,175	803,953
Reserves	42	1,209,581	1,293,250	1,659,100	1,800,502
Retained earnings		<u>1,582,104</u>	<u>1,393,446</u>	<u>1,734,714</u>	<u>2,060,677</u>
Equity attributable to shareholders of the Target Company		<u>15,052,683</u>	<u>14,948,885</u>	<u>15,578,826</u>	<u>16,048,969</u>
Non-controlling interest		<u>21,973</u>	<u>23,330</u>	<u>26,146</u>	<u>26,540</u>
Total equity		<u>15,074,656</u>	<u>14,972,215</u>	<u>15,604,972</u>	<u>16,075,509</u>

	Notes	As at 31 December			As at
		2021	2022	2023	31 March
		RMB'000	RMB'000	RMB'000	2024
				RMB'000	
Non-current liabilities					
Deferred tax liabilities	27	191,891	67,131	267	864
Bonds in issue	43	2,092,671	1,414,997	3,030,338	1,430,427
Lease liabilities	44	214,938	190,598	150,923	141,268
Derivative financial liabilities	37	40	–	154	200
Other non-current liabilities	45	<u>4,000</u>	<u>7,974</u>	<u>–</u>	<u>–</u>
Total non-current liabilities		<u>2,503,540</u>	<u>1,680,700</u>	<u>3,181,682</u>	<u>1,572,759</u>
Current liabilities					
Other current liabilities	46	2,529,017	1,863,531	1,999,092	1,818,188
Current income tax liabilities		386,218	161,154	134,915	128,184
Bonds in issue	43	3,663,575	5,038,546	3,632,563	5,601,335
Lease liabilities	44	49,115	56,010	55,315	52,928
Contract liabilities	47	111,028	153,169	118,825	179,561
Due to other financial institutions	48	3,974,227	4,310,453	4,920,862	4,210,665
Derivative financial liabilities	37	–	–	6,454	12
Financial assets sold under repurchase agreements	49	11,450,446	13,910,925	14,525,949	11,810,907
Financial liabilities at fair value through profit or loss	50	3,040,759	3,984,960	3,142,672	3,778,492
Accounts payable to brokerage clients	51	<u>11,619,018</u>	<u>12,271,022</u>	<u>12,131,871</u>	<u>13,121,298</u>
Total current liabilities		<u>36,823,403</u>	<u>41,749,770</u>	<u>40,668,518</u>	<u>40,701,570</u>
Total liabilities		<u>39,326,943</u>	<u>43,430,470</u>	<u>43,850,200</u>	<u>42,274,329</u>
Total equity and liabilities		<u>54,401,599</u>	<u>58,402,685</u>	<u>59,455,172</u>	<u>58,349,838</u>
Net current assets		<u>13,276,840</u>	<u>11,951,864</u>	<u>12,147,410</u>	<u>10,583,755</u>
Total assets less current liabilities		<u>17,578,196</u>	<u>16,652,915</u>	<u>18,786,654</u>	<u>17,648,268</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to shareholders of the Target Company									
	Reserves						Retained earnings	Total	Non-controlling interests	Total equity
	Share capital	Share premium	Treasury share	Surplus reserve	General reserve	Other reserve				
At 1 January 2021	11,456,161	824,518	(159,625)	316,019	846,403	17,750	962,283	14,263,509	20,677	14,284,186
Profit for the year	-	-	-	-	-	-	1,004,270	1,004,270	1,206	1,005,476
Total comprehensive income for the year	-	-	-	-	-	-	1,004,270	1,004,270	1,206	1,005,476
Recognition of share-based payment (note 42)	-	(19,681)	43,607	-	-	10,433	-	34,359	90	34,449
Appropriation to general reserves	-	-	-	-	92,002	-	(92,002)	-	-	-
Appropriation to surplus reserve	-	-	-	42,992	-	-	(42,992)	-	-	-
Dividends recognised as distribution (note 20)	-	-	-	-	-	-	(249,455)	(249,455)	-	(249,455)
At 31 December 2021	11,456,161	804,837	(116,018)	359,011	938,405	28,183	1,582,104	15,052,683	21,973	15,074,656
	Equity attributable to shareholders of the Target Company									
	Reserves						Retained earnings	Total	Non-controlling interests	Total
	Share capital	Share premium	Treasury share	Surplus reserve	General reserve	Other reserve				
At 1 January 2022	11,456,161	804,837	(116,018)	359,011	938,405	28,183	1,582,104	15,052,683	21,973	15,074,656
Profit for the year	-	-	-	-	-	-	189,882	189,882	1,347	191,229
Total comprehensive income for the year	-	-	-	-	-	-	189,882	189,882	1,347	191,229
Recognition of share-based payment (note 42)	-	1,191	29,585	-	-	(28,183)	-	2,593	10	2,603
Share repurchase	-	-	(12,000)	-	-	-	-	(12,000)	-	(12,000)
Appropriation to general reserves	-	-	-	-	64,733	-	(64,733)	-	-	-
Appropriation to surplus reserve	-	-	-	29,534	-	-	(29,534)	-	-	-
Dividends recognised as distribution (note 20)	-	-	-	-	-	-	(284,273)	(284,273)	-	(284,273)
At 31 December 2022	11,456,161	806,028	(98,433)	388,545	1,003,138	-	1,393,446	14,948,885	23,330	14,972,215

APPENDIX IV
FINANCIAL INFORMATION OF MINSHENG SECURITIES

	Equity attributable to shareholders of the Target Company									
	Share capital	Share premium	Treasury share	Surplus reserve	General reserve	Revaluation reserve	Retained earnings	Total	Non-controlling interests	Total
At 1 January 2023	11,456,161	806,028	(98,433)	388,545	1,003,138	–	1,393,446	14,948,885	23,330	14,972,215
Profit for the year	–	–	–	–	–	–	639,166	639,166	2,816	641,982
Other comprehensive income for the year	–	–	–	–	–	37,822	–	37,822	–	37,822
Total comprehensive income for the year	–	–	–	–	–	37,822	639,166	676,988	2,816	679,804
Recognition of share-based payment	–	21,256	–	–	–	–	–	21,256	–	21,256
Cancellation of treasury share	(72,324)	(26,109)	98,433	–	–	–	–	–	–	–
Appropriation general reserves	–	–	–	–	155,766	–	(155,766)	–	–	–
Appropriation surplus reserves	–	–	–	73,829	–	–	(73,829)	–	–	–
Dividends recognised as distribution (note 20)	–	–	–	–	–	–	(68,303)	(68,303)	–	(68,303)
At 31 December 2023	11,383,837	801,175	–	462,374	1,158,904	37,822	1,734,714	15,578,826	26,146	15,604,972

	Equity attributable to shareholders of the Target Company								
	Share capital	Share premium	Treasury share	General reserve	Revaluation reserve	Retained earnings	Total	Non-controlling interests	Total
At 1 January 2024	11,383,837	801,175	462,374	1,158,904	37,822	1,734,714	15,578,826	26,146	15,604,972
Profit for the period	–	–	–	–	–	325,961	325,961	394	326,355
Other comprehensive income for the period	–	–	–	–	141,404	–	141,404	–	141,404
Total comprehensive income for the period	–	–	–	–	141,404	325,961	467,365	394	467,759
Recognition of share-based payment (note 42)	–	2,778	–	–	–	–	2,778	–	2,778
Disposal of investments in equity instruments at fair value through other comprehensive income	–	–	–	–	(2)	2	–	–	–
At 31 March 2024	11,383,837	803,953	462,374	1,158,904	179,224	2,060,677	16,048,969	26,540	16,075,509

	Equity attributable to shareholders of the Target Company								
	Share capital	Share premium	Treasury share	Surplus reserve	General reserve	Retained earnings	Total	Non-controlling interests	Total
At 1 January 2023 (audited)	11,456,161	806,028	(98,433)	388,545	1,003,138	1,393,446	14,948,885	23,330	14,972,215
Profit for the period (unaudited)	–	–	–	–	–	552,126	552,126	459	552,585
Total comprehensive income for the period (unaudited)	–	–	–	–	–	552,126	552,126	459	552,585
Recognition of share-based payment (unaudited)	–	5,523	–	–	–	–	5,523	–	5,523
At 31 March 2023 (unaudited)	11,456,161	811,551	(98,433)	388,545	1,003,138	1,945,572	15,506,534	23,789	15,530,323

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Three months ended 31 March	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (Unaudited)	2024 RMB'000
Cash flows from operating activities					
Profit before income tax	1,266,399	138,541	754,940	718,607	404,819
Adjustments for:					
Depreciation and amortisation	110,408	136,351	145,065	34,135	33,946
Impairment losses under expected credit loss model, net of reversal	268,612	4,614	(13,447)	(22,677)	(1,163)
Share of results of a joint venture	1,347	(1,063)	(229)	806	(105)
(Gain) loss on disposal of property and equipment and intangible assets	(151)	470	(788)	(55)	2
Impairment of property and equipment	–	–	–	–	5,859
Foreign exchange losses (gains)	290	(1,176)	(223)	206	(23)
Unrealised fair value change of financial assets at fair value through profit or loss	617,955	1,280,699	576,362	(366,119)	(34,463)
Unrealised fair value change of financial liabilities at fair value through profit or loss	3,013	(2,471)	8,547	(470)	(7,616)
Unrealised fair value change of derivative financial instruments	19,531	(6,072)	35,700	2,591	(19,445)
Interest income from debt investments at fair value through other comprehensive income	–	–	(3,338)	–	(2,250)
Interest expense of bonds in issue and income certificates	349,241	324,590	263,133	67,078	68,181
Interest expense of lease liabilities	11,366	12,695	11,139	3,020	2,447
Share-based payment expenses	34,104	2,330	21,256	5,523	2,778

	Year ended 31 December			Three months ended 31 March	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (Unaudited)	2024 RMB'000
Operating cash flows before					
movements in working capital	2,682,115	1,889,508	1,798,117	442,645	455,293
Net decrease (increase) in other assets	73,186	(668,794)	236,248	742,530	226,618
Net increase in refundable deposits	(222,137)	(581,389)	(331,993)	(289,844)	(245,347)
Net decrease (increase) in margin accounts receivables	240,022	599,185	(184,705)	(83,209)	255,353
Net (increase) decrease in financial assets held under resale agreements	(1,582,764)	(1,055,756)	2,532,265	1,236,958	(6,802)
Net decrease (increase) in clearing settlement funds	969,217	409,737	35,708	(505,938)	(428,231)
Net (increase) decrease in cash held for brokerage clients	(2,211,974)	(567,261)	570,247	(601,507)	(562,290)
Net (increase) decrease in financial assets at fair value through profit or loss	(787,567)	(3,985,020)	(860,938)	4,075,274	2,753,476
Net increase (decrease) in financial liabilities at fair value through profit or loss	1,656,700	946,672	(850,835)	(10,879)	643,436
Net movement of financial derivative instruments	(19,729)	6,125	(28,947)	(2,748)	13,049
Net (decrease) increase in financial assets sold under repurchase agreements	(2,186,371)	2,460,479	615,024	(2,653,020)	(2,715,042)
Net increase (decrease) in accounts payable to brokerage clients	2,699,234	652,004	(139,151)	591,569	989,427
Net increase (decrease) in due to other financial institutions	1,980,398	336,226	610,409	(1,351,352)	(710,197)
Net increase (decrease) in contract liabilities	66,892	42,141	(34,344)	3,993	60,736
Net (decrease) increase in other liabilities	(94,153)	(726,866)	116,580	478,605	(178,336)

APPENDIX IV

FINANCIAL INFORMATION OF MINSHENG SECURITIES

	Year ended 31 December			Three months ended 31 March	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (Unaudited)	2024 RMB'000
Cash generated from operations	3,263,069	(243,009)	4,083,685	2,073,077	551,143
Income tax paid	(282,839)	(481,063)	(286,696)	(1,691)	(49,334)
Net cash from (used in) operating activities	<u>2,980,230</u>	<u>(724,072)</u>	<u>3,796,989</u>	<u>2,071,386</u>	<u>501,809</u>
Cash flows from investing activities					
Purchase of property and equipment, intangible assets and other long-term prepaid assets	(81,699)	(98,502)	(89,029)	(18,554)	(5,937)
Proceeds on disposal of property and equipment, intangible assets and other long-term prepaid assets	702	599	1,215	85	83
Cash paid for purchase of debt instruments at fair value through other comprehensive income	–	–	(196,056)	–	–
Cash paid for purchase of equity instruments at fair value through other comprehensive income	–	–	(1,923,758)	–	(71,479)
Cash received from disposal of a subsidiary in prior year	3,750	–	–	–	–
Net cash used in investing activities	<u>(77,247)</u>	<u>(97,903)</u>	<u>(2,207,628)</u>	<u>(18,469)</u>	<u>(77,333)</u>
Cash flows from financing activities					
Interest paid for bonds in issue	(547,006)	(256,462)	(289,254)	(141,973)	(120,305)
Dividends paid	(249,455)	(195,407)	(46,975)	–	–
Payment of lease liabilities	(49,586)	(67,845)	(66,100)	(16,895)	(17,083)
Cash received from addition bonds in issue	5,851,328	7,383,687	7,593,549	2,067,002	1,631,020
Cash paid for repayment of bonds in issue	(9,006,380)	(6,754,518)	(7,358,070)	(1,800,160)	(1,210,035)
Payment of share repurchase	–	(11,727)	–	–	–
Net cash (used in) from financing activities	<u>(4,001,099)</u>	<u>97,728</u>	<u>(166,850)</u>	<u>107,974</u>	<u>283,597</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(1,098,116)</u>	<u>(724,247)</u>	<u>1,422,511</u>	<u>2,160,891</u>	<u>708,073</u>
Effect of exchange rate changes on the balance of cash held in foreign currencies	(1,995)	8,217	1,400	(1,250)	121
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD	<u>4,394,049</u>	<u>3,293,938</u>	<u>2,577,908</u>	<u>2,577,908</u>	<u>4,001,819</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD	<u>3,293,938</u>	<u>2,577,908</u>	<u>4,001,819</u>	<u>4,737,549</u>	<u>4,710,013</u>

B. NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP**1. GENERAL INFORMATION, AND BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION****1.1 General information**

Minsheng Securities Co., Ltd. (the “Target Company”), was a joint stock company which was established in the People’s Republic of China (the “PRC”) with limited liability. The registered office and the principal place of business of the Target Company is at No. 8 Puming Road, China (Shanghai) Pilot Free Trade Zone.

The Target Company is principally engaged in securities brokerage, securities investment consultation, financial advisory in relation to securities trading and securities investment activities, securities underwriting and sponsorship, proprietary securities trading, securities assets management, margin financing and securities lending, the sales of securities investment funds on a commission basis and the sale of financial products on a commission basis, and insurance and insurance agency business in the PRC. The principal activities of the subsidiaries are disclosed in Note 58.

The statutory consolidated financial statements of the Target Group for the years ended 31 December 2021, 2022 and 2023 were audited by BDO China Shu Lun Pan Certified Public Accountants LLP.

The Historical Financial Information is presented in renminbi (“RMB”), which is also the functional currency of the Target Company.

1.2 Basis of preparation and presentation of historical financial information

The Historical Financial Information has been prepared in accordance with the accounting policies set out in Note 3 below which conform with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”). In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS(S)”)

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, the Target Group has consistently adopted all applicable new and amendments to IFRSs that are effective for accounting periods commencing on 1 January 2024 throughout the Relevant Periods. The application of the new and amendments to the IFRSs in the Relevant Periods has had no material effect on the Target Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these Historical Financial Information.

New and amendments to IFRSs issued but not yet effective

The Target Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

Amendments to IAS 21	Lack of Exchangeability ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²

¹ Effective for annual periods beginning on or after 1 January 2025.

² Effective for annual periods beginning on or after a date to be determined.

The directors of the Target Company anticipates that the application of new and amendments to IFRSs will have no material impact on the consolidated financial statements of the Target Group in the foreseeable future.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, at the end of the Relevant Periods.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The material accounting policy information are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Target Company and entities (including structured entities (“SEs”)) controlled by the Target Company and its subsidiaries. Control is achieved when the Target Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Target Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Target Group considers all relevant facts and circumstances in assessing whether or not the Target Group’s voting rights in an investee are sufficient to give it power, including:

- the size of the Target Group’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Target Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Target Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders’ meetings.

When the Target Group has decision-making rights (a decision maker) over a structured entity, the Target Group will determine whether it is a principal or an agent for the purpose of assessing whether the Target Group controls the structured entity.

An agent is a party primarily engaged to act on behalf and for the benefit of another party or parties (the principal(s)) and therefore does not control the investee when it exercises its decision-making authority. In determining whether the Target Group is an agent to the structured entity, the Target Group would assess:

- the scope of its decision-making authority over the investee;
- the rights held by other parties;
- the remuneration to which it is entitled in accordance with the remuneration agreement(s); and
- the Target Group's exposure to variability of returns from other interests that it holds in the investee.

Consolidation of a subsidiary begins when the Target Group obtains control over the subsidiary and ceases when the Target Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Target Group gains control until the date when the Target Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income and expense of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Target Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Target Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Optional concentration test

The Target Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Target Group, liabilities incurred by the Target Group to the former owners of the acquiree and the equity interests issued by the Target Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting (the “Conceptual Framework”) except for transactions and events within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, in which the Target Group applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Target Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net of amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Target Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less any accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Target Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro rata basis based on the carrying amount of each asset in the unit (or groups of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Interest in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Target Group for like transactions and events in similar circumstances. Under the equity method, an interest in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Target Group's share of the profit or loss and other comprehensive income of the joint venture. When the Target Group's share of losses of a joint venture exceeds the Target Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Target Group's net investment in the joint venture), the Target Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Target Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An interest in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the interest in a joint venture, any excess of the cost of the investment over the Target Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Target Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Target Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Target Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Target Group retains an interest in the former joint venture and the retained interest is a financial asset within the scope of IFRS 9 Financial Instruments (“IFRS 9”), the Target Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Target Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Target Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant joint venture.

When a Target Group entity transacts with a joint venture of the Target Group, profits and losses resulting from the transactions with the joint venture are recognised in the consolidated financial statements only to the extent of interests in the joint venture that are not related to the Target Group.

The Target Group applies IFRS 9, including the impairment requirements, to long-term interests in a joint venture to which the equity method is not applied and which form part of the net investment in the investee. Furthermore, in applying IFRS 9 to long-term interests, the Target group does not take into account adjustments to their carrying amount required by IAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

Property and equipment

Property and equipment are tangible assets that are held for use in the supply of services, or for administrative purpose (other than construction in progress). Property and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress for supply of service or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Target Group's accounting policy. Such assets are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Target Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property and equipment.

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their estimated useful lives, using straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The estimated residual value rates and useful lives of each class of property and equipment are as follows:

Classes	Estimated residual value rates	Useful lives
Buildings	0-5%	20-40 years
Machinery	0-5%	5-8 years
Motor vehicles	0-5%	4-10 years
Electronics and other equipment	0-5%	3-5 years

Intangible assets***Intangible assets acquired separately***

The estimated useful lives of each class of intangible assets with finite useful life are as follows:

Trading rights with indefinite useful lives while software and others shall be amortised over 2-5 years, and customer relationships shall be amortised over expected beneficial life.

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of IFRS 16 or arising from business combinations, the Target Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Target Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Target Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Target Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases and leases of low-value assets

The Target Group applies the short-term lease recognition exemption to leases of buildings/motor vehicles/machinery and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Target Group; and
- an estimate of costs to be incurred by the Target Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Target Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Target Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Target Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Target Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Target Group under residual value guarantees;
- the exercise price of a purchase option if the Target Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Target Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Target Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review or expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Target Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

The Target Group as a lessor

Classification and measurement of leases

Leases for which the Target Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Target Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term. Variable lease payments for operating leases that depend on an index or a rate are included in the total lease payments using the index or rate as at the commencement date. Variable lease payments that do not depend on an index or a rate are excluded and are recognised as income when they arise.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Target Group applies *IFRS 15 Revenue from Contracts with Customers* ("IFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Target Group's operations are translated into the presentation currency of the Target Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Target Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Target Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Target Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other (losses)/gains, net".

Employee benefits

In the reporting period in which an employee has rendered services, the Target Group recognises the employee benefits expenses for those services in profit or loss.

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Target Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the Government of the PRC, including social insurance, housing funds and other social welfare contributions. The Target Group contributes on a regular basis to these funds based on certain percentage of the salaries of the employees and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution. The Target Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

Contributions to pension schemes and annuity plans

Payments to defined contribution retirement benefits plan are charged as expenses when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before income tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Target Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interest in a joint venture, except where the Target Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Target Group recognises the right-of-use assets and the related lease liabilities, the Target Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Target Group applies IAS 12 requirements to the lease liabilities and the related assets separately. The Target Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the date of grant is expensed on a straight-line basis over the vesting period/recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to treasury share reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to other reserve. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve.

Financial instruments

Financial assets and financial liabilities are recognised when a Target Group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss (“FVTPL”)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets*Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income (“FVTOCI”):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Target Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Target Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Target Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income and accumulated under the heading of revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognised in profit or loss when the Target Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "net investment gains" line item in profit or loss.

Interest income which are derived from the Target Group's ordinary course of business are presented as revenue.

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "net investment gains" line item.

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Target Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including bank balances, cash held for brokerage clients, clearing settlement funds, financial assets held under resale agreements, debt instruments at fair value through other comprehensive income, margin accounts receivable, accounts receivable and other receivables in other current assets and refundable deposits), and other items (loan commitments) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Target Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Target Group always recognises lifetime ECL for accounts receivable. The ECL on account receivables are assessed individually for debtors with significant balances and/or collectively using a provision matrix with aging groupings.

For all other instruments, the Target Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Target Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Target Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Target Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- debtor fails to pay the principal and interest as per the due date of the contract and the number of days overdue;
- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations;
- significant deterioration in the value of collateral or quality of guarantee or credit enhancements provided by a third party. These changes are expected to reduce the debtor's financial incentive to repay the debt within the time limit specified in the contract or affect the probability of default.

Irrespective of the outcome of the above assessment, the Target Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Target Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Target Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Target Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

For loan commitments, the date that the Target Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Target Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates.

The Target Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Target Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Group, in full (without taking into account any collateral held by the Target Group).

The Target Group considers that default has occurred when the instrument is more than 90 days past due unless the Target Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

For margin accounts receivable and financial assets held under resale agreement, the Target Group considers that default has occurred when the loan-to-collateral ratio reaches the liquidation line or expect there would be loss after closing the position mandatorily.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.
- (f) the purchase or originate a financial asset at a substantial discount, which reflects the fact that a credit loss has occurred.

(iv) Write-off policy

The Target Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Target Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Target Group in accordance with the contract and the cash flows that the Target Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For undrawn loan commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Target Group if the holder of the loan commitments draws down the loan, and the cash flows that the Target Group expects to receive if the loan is drawn down.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments including account receivables are grouped based on shared credit risk characteristics. The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments that are measured at FVTOCI and loan commitments, the Target Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of account receivables and other receivables where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the revaluation reserve without reducing the carrying amounts of these debt instruments. Such amount represents the changes in the revaluation reserve in relation to accumulated loss allowance.

Derecognition of financial assets

The Target Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Target Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Target Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Target Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Target Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Target Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial assets sold under repurchase agreements and financial assets held under resale agreements

Financial assets sold subject to repurchase agreements, which do not result in derecognition of the financial assets, are continued to be recorded as financial assets at FVTPL or debt instruments measured at amortised cost as appropriate. The corresponding liability is included in “financial assets sold under repurchase agreements”. Consideration paid for financial assets held under agreements to resell are recorded as “financial assets held under resale agreements”. Financial assets sold under repurchase agreements and financial assets held under resale agreements are initially measured at fair value and are subsequently measured at amortised cost using the effective interest method.

Securities lending

When the Target Group lends securities to clients, the cash collateral balances required under the securities lending agreements and the interest arising from the cash collateral are included in “accounts payable to brokerage clients”. For those securities held by the Target Group that are lent to clients, they are not derecognised and are continued to be recorded as financial assets at FVTPL.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Target Group after deducting all of its liabilities. Equity instruments issued by the Target Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company’s own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company’s own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Target Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Target Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Financial liabilities at amortised cost

Financial liabilities including due to other financial institutions, accounts payable to brokerage clients, other payables, bonds in issue and financial assets sold under repurchase agreements are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Target Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Revenue from contracts with customers

The Target Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Target Group's performance as the Target Group performs;
- the Target Group's performance creates or enhances an asset that the customer controls as the Target Group performs; or
- the Target Group's performance does not create an asset with an alternative use to the Target Group and the Target Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Target Group's right to consideration in exchange for goods or services that the Target Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Target Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Target Group's obligation to transfer goods or services to a customer for which the Target Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Target Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Target Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Target Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Target Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Target Group's performance in transferring control of goods or services.

Variable consideration

For contracts that contain variable consideration, the Target Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Target Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Target Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Target Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Target Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Target Group is an agent).

The Target Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Target Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Target Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Target Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

The Target Group's revenue mainly comes from the following types of business:

Commission and fee income

- (a) Commission and fee income arising from securities brokerage services is recognised at a point in time on the executive date of the securities transaction;
- (b) Commission and fee income arising from futures brokerage services is recognised at a point in time on the executive date of the futures transaction;
- (c) Commission and fee income arising from underwriting is recognised at a point in time Revenue from sponsorship, financial advisory and investment consultancy is recognised when the contractual obligations are fulfilled;
- (d) Commission and fee income arising from asset management services is recognised in accordance with the conditions and proportions agreed in the contract when management services meets the relevant revenue recognition conditions.

Other income

Other income is recognised when the contractual obligations are fulfilled.

Provisions

Provisions are recognised when the Target Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Target Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Impairment on property and equipment, right-of -use assets and intangible assets other than goodwill and financial assets

At the end of the reporting period, the Target Group reviews the carrying amounts of its property and equipment, right-of -use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Target Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Target Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Group's accounting policies, which are described in Note 3, the directors of the Target Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The Target Group reviewed the estimates and underlying assumptions on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the accounting policies

The followings are the critical judgements, apart from those involving estimations (see below), that the Target Group have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

Consolidation of structured entities

All facts and circumstances must be taken into consideration in the assessment of whether the Target Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns.

The Target Group held interests as investor or acted as investment manager in various structured entities including collective asset management schemes and investment funds. The Target Group considered its power, arising from the rights entitled directly or indirectly, over the structured entities, and assessed whether the combination of investments it held together with its remuneration created exposure to variability of returns from the structured entities that are of such significance that it indicated the Target Group controlled the structured entities and should consolidated these structured entities.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Expected credit losses of margin accounts receivables, financial assets held under resale agreements and debt instruments at fair value through other comprehensive income

The Target Group estimates the amount of loss allowance for ECL on its margin accounts receivables, financial assets held under resale agreements and debt instruments at fair value through other comprehensive income. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of margin accounts receivables, financial assets held under resale agreements and debt instruments at fair value through other comprehensive income. The assessment of the credit risk of margin accounts receivables, financial assets held under resale agreements and debt instruments at fair value through other comprehensive income involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly. Details on ECL are included in Note 6.2 to the consolidated financial statements.

The following significant judgements and estimation are required in applying the accounting requirements for measuring the ECL:

Significant increase of credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Target Group takes into account qualitative and quantitative reasonable and supportable forward looking information. Details of advances to customers are set out in Notes 32 and 33.

Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The Target Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Assets move from 12-month to lifetime ECLs when there is a significant increase in credit risk, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Models and assumptions used

The Target Group uses various models and assumptions in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of assets, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

Forward-looking information

When measuring ECL the Target Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Probability of default (PD)

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Loss given default (LGD)

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Target Group would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Fair value of financial instruments

The Target Group uses valuation techniques to estimate the fair value of financial instruments which are not quoted in an active market. These valuation techniques include the use of recent transaction prices of the same or similar instruments and discounted cash flow analysis. To the extent practical market observable inputs and data, such as interest rate yield curves, are used when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. However, areas such as the credit risk of the Target Group and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

Income taxes

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred tax in the period during which such a determination is made.

The realisation of a deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future.

In cases where it becomes probable that sufficient profits or taxable temporary differences are expected to be generated, deferred tax assets would be recognised in profit or loss in that period. On the contrary, if sufficient profits or taxable temporary differences are not expected to be generated, deferred tax assets would be reversed in profit or loss in that period. Details of the deductible temporary differences are disclosed in Note 27.

5. CAPITAL RISK MANAGEMENT

The Target Group's objectives of capital management are:

- To safeguard the Target Group's ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders;
- To support the Target Group's stability and growth;
- To maintain a strong capital base to support the development of their business; and
- To comply with the capital requirements under the regulations.

In accordance with Administrative Measures for Risk Control Indicators of Securities Companies (the "Administrative Measures") issued by the China Securities Regulatory Commission ("CSRC"), the Company is required to meet the following standards for risk control indicators on a continual basis:

- The ratio of net capital divided by the sum of its various risk capital provisions shall be no less than 100%;
- The ratio of core net capital divided by total assets shall be no less than 8%;
- The ratio of quality current assets divided by net cash used in next thirty days shall be no less than 100%;
- The ratio of stable funding available divided by stable funding required shall be no less than 100%.

Net capital refers to net assets minus risk adjustments on certain types of assets as defined in the Administrative Measures.

6. FINANCIAL RISK MANAGEMENT

6.1 Summary

The Target Group's risk management objective is to establish a sound risk management system and effective management mechanism to ensure that the risk is controlled under a tolerable level, achieve a sustainable development and reduce the uncertainty of achieving business plans.

Based on the risk management objective, the Target Group's risk management strategy is to identify and analyse various risks faced by the Target Group, establish an appropriate risk tolerance bottom line for risk management and measure, monitor, report and respond to various risks in a timely and reliable manner to control risks within the limits set by the Target Group.

The risks involved in the daily operations of the Target Group mainly include credit risk, market risk and liquidity risk. The Target Group has established policies and procedures to identify and analyse these risks, and to set appropriate indicators, limits, policies and internal control processes to manage these risks through continuous monitoring by information systems.

The Target Company has established a comprehensive and multi-level risk management system including the Board of Directors and risk control committee, senior management and risk management committees, risk management departments and other risk management-related functional departments, and risk management organizations set within departments. The Target Company's Board of Directors takes the ultimate responsibility for the Target Company's risk management and authorises the risk control committee to fulfil its partial functions regarding comprehensive risk management; the Target Company's management assumes the responsibility for organising and implementing comprehensive risk management tasks in business management, and authorises the Chief Risk Officer being responsible for leading and organising the overall risk management work; the Target Company's risk management departments includes the Risk Management Department and other risk management functional departments. The Risk Management Departments are responsible for establishment of the Target Company's risk management system, identifying and evaluating the risks faced by the Target Company's business activities, carrying out daily risk monitoring, inspection and evaluation, and raising recommendation and improving the Target Company's risk management system. The Risk Management Department supervises, evaluates and reports on the relevant work of the risk management functional departments and shall be responsible to the Chief Risk Officer for risk management; the Target Company's business departments and risk management organizations within its branches are responsible for the specific implementation of risk management.

6.2 Credit risks

Credit risk refers to the risk of counterparty's failure or inability to meet its payment obligations, or the risk of loss due to declining credit rating.

The Target Group's credit risks mainly come from risk of default by the counterparty in fixed-income investment business, margin finance business including margin accounts receivables, equity securities held under resale agreements, and OTC derivative business and etc.

In terms of the fixed-income investment business, the Target Company has established a pool of target bonds, conducted necessary due diligence and provided internal ratings for the bonds that will be traded or used in spot transactions, repurchase transactions, forwards, and lending transactions. The Target Company established multi-level mechanism of internal approval. For the pool of target bonds, the Target Company has established the tracking mechanism on a regular or irregular basis, to continuously track changes in credit status. Meanwhile, the Target Company has established a credit risk indicator system such as concentration of single issuer, industry concentration and etc.

In terms of the financing business, the Target Company has established a strict layered review and evaluation mechanism, and formed a multi-level approval and authorisation mechanism. The Target Company assesses the credit standing of the borrower by analysing the shareholder's background, operating conditions, and financial status. As for the evaluation of the collateral to be pledged, the quality of the collateral is analysed through a combination of qualitative and quantitative methods, and based on its liquidity index, market performance and other indicators that can be quantitatively measured. The Target Company has established a multi-dimensional financing business indicator system, including concentration indicators, loan-to-collateral ratio, early warning of closing position, ceilings of pledge ratio, and facility limit, etc., and manages credit risk exposure through timely mark-to-market method.

In terms of the credit risk of counterparties, the Target Company has developed rating criteria for counterparties and established a counterparty white list to manage counterparties' facility and limit according to their risk levels. The Target Company regularly, annually at least, updates the white list of counterparties, and adjusts the ratings of counterparties with consideration of any negative public media reports. In addition, the Target Company manages the credit risk exposures by means of mark-to-market, margin call or forced liquidation.

The credit risk of the Target Group also comes from the securities business. If the customer fails to deposit sufficient funds for trading, the Target Group may need to use its own funds to complete the settlement of the transactions. The Target Group requires customers to deposit the funds required for transactions in full before settlement to reduce related credit risks.

6.2.1 Expected credit loss

The Target Group has applied the ECL model to measure the expected credit losses for applicable financial asset.

The Target Group has used the “3 Stage” ECL model to assess the credit losses when its credit risk has increased significantly since initial recognition.

- An asset is classified as Stage 1 where there has been low risk of default or has not been a significant increase in credit risk. The Target Group will continuously monitor its credit risk.
- An asset is classified as Stage 2 where there has been a significant increase in credit risk since initial recognition but that are not credit impaired. The Target Group does not see it as a credit impaired instrument.
- An asset is classified as Stage 3 when it is credit impaired.
- The impairment loss for financial instruments in Stage 1 is expected credit losses for the next 12 months, which corresponds to the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. In the Stage 2 or 3, expected credit losses of financial instruments are measured for the entire life time.
- Purchased or originated credit impaired financial assets refer to those with credit impairment since initial recognition. The impairment allowances of these assets are measured as the expected credit loss for the entire life time.

For accounts receivable, the Target Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL.

For the factors the Target Group considers whether there have been significant increase in credit risk, please refer to Note 3. In particular, for margin accounts receivables and financial assets held under resale agreement, the Target Group generally believes that when the loan-to-collateral ratio reaches the warning line, the credit risk increases significantly and the relevant asset needs to be transferred to Stage 2, and when the coverage ratio reaches the liquidation line or expect there would be loss after closing the position mandatorily, it will be transferred to Stage 3.

The Target Group uses Probability of default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) to measure credit risks.

- PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.
- EAD is the amount that the Target Group should be repaid at the time of default in the next 12 months or throughout the remaining life time.
- LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Target Group would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

The expected credit losses are measured based on the probability weighted result of PD, EAD and LGD.

During the Relevant Periods, no significant changes were made in the techniques of estimation or key assumptions.

The assessment of significant increase in credit risk and the measurement of expected credit losses all involve forward-looking information. Through the analysis of historical data, the Target Group identifies the key economic indicators affecting the credit risk and expected credit losses of each asset portfolio. Key economic indicators include macroeconomic indicators and indicators that can reflect market volatility. Estimates of the predicted values and the likelihood of occurrence are highly inherently uncertain, so the actual results may differ significantly from the predictions. The Target Group believes that these projections reflect the best estimates of the Target Group on the possible results.

For the Relevant periods, the important macroeconomic assumptions used by the Target Group in the forward-looking model include the cumulative growth rate of GDP at constant price, the growth rate of the consumer price index, and the China Manufacturing Purchasing Managers' Index.

For the Relevant Periods, the macroeconomic forward-looking adjustment factors used by the Target Group in the evaluation of the expected credit loss measurement model have considered the impact of the deep adjustment of the real estate market on investment in relevant sectors during the economic recovery, the damage to residents' balance sheets that may inhibit consumption repair, and the exposure of fiscal and financial risks in some areas. To be prudent, the Target Group has determined a higher weight for the neutral scenario, and the second is pessimistic scenario.

The Target Group has classified exposures with similar risk characteristics when calculating expected credit loss impairment in a portfolio. During the classification, the Target Group obtained sufficient information to ensure its statistical reliability.

Before considering collateral or other credit enhancement methods, the maximum credit risk exposure is the carrying amount of financial assets (net of provisions for impairment). The maximum credit risk exposure of the Target Group is as follows:

	As at 31 December			As at
	2021	2022	2023	31 March
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Refundable deposits	1,138,656	1,720,045	2,052,038	2,297,385
Other assets	293,021	979,511	694,947	473,229
Margin accounts receivables	5,068,267	4,470,401	4,654,084	4,399,235
Financial assets held under resale agreements	2,973,190	4,003,529	1,499,300	1,506,139
Financial assets at FVTPL	22,115,806	24,772,623	25,916,967	22,256,418
Debt instrument at FVTOCI	–	–	197,646	198,915
Derivative financial assets	238	145	–	–
Clearing settlement funds	1,663,947	1,210,762	1,196,840	1,604,893
Cash held for brokerage clients	9,193,000	9,760,261	9,190,014	9,752,304
Cash and bank balances	3,032,458	2,359,876	3,762,001	4,490,373
	<u>45,478,583</u>	<u>49,277,153</u>	<u>49,163,837</u>	<u>46,978,891</u>

The Target Group monitors the credit risk profile of the debt securities portfolio and asset backed securities held based on credit ratings, which are obtained from major rating agencies in the PRC where debt issuers are located.

	As at 31 December			
	2021		2022	
	RMB'000	RMB'000	RMB'000	RMB'000
	Debt instruments at FVTOCI	Financial assets at FVTPL	Debt instruments at FVTOCI	Financial assets at FVTPL
Issuers in Mainland China (Note 1)				
Chinese Treasury bond, Central bank bills, CDB bonds	–	5,853,976	–	4,154,580
Policy financial bonds	–	980,286	–	4,055,523
Local government bonds	–	8,173,189	–	9,979,905
AAA	–	1,916,256	–	2,727,876
AA- to AA+	–	921,353	–	737,360
Below AA-	–	287,743	–	130,650
Unrated	–	100,017	–	–
Total	–	18,232,820	–	21,785,894
	As at 31 December 2023		As at 31 March 2024	
	RMB'000	RMB'000	RMB'000	RMB'000
	Debt instruments at FVTOCI	Financial assets at FVTPL	Debt instruments at FVTOCI	Financial assets at FVTPL
Issuers in Mainland China (Note 1)				
Chinese Treasury bond, Central bank bills, CDB bonds	–	4,229,841	–	6,579,754
Policy financial bonds	–	1,806,274	–	1,851,784
Local government bonds	–	11,531,671	–	6,141,029
AAA	197,646	4,752,807	198,915	4,309,780
AA- to AA+	–	353,648	–	354,562
Below AA-	–	121,145	–	123,015
Unrated (Note 2)	–	60,047	–	1,531,558
Total	197,646	22,855,433	198,915	20,891,482

Note 1: Unrated means that the credit rating agency has not rated the issuer or the debt securities issued.

Note 2: As at 31 March 2024, certain debt securities of RMB1,471,423 thousand that are unrated but were issued by banks in China that are rated at AAA grade.

6.3 Market risk

Market risk is the risk of loss arising from adverse change in fair value or movement in cash flows in respect of financial instruments, due to interest rate risk, exchange rate risk or price risk.

6.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Target Group utilises sensitivity analysis as the main tool for monitoring interest rate risk and measuring the impact of a reasonable and possible change of interest rate on its total profit and equity, assuming all other variables remain unchanged.

The table below presents the residual maturities of the Target Group's financial assets and liabilities before their contractual re-pricing dates or their maturity dates (whichever are earlier):

As at 31 December 2021	Within 3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	More than 5 years RMB'000	Non-interest bearing RMB'000	Total RMB'000
Financial assets						
Refundable deposits	1,138,632	-	-	-	24	1,138,656
Other assets	-	-	-	-	293,021	293,021
Margin accounts receivables	1,763,430	3,042,079	-	-	262,758	5,068,267
Financial assets held under resale agreements	2,824,634	147,296	-	-	1,260	2,973,190
Financial assets at fair value through profit or loss	106,604	1,445,532	9,061,831	7,379,221	11,796,070	29,789,258
Derivative financial assets	-	-	-	-	238	238
Clearing settlement funds	1,662,912	-	-	-	1,035	1,663,947
Cash held for brokerage clients	9,188,201	-	-	-	4,799	9,193,000
Cash and bank balances	3,032,458	-	-	-	-	3,032,458
	<u>19,716,871</u>	<u>4,634,907</u>	<u>9,061,831</u>	<u>7,379,221</u>	<u>12,359,205</u>	<u>53,152,035</u>
Financial liabilities						
Bonds in issue	(920,610)	(2,644,699)	(2,140,299)	-	(50,638)	(5,756,246)
Lease liabilities	(14,876)	(46,159)	(112,661)	(90,357)	-	(264,053)
Derivative financial liabilities	-	-	-	-	(40)	(40)
Other liabilities	-	-	-	-	(679,550)	(679,550)
Due to other financial institutions	(3,969,500)	-	-	-	(4,727)	(3,974,227)
Financial assets sold under repurchase agreements	(11,445,500)	(640)	-	-	(4,306)	(11,450,446)
Financial liabilities at fair value through profit or loss	(3,003,643)	-	-	-	(37,116)	(3,040,759)
Accounts payable to brokerage clients	(11,618,123)	-	-	-	(895)	(11,619,018)
	<u>(30,972,252)</u>	<u>(2,691,498)</u>	<u>(2,252,960)</u>	<u>(90,357)</u>	<u>(777,272)</u>	<u>(36,784,339)</u>
Interest rate sensitivity gap	<u>(11,255,381)</u>	<u>1,943,409</u>	<u>6,808,871</u>	<u>7,288,864</u>	<u>11,581,933</u>	<u>16,367,696</u>

APPENDIX IV

FINANCIAL INFORMATION OF MINSHENG SECURITIES

As at 31 December 2022	Within 3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	More than 5 years RMB'000	Non-interest bearing RMB'000	Total RMB'000
Financial assets						
Refundable deposits	1,720,023	-	-	-	22	1,720,045
Other assets	-	-	-	-	979,511	979,511
Margin accounts receivables	1,603,981	2,542,693	-	-	323,727	4,470,401
Financial assets held under resale agreements	3,931,008	72,521	-	-	-	4,003,529
Financial assets at fair value through profit or loss	184,343	773,094	17,648,031	2,894,227	10,993,884	32,493,579
Derivative financial assets	-	-	-	-	145	145
Clearing settlement funds	1,210,242	-	-	-	520	1,210,762
Cash held for brokerage clients	9,754,972	-	-	-	5,289	9,760,261
Cash and bank balances	2,309,876	20,000	30,000	-	-	2,359,876
	<u>20,714,445</u>	<u>3,408,308</u>	<u>17,678,031</u>	<u>2,894,227</u>	<u>12,303,098</u>	<u>56,998,109</u>
Financial liabilities						
Bonds in issue	(1,785,561)	(3,086,591)	(1,452,875)	-	(128,516)	(6,453,543)
Lease liabilities	(16,913)	(49,819)	(112,919)	(66,957)	-	(246,608)
Other liabilities	-	-	-	-	(416,651)	(416,651)
Due to other financial institutions	(3,800,000)	(500,000)	-	-	(10,453)	(4,310,453)
Financial assets sold under repurchase agreements	(13,903,159)	(355)	-	-	(7,411)	(13,910,925)
Financial liabilities at fair value through profit or loss	(3,938,244)	-	-	-	(46,716)	(3,984,960)
Accounts payable to brokerage clients	(12,270,163)	-	-	-	(859)	(12,271,022)
	<u>(35,714,040)</u>	<u>(3,636,765)</u>	<u>(1,565,794)</u>	<u>(66,957)</u>	<u>(610,606)</u>	<u>(41,594,162)</u>
Interest rate sensitivity gap	<u>(14,999,595)</u>	<u>(228,457)</u>	<u>16,112,237</u>	<u>2,827,270</u>	<u>11,692,492</u>	<u>15,403,947</u>
As at 31 December 2023						
	Within 3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	More than 5 years RMB'000	Non-interest bearing RMB'000	Total RMB'000
Financial assets						
Equity instruments at fair value through other comprehensive income	-	-	-	-	1,975,935	1,975,935
Refundable deposits	2,052,020	-	-	-	18	2,052,038
Other assets	-	-	-	-	694,947	694,947
Margin accounts receivables	1,669,402	2,613,984	-	-	370,698	4,654,084
Financial assets held under resale agreements	1,477,209	20,448	-	-	1,643	1,499,300
Debt instruments at fair value through other comprehensive income	-	195,978	-	-	1,668	197,646
Financial assets at fair value through profit or loss	84,705	1,417,932	13,086,893	8,046,520	10,142,105	32,778,155
Derivative financial assets	-	-	-	-	-	-
Clearing settlement funds	1,196,342	-	-	-	498	1,196,840
Cash held for brokerage clients	9,185,404	-	-	-	4,610	9,190,014
Cash and bank balances	3,682,001	-	80,000	-	-	3,762,001
	<u>19,347,083</u>	<u>4,248,342</u>	<u>13,166,893</u>	<u>8,046,520</u>	<u>13,192,122</u>	<u>58,000,960</u>
Financial liabilities						
Bonds in issue	(1,192,685)	(2,299,605)	(3,058,590)	-	(112,021)	(6,662,901)
Lease liabilities	(16,822)	(47,157)	(99,462)	(42,797)	-	(206,238)
Derivative financial liabilities	(6,454)	-	(154)	-	-	(6,608)
Other liabilities	-	-	-	-	(440,432)	(440,432)
Due to other financial institutions	(4,210,000)	(700,000)	-	-	(10,862)	(4,920,862)
Financial assets sold under repurchase agreements	(14,515,970)	(771)	-	-	(9,208)	(14,525,949)
Financial liabilities at fair value through profit or loss	(3,093,021)	-	-	-	(49,651)	(3,142,672)
Accounts payable to brokerage clients	(12,131,488)	-	-	-	(383)	(12,131,871)
	<u>(35,166,440)</u>	<u>(3,047,533)</u>	<u>(3,158,206)</u>	<u>(42,797)</u>	<u>(622,557)</u>	<u>(42,037,533)</u>
Interest rate sensitivity gap	<u>(15,819,357)</u>	<u>1,200,809</u>	<u>10,008,687</u>	<u>8,003,723</u>	<u>12,569,565</u>	<u>15,963,427</u>

APPENDIX IV

FINANCIAL INFORMATION OF MINSHENG SECURITIES

As at 31 March 2024	Within 3 months RMB'000	3 months to 1 year RMB'000	1-5 years RMB'000	More than 5 years RMB'000	Non-interest bearing RMB'000	Total RMB'000
Financial assets						
Equity instruments at fair value through other comprehensive income	-	-	-	-	2,236,933	2,236,933
Refundable deposits	2,297,368	-	-	-	17	2,297,385
Other current assets	-	-	-	-	473,229	473,229
Margin accounts receivables	1,154,303	2,900,158	-	-	344,774	4,399,235
Financial assets held under resale agreements	1,505,940	-	-	-	199	1,506,139
Debt instruments at fair value through other comprehensive income	98,344	97,777	-	-	2,794	198,915
Financial assets at fair value through profit or loss	84,564	1,607,776	11,086,988	7,892,562	9,387,252	30,059,142
Derivative financial assets	-	-	-	-	-	-
Clearing settlement funds	1,604,282	-	-	-	611	1,604,893
Cash held for brokerage clients	9,746,595	-	-	-	5,709	9,752,304
Cash and bank balances	4,370,373	-	120,000	-	-	4,490,373
	<u>20,861,769</u>	<u>4,605,711</u>	<u>11,206,988</u>	<u>7,892,562</u>	<u>12,451,518</u>	<u>57,018,548</u>
Financial liabilities						
Bonds in issue	(1,844,345)	(3,668,841)	(1,456,453)	-	(62,123)	(7,031,762)
Lease liabilities	(22,045)	(44,356)	(91,417)	(36,378)	-	(194,196)
Derivative financial liabilities	-	(12)	(200)	-	-	(212)
Other liabilities	-	-	-	-	(452,935)	(452,935)
Due to other financial institutions	(2,897,000)	(1,300,000)	-	-	(13,665)	(4,210,665)
Financial assets sold under repurchase agreements	(11,806,979)	(1,051)	-	-	(2,877)	(11,810,907)
Financial liabilities at fair value through profit or loss	(3,738,906)	-	-	-	(39,586)	(3,778,492)
Accounts payable to brokerage clients	(13,080,874)	-	-	-	(424)	(13,081,298)
	<u>(33,390,149)</u>	<u>(5,014,260)</u>	<u>(1,548,070)</u>	<u>(36,378)</u>	<u>(571,610)</u>	<u>(40,560,467)</u>
Interest rate sensitivity gap	<u>(12,528,380)</u>	<u>(408,549)</u>	<u>9,658,918</u>	<u>7,856,184</u>	<u>11,879,908</u>	<u>16,458,081</u>

Sensitivity analysis

The following table illustrates the potential impact, of a parallel upward or downward shift of 25 basis points in interest rate curves on the Target Group's net profit and other comprehensive income for the next twelve months from the reporting date, based on the Target Group's positions of interest-earning assets and interest-bearing liabilities at the end of the Relevant Periods.

	As at 31 December			As at
	2021	2022	2023	31 March
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Profit after income tax				
Increase by 25 bps	<u>(165,112)</u>	<u>(133,358)</u>	<u>(200,787)</u>	<u>(201,256)</u>
Decrease by 25 bps	<u>167,878</u>	<u>135,290</u>	<u>206,786</u>	<u>205,645</u>
Other comprehensive income after income tax				
Increase by 25 bps	<u>-</u>	<u>-</u>	<u>(182)</u>	<u>(182)</u>
Decrease by 25 bps	<u>-</u>	<u>-</u>	<u>183</u>	<u>183</u>

The sensitivity analysis on net profit and other comprehensive income is based on reasonably possible changes in interest rates with the assumption that the structure of financial assets and financial liabilities held at the period end remains unchanged, and does not take changes in customer behaviour, basis risk or any prepayment options on debt securities into consideration. This analysis assumes that interest rates of all maturities move by the same amount, and does not reflect the potential impact of unparallel yield curve movements.

The Target Group believes that above assumption does not represent the Target Group's policy on the use of funds and interest rate risk management, so the impact of sensitivity analysis may vary according to the actual situation.

In addition, the above analysis of the impact of changes in interest rate is only an illustrative example, showing the estimated changes in net profit and other comprehensive income under various expected situations and the current interest rate risk position of the Target Group. However, the impact did not consider the risk management activities that the management might take to reduce interest rate risk.

6.3.2 Exchange rate risk

Exchange rate risk refers to the possibility of loss of the Target Group's assets or liabilities due to exchange rate changes. The Target Group operates principally in the PRC. The majority of recognised assets and liabilities are denominated in RMB and the majority of transactions are settled in RMB. The Target Group does not hold or issue any derivative financial instruments to manage its exposure to exchange rate risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	As at 31 December			As at
	2021	2022	2023	31 March
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Assets				
USD	71,050	74,266	67,275	70,959
HKD	16,872	20,721	19,009	18,936
Liabilities				
USD	60,534	62,116	54,914	58,512
HKD	14,933	18,584	17,021	16,627

As at 31 December 2021, 2022 and 2023 and 31 March 2024, assuming other variables remain unchanged, if foreign currencies appreciate or depreciate by 1% against RMB, the Target Group's net profit before tax in 2021, 2022, 2023, 2024 will increase or decrease by RMB125 thousand, RMB143 thousand, RMB144 thousand and RMB148 thousand, respectively.

6.3.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or exchange rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Target Group's price risk exposure mainly relates to investments in equity securities, investment funds, convertible bonds, exchangeable bonds, derivatives and collective asset management scheme whose values will fluctuate as a result of changes in market prices. These investments are all investments in the domestic capital markets. The Target Group is subject to relatively high market risk due to the high volatility of the domestic stock markets.

The Target Group's price risk management policy requires setting and managing investment objectives. The directors of the Target Company manage price risk by holding an appropriately diversified investment portfolio, setting limits for investments in different securities and closely monitoring the portfolio of investments to reduce the risk of concentration in any one specific industry or issuer. The Target Group uses derivatives contracts to economically hedge against certain exposures arising from its investment portfolio.

Sensitivity analysis

The analysis below shows the impact on profit after income tax and equity due to change in the prices of financial assets, including stocks, funds, derivatives and collective asset management schemes by 10%, assuming all other variables remain unchanged. A positive result indicates an increase in profit after income tax and shareholders' equity, while a negative result indicates otherwise.

	As at 31 December			As at
	2021	2022	2023	31 March
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Profit after income tax				
Increase by 10%	<u>638,676</u>	<u>504,204</u>	<u>508,504</u>	<u>404,188</u>
Decrease by 10%	<u>(638,676)</u>	<u>(504,204)</u>	<u>(508,504)</u>	<u>(404,188)</u>
Other comprehensive income after income tax				
Increase by 10%	<u>-</u>	<u>-</u>	<u>148,195</u>	<u>167,770</u>
Decrease by 10%	<u>-</u>	<u>-</u>	<u>(148,195)</u>	<u>(167,770)</u>

6.4 Liquidity risk

Liquidity risk is the risk that the Target Group will encounter difficulty in meeting obligations associated with financial liabilities due to lack of capital or funds. The rapid development of the Target Company's proprietary trading, asset management, margin financing business and etc all put forward higher requirements for liquidity risk management.

The Target Group manages and controls its funds in a centralised manner. The Target Company's liquidity risk management principles are comprehensiveness, prudence and foreseeability and its overall objective is to build a sound liquidity risk management system so that it can effectively recognise, measure, monitor and control liquidity risk and ensure that its liquidity needs can be met timely with a reasonable cost.

The Target Group annually prepares the fund budget, and formulates a financing plan based on the fund budget to manage the funding requirements and relevant costs. Through careful analysis of the Target Group's business scale, total liabilities, financing capacity and asset-liability structure, the Target Group will determine the scale of high-liquid asset reserves to improve liquidity and risk resistance.

The Target Group invests surplus cash in negotiable bank deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. As at the end of each of the Relevant Period, the Target Group held cash and cash equivalents of approximately RMB3,293,938 thousand, RMB2,577,908 thousand, RMB4,001,819 and RMB4,710,013 that is expected to readily generate cash inflows for managing liquidity risk. In addition, the Target Group held financial assets at fair value through profit or loss amounted to RMB27,884,792 thousand, RMB30,922,818 thousand, RMB31,593,315 thousand and RMB28,839,841 thousand which was presented as current assets as at 31 December 2021, 2022 and 2023 and 31 March 2024, and could be realised within one year to provide a further source of cash if the need arose, respectively.

The tables below present the cash flows payable by the Target Group for non-derivative financial assets and liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the tables are the contractual undiscounted cash flows, including both interest and principal cash flows. For items with floating interest rates, the undiscounted amounts are derived using interest rates at the end of the reporting period.

As at 31 December 2021

	On demand RMB'000	Within		3 months to		More than		Total RMB'000
		1 month RMB'000	1-3 months RMB'000	1 year RMB'000	1-5 years RMB'000	5 years RMB'000		
Non-derivative financial liabilities								
Bonds in issue	-	(505,407)	(443,410)	(2,753,488)	(2,262,492)	-	-	(5,964,797)
Lease liabilities	-	(3,790)	(11,086)	(46,159)	(160,288)	(90,357)	-	(311,680)
Other current liabilities	(178,466)	(437,946)	(59,138)	-	(4,000)	-	-	(679,550)
Due to other financial institutions	-	(2,671,174)	(1,309,458)	-	-	-	-	(3,980,632)
Financial assets sold under repurchase agreements	-	(11,383,440)	(71,058)	(645)	-	-	-	(11,455,143)
Financial liabilities at fair value through profit or loss	(150)	(3,040,802)	-	-	-	-	-	(3,040,952)
Accounts payable to brokerage clients	(11,618,123)	-	(895)	-	-	-	-	(11,619,018)
	<u>(11,796,739)</u>	<u>(18,042,559)</u>	<u>(1,895,045)</u>	<u>(2,800,292)</u>	<u>(2,426,780)</u>	<u>(90,357)</u>	<u>-</u>	<u>(37,051,772)</u>
Derivative financial liabilities								
Net outflow	-	-	-	-	(40)	-	-	(40)
	<u>(11,796,739)</u>	<u>(18,042,559)</u>	<u>(1,895,045)</u>	<u>(2,800,292)</u>	<u>(2,426,820)</u>	<u>(90,357)</u>	<u>-</u>	<u>(37,051,812)</u>

As at 31 December 2022

	On demand RMB'000	Within		3 months to		More than		Total RMB'000
		1 month RMB'000	1-3 months RMB'000	1 year RMB'000	1-5 years RMB'000	5 years RMB'000		
Non-derivative financial liabilities								
Bonds in issue	-	(487,790)	(1,369,815)	(3,192,522)	(1,627,326)	-	-	(6,677,453)
Lease liabilities	-	(4,163)	(12,750)	(49,819)	(150,797)	(66,957)	-	(284,486)
Other current liabilities	(364,572)	-	(37,336)	(6,769)	(7,974)	-	-	(416,651)
Due to other financial institutions	-	(3,001,839)	(810,711)	(507,904)	-	-	-	(4,320,454)
Financial assets sold under repurchase agreements	-	(13,843,991)	(70,803)	(357)	-	-	-	(13,915,151)
Financial liabilities at fair value through profit or loss	(150)	(3,974,752)	(11,296)	-	-	-	-	(3,986,198)
Accounts payable to brokerage clients	(12,270,163)	-	(859)	-	-	-	-	(12,271,022)
	<u>(12,634,885)</u>	<u>(21,312,535)</u>	<u>(2,313,570)</u>	<u>(3,757,371)</u>	<u>(1,786,097)</u>	<u>(66,957)</u>	<u>-</u>	<u>(41,871,415)</u>
Derivative financial liabilities								
Net outflow	-	-	-	-	-	-	-	-
	<u>(12,634,885)</u>	<u>(21,312,535)</u>	<u>(2,313,570)</u>	<u>(3,757,371)</u>	<u>(1,786,097)</u>	<u>(66,957)</u>	<u>-</u>	<u>(41,871,415)</u>

As at 31 December 2023

	On demand RMB'000	Within		3 months to		More than		Total RMB'000
		1 month RMB'000	1-3 months RMB'000	1 year RMB'000	1-5 years RMB'000	5 years RMB'000		
Non-derivative financial liabilities								
Bonds in issue	-	(470,849)	(746,755)	(2,369,792)	(3,366,250)	-	-	(6,953,646)
Lease liabilities	-	(4,736)	(12,086)	(47,157)	(127,714)	(42,797)	-	(234,490)
Other current liabilities	(333,510)	(140)	(97,614)	(9,168)	-	-	-	(440,432)
Due to other financial institutions	-	(3,614,668)	(606,656)	(710,116)	-	-	-	(4,931,440)
Financial assets sold under repurchase agreements	-	(14,478,700)	(48,830)	(775)	-	-	-	(14,528,305)
Financial liabilities at fair value through profit or loss	(150)	(3,142,605)	-	-	-	-	-	(3,142,755)
Accounts payable to brokerage clients	(12,131,488)	-	(383)	-	-	-	-	(12,131,871)
	<u>(12,465,148)</u>	<u>(21,711,698)</u>	<u>(1,512,324)</u>	<u>(3,137,008)</u>	<u>(3,493,964)</u>	<u>(42,797)</u>	<u>-</u>	<u>(42,362,939)</u>
Derivative financial liabilities								
Net outflow	-	(5,006)	(1,448)	-	(154)	-	-	(6,608)
	<u>(12,465,148)</u>	<u>(21,716,704)</u>	<u>(1,513,772)</u>	<u>(3,137,008)</u>	<u>(3,494,118)</u>	<u>(42,797)</u>	<u>-</u>	<u>(42,369,547)</u>

As at 31 March 2024

	On demand RMB'000	Within		3 months to		More than		Total RMB'000
		1 month RMB'000	1-3 months RMB'000	1 year RMB'000	1-5 years RMB'000	5 years RMB'000		
Non-derivative financial liabilities								
Bonds in issue	-	(784,209)	(1,104,459)	(3,844,578)	(1,553,244)	-	-	(7,286,490)
Lease liabilities	-	(8,796)	(13,249)	(44,356)	(117,443)	(36,378)	-	(220,222)
Other current liabilities	(324,554)	(5,709)	(96,125)	(26,547)	-	-	-	(452,935)
Due to other financial institutions	-	(2,198,218)	(710,176)	(1,316,175)	-	-	-	(4,224,569)
Financial assets sold under repurchase agreements	-	(11,739,719)	(70,489)	(1,057)	-	-	-	(11,811,265)
Financial liabilities at fair value through profit or loss	(150)	(3,778,368)	-	-	-	-	-	(3,778,518)
Accounts payable to brokerage clients	(13,080,874)	-	(424)	-	-	-	-	(13,081,298)
	<u>(13,405,578)</u>	<u>(18,515,019)</u>	<u>(1,994,922)</u>	<u>(5,232,713)</u>	<u>(1,670,687)</u>	<u>(36,378)</u>	<u>-</u>	<u>(40,855,297)</u>
Derivative financial liabilities								
Net outflow	-	-	-	(12)	(200)	-	-	(212)
	<u>(13,405,578)</u>	<u>(18,515,019)</u>	<u>(1,994,922)</u>	<u>(5,232,725)</u>	<u>(1,670,887)</u>	<u>(36,378)</u>	<u>-</u>	<u>(40,855,509)</u>

6.5 Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

6.5.1 Financial instruments not measured at fair value

The Target Group's fair value of the bonds in issue as at 31 December 2021, 2022 and 2023 and 31 March 2024 was amounted to RMB5,747,017 thousand, RMB6,446,367 thousand, RMB6,713,857 thousand and RMB7,098,076 thousand, and the carrying amount was RMB5,756,246 thousand, RMB6,453,543 thousand, RMB6,662,901 thousand and RMB7,031,762 thousand. The Target Group uses the discounted cash flow model based on a current yield curve appropriate for the remaining term to maturity to evaluate the fair value of the bonds in issue.

Except above bonds in issue, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement approximate their fair values.

6.5.2 Financial instruments measured at fair value

As at 31 December 2021

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Financial assets at FVTPL				
- Debt securities	708,354	17,308,217	211,508	18,228,079
- Investment funds	366,854	1,924,142	3,238,398	5,529,394
- Equity securities	1,729,664	23,069	1,603,927	3,356,660
- Others	-	1,245,116	1,430,009	2,675,125
Derivative financial assets	-	238	-	238
Total	<u>2,804,872</u>	<u>20,500,782</u>	<u>6,483,842</u>	<u>29,789,496</u>
Liabilities				
Financial liabilities at FVTPL				
- Interests of other holder of consolidated structured entity	-	-	(150)	(150)
- Bond lending	-	(1,004,516)	-	(1,004,516)
- Debt securities repurchase	-	(2,036,093)	-	(2,036,093)
Derivative financial liabilities	-	(40)	-	(40)
Total	<u>-</u>	<u>(3,040,649)</u>	<u>(150)</u>	<u>(3,040,799)</u>

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FINANCIAL INFORMATION OF MINSHENG SECURITIES

As at 31 December 2022

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at FVTPL				
– Debt securities	575,777	21,013,786	191,590	21,781,153
– Investment funds	279,603	1,906,625	2,548,938	4,735,166
– Equity securities	2,561,217	559	1,217,293	3,779,069
– Others	–	836,453	1,361,738	2,198,191
Derivative financial assets	–	145	–	145
Total	<u>3,416,597</u>	<u>23,757,568</u>	<u>5,319,559</u>	<u>32,493,724</u>
Liabilities				
Financial liabilities at FVTPL				
– Interests of other holder of consolidated structured entity	–	–	(150)	(150)
– Bond lending	–	(1,387,894)	–	(1,387,894)
– Debt securities repurchase	–	(2,596,916)	–	(2,596,916)
Total	<u>–</u>	<u>(3,984,810)</u>	<u>(150)</u>	<u>(3,984,960)</u>

As at 31 December 2023

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at FVTPL				
– Debt securities	654,361	21,842,007	354,324	22,850,692
– Investment funds	684,515	2,584,909	2,047,884	5,317,308
– Equity instruments	2,593,601	2,350	1,204,768	3,800,719
– Others	–	188,788	620,648	809,436
Debt instruments at FVTOCI	–	197,646	–	197,646
Equity instruments at fair value through other comprehensive income	1,975,935	–	–	1,975,935
Total	<u>5,908,412</u>	<u>24,815,700</u>	<u>4,227,624</u>	<u>34,951,736</u>
Liabilities				
Financial liabilities at FVTPL				
– Interests of other holder of consolidated structured entity	–	–	(150)	(150)
– Bond lending	–	(2,123,578)	–	(2,123,578)
– Debt securities repurchase	–	(1,018,944)	–	(1,018,944)
Derivative financial liabilities	–	(6,608)	–	(6,608)
Total	<u>–</u>	<u>(3,149,130)</u>	<u>(150)</u>	<u>(3,149,280)</u>

APPENDIX IV FINANCIAL INFORMATION OF MINSHENG SECURITIES

As at 31 March 2024

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at FVTPL				
– Debt securities	1,051,297	19,687,358	148,086	20,886,741
– Investment funds	168,264	1,260,258	2,068,063	3,496,585
– Equity instruments	3,118,394	2,345	1,202,185	4,322,924
– Others	–	695,962	656,930	1,352,892
Debt instruments at FVTOCI	–	198,915	–	198,915
Equity instruments at fair value through other comprehensive income	<u>2,236,933</u>	<u>–</u>	<u>–</u>	<u>2,236,933</u>
Total	<u>6,574,888</u>	<u>21,844,838</u>	<u>4,075,264</u>	<u>32,494,990</u>
Liabilities				
Financial liabilities at FVTPL				
– Interests of other holder of consolidated structured entity	–	–	(150)	(150)
– Bond lending	–	(2,752,257)	–	(2,752,257)
– Debt securities repurchase	–	(1,026,085)	–	(1,026,085)
Derivative financial liabilities	<u>–</u>	<u>(212)</u>	<u>–</u>	<u>(212)</u>
Total	<u>–</u>	<u>(3,778,554)</u>	<u>(150)</u>	<u>(3,778,704)</u>

Financial instruments in Level 2

The following table presents the Target Group's financial assets and liabilities that are measured at fair value by the level 2 in the fair value hierarchy into which the fair value measurement is categorised at the end of the Relevant Periods.

Financial assets/liabilities	As at 31 December			As at	Valuation technique(s) key inputs
	2021 RMB'000	2022 RMB'000	2023 RMB'000	31 March 2024 RMB'000	
Financial assets measured at fair value through profit or loss					
– Debt securities	17,308,217	21,013,786	21,842,007	19,687,358	Quoted prices from brokers.
– Investment funds	1,924,142	1,906,625	2,584,909	1,260,258	Quoted net asset value as published by the fund managers.
– Equity securities	23,069	559	2,350	2,345	Recent transaction prices.
– Wealth management products	747,113	586,476	91,560	652,369	Quoted value published by the managers of the wealth management products.

Financial assets/liabilities	As at 31 December			As at	Valuation technique(s) key inputs
	2021 RMB'000	2022 RMB'000	2023 RMB'000	31 March 2024 RMB'000	
- Collective asset management schemes	64,288	121,076	92,487	38,852	Quoted net asset values provided by the managers of the collective asset management schemes.
- Trust schemes	428,974	124,160	-	-	Value provided by the trustee.
- Asset backed securities	4,741	4,741	4,741	4,741	Quoted prices from brokers.
Debt instruments at fair value through other comprehensive income					
- Debt securities	-	-	197,646	198,915	Quoted prices from brokers.
Derivative financial assets					
- Swap contracts - Interest rate swaps	-	145	-	-	Quoted prices from brokers.
- Commodity options	238	-	-	-	Quoted prices from brokers.
Financial liabilities at fair value through profit or loss					
- Bond lending and debt securities repurchases	(3,040,609)	(3,984,810)	(3,142,522)	(3,778,342)	Calculated based on the quoted prices from financial institution and the fixed income agreed in the contract.
Derivative financial liabilities					
- Total return swaps	-	-	(6,454)	(12)	Quoted prices from brokers.
- Interest rate swaps	(40)	-	(154)	(200)	Quoted prices from brokers.

Financial instruments in Level 3

The following table presents the Target Group's financial assets and liabilities that are measured at fair value by the level 3 in the fair value hierarchy into which the fair value measurement is categorised at the Relevant Periods.

Financial assets/liabilities	As at 31 December			As at 31	Valuation technique(s) key inputs
	2021	2022	2023	March	
	RMB'000	RMB'000	RMB'000	2024 RMB'000	
Financial assets at fair value through profit or loss					
- Debt securities	211,508	191,590	354,324	148,086	Discounted cash flow method. The future cash flows are estimated based on the expected recoverable amount and discounted at the interest rate reflecting the credit risk of the bond.
- Investment funds	3,238,398	2,548,938	2,047,884	2,068,063	Net asset value as published by the fund managers.
- Equity securities	1,603,927	1,217,293	1,204,768	1,202,185	The fair value is determined with reference to the quoted market prices with an adjustment or discount for lack of marketability.
- Trust schemes	838,754	543,371	20,647	20,647	Discounted cash flow estimated based on the contractual amounts and discounted rate that reflect the credit risk of the instruments.
- Investments in unlisted companies	591,255	818,367	600,001	636,283	Calculated by using asset-based approach or market approach, with an adjustment or discount for lack of marketability. The key inputs are the value of the assets and liabilities or main financial indicators of target companies, indicators such as P/E and P/B multiples of comparable listed companies, and liquidity discount rate.
Financial liabilities at fair value through profit or loss					
- Interests of other holder in consolidated structured entity	(150)	(150)	(150)	(150)	Calculated based on the fair value of the underlying investments and other inputs management considers to be appropriate.

As at Relevant Periods

Financial assets/liabilities	Fair value hierarchy	Significant unobservable inputs	Relationship of unobservable input(s) to fair value
Financial assets at fair value through profit or loss			
– Debt securities	Level 3	<ul style="list-style-type: none"> • Estimated future cash flows. • Discount rates reflecting the credit risk of the bond. 	<ul style="list-style-type: none"> • The higher the estimated future cash flows, the higher the fair value. • The lower the discount rate, the higher the fair value.
– Investment funds	Level 3	<ul style="list-style-type: none"> • Discount rates that correspond to lack of marketability • Other adjustments based on the fair value of underlying assets 	<ul style="list-style-type: none"> • The lower the discount rate, the higher the fair value • The higher the adjusted value, the lower fair value
– Equity securities	Level 3	<ul style="list-style-type: none"> • An adjustment or discount for lack of marketability 	<ul style="list-style-type: none"> • The lower the discount rate, the higher the fair value.
– Trust schemes	Level 3	<ul style="list-style-type: none"> • Estimated future cash flows. • Discount rates reflecting the credit risk of the instruments. 	<ul style="list-style-type: none"> • The higher the estimated future cash flows, the higher the fair value. • The lower the discount rate, the higher the fair value.
– Investments in unlisted companies	Level 3	<ul style="list-style-type: none"> • Valuation multiples e.g. P/E, P/B or P/S • Discount rates that correspond to lack of marketability 	<ul style="list-style-type: none"> • The higher the valuation multiples, the higher the fair value. • The lower the discount rate, the higher the fair value.
Financial liabilities at fair value through profit or loss			
– Interests of other holder of consolidated structured entity	Level 3	<ul style="list-style-type: none"> • Other adjustments based on the fair value of underling assets 	<ul style="list-style-type: none"> • The higher the adjusted value, the lower the fair value.

The following table presents the changes in Level 3 instruments for the end of the Relevant Periods:

	Financial assets at fair value through profit or loss					Financial liabilities at fair value through profit or loss	
	Debt securities RMB'000	Investment funds RMB'000	Equity securities RMB'000	Trust schemes RMB'000	Investments in unlisted companies RMB'000	Total RMB'000	Interests of other holder of consolidated structured entity RMB'000
As at 1 January 2021	341,594	2,788,925	772,969	-	931,822	4,835,310	(149)
Fair value change	(13,399)	(363,286)	767,643	(729,796)	(264,327)	(603,165)	(1)
Increase	159,148	1,026,525	101,588	1,568,550	57,685	2,913,496	-
Decrease	(275,835)	(213,766)	(38,273)	-	(133,925)	(661,799)	-
As at 31 December 2021 and 1 January 2022	211,508	3,238,398	1,603,927	838,754	591,255	6,483,842	(150)
Fair value change	(9,474)	(478,174)	(75,009)	(317,058)	39,708	(840,007)	-
Increase	140,545	23,059	361,392	22,105	247,409	794,510	-
Decrease	(150,989)	(234,345)	(673,017)	(430)	(60,005)	(1,118,786)	-
As at 31 December 2022	191,590	2,548,938	1,217,293	543,371	818,367	5,319,559	(150)
	Financial assets at fair value through profit or loss					Financial liabilities at fair value through profit or loss	
	Debt securities RMB'000	Investment funds RMB'000	Equity securities RMB'000	Trust schemes RMB'000	Investments in unlisted companies RMB'000	Total RMB'000	Interests of other holder of consolidated structured entity RMB'000
As at 1 January 2023	191,590	2,548,938	1,217,293	543,371	818,367	5,319,559	(150)
Fair value change	4,674	128,954	178,253	(521,696)	28,287	(181,528)	-
Increase	212,150	238,460	599,930	-	201,710	1,252,250	-
Decrease	(54,090)	(868,468)	(790,708)	(1,028)	(448,363)	(2,162,657)	-
As at 31 December 2023 and 1 January 2024	354,324	2,047,884	1,204,768	20,647	600,001	4,227,624	(150)
Fair value change	(5,530)	21,892	136,015	-	21,282	173,659	-
Increase	12,394	3,272	58,588	-	20,000	94,254	-
Decrease	(213,102)	(4,985)	(197,186)	-	(5,000)	(420,273)	-
As at 31 March 2024	148,086	2,068,063	1,202,185	20,647	636,283	4,075,264	(150)

6.6 Offsetting financial assets and financial liabilities

Financial assets subjects to offsetting, enforceable master netting agreements:

As at 31 December 2021					
	Gross amounts of recognised financial assets RMB'000	Gross amounts of recognised financial liabilities RMB'000	Net amounts of financial assets/ (liabilities) RMB'000	Deposit paid RMB'000	Net amount of financial assets/ (liabilities) presented in the statements of financial position RMB'000
Derivative financial instruments	–	(23,303)	(23,303)	(23,303)	–
As at 31 December 2022					
	Gross amounts of recognised financial assets RMB'000	Gross amounts of recognised financial liabilities RMB'000	Net amounts of financial assets/ (liabilities) RMB'000	Deposit paid RMB'000	Net amount of financial assets/ (liabilities) presented in the statements of financial position RMB'000
Derivative financial instruments	–	(6,787)	(6,787)	(6,787)	–
As at 31 December 2023					
	Gross amounts of recognised financial assets RMB'000	Gross amounts of recognised financial liabilities RMB'000	Net amounts of financial assets/ (liabilities) RMB'000	Deposit paid RMB'000	Net amount of financial assets/ (liabilities) presented in the statements of financial position RMB'000
Derivative financial instruments	–	(26,644)	(26,644)	(26,644)	–

	As at 31 March 2024				Net amount of financial assets/ (liabilities) presented in the statements of financial position RMB'000
	Gross amounts of recognised financial assets RMB'000	Gross amounts of recognised financial liabilities RMB'000	Net amounts of financial assets/ (liabilities) RMB'000	Deposit paid RMB'000	
Derivative financial instruments	2,297	(8,620)	(6,323)	(6,323)	-

The Target Group has entered into master netting arrangements with counterparties for the future contracts and also with clearing house for un-settled trades.

Except for the enforceable master netting arrangements and the offset-right of the financial assets under the similar agreements disclosed above, the collateral of which, such as financial assets held under resale agreement, financial assets sold under repurchase agreements, margin accounts receivable and etc., are disclosed in the corresponding notes, which are generally not on the net basis in financial position.

7. SEGMENT ANALYSIS

The Target Group manages the business operations by the following segments in accordance with the nature of the operations and the services provided:

- (a) Brokerage, wealth management and credit transaction: securities trading and brokering services, sales of wealth management products, investment consulting, asset allocation, providing financial leverage for brokerage clients, securities-backed lending and securities repurchase businesses;
- (b) Investment banking: corporate finance and financial advisory services to institutional clients and market maker business;
- (c) Proprietary trading: trading in financial products;
- (d) Asset management and investment: direct investments and funds related business, in addition to portfolio management and maintenance, investment advisory and transaction execution services;
- (e) Other businesses: including headquarters operations and interest income and expenses relating to working capital in general.

Inter-segment transactions, if any, are conducted with reference to the prices charged to third parties and there was no change in the basis during the Relevant Period.

The Target Group mainly operates in Shanghai, the PRC. Almost all of the revenue and other income of the Target Group are generated in the PRC.

Almost all of non-current assets of the Target Group are located in the PRC.

No income from any single customer contributed over 10% of the total revenue and other income of the Target Group.

The accounting policies of the operating segments are the same as the Target Group's accounting policies described in Note 3.

Year ended 31 December 2021

	Brokerage and wealth management RMB'000	Investment banking RMB'000	Proprietary trading RMB'000	Asset management and investment RMB'000	Other businesses RMB'000	Total RMB'000
Total revenue, net investment gains and other income						
Commission and fee income	906,143	2,119,695	11,335	126,119	91	3,163,383
Interest income	615,211	22	77,093	168	68,725	761,219
Net investment gains/(losses)	-	29,372	1,097,132	(28,133)	(1,347)	1,097,024
Other income	1,608	-	-	-	11,238	12,846
Total expenses (including reversal of impairment losses)	(703,818)	(1,154,513)	(731,939)	(82,036)	(1,091,834)	(3,764,140)
Operating profit/(loss)	819,144	994,576	453,621	16,118	(1,013,127)	1,270,332
Share of results of a joint venture	-	-	-	-	(1,347)	(1,347)
Other gains/losses, net	5,353	2,364	3,742	42	(14,087)	(2,586)
Profit/(loss) before income tax	824,497	996,940	457,363	16,160	(1,028,561)	1,266,399
Total assets	18,190,300	131,003	31,260,124	959,974	3,860,198	54,401,599
Total liabilities	13,761,353	981,587	17,558,171	73,721	6,952,111	39,326,943
Supplemental information						
Depreciation and amortisation	33,056	5,728	8,298	1,022	62,304	110,408
Impairment losses under expected credit loss model, net of reversal	(1,510)	-	247,815	(1,829)	24,136	268,612
Interest expenses	34,216	399	269,707	-	400,499	704,821

Year ended 31 December 2022

	Brokerage and wealth management RMB'000	Investment banking RMB'000	Proprietary trading RMB'000	Asset management and investment RMB'000	Other businesses RMB'000	Total RMB'000
Total revenue, net investment gains and other income						
Commission and fee income	1,084,800	1,504,923	57,240	130,059	47	2,777,069
Interest income	553,495	31	71,475	146	96,195	721,342
Net investment gains/(losses)	–	7,497	26,801	(15,069)	–	19,229
Other income	3,181	–	–	–	5,671	8,852
Total expenses (including reversal of impairment losses)	<u>(1,022,474)</u>	<u>(908,478)</u>	<u>(425,869)</u>	<u>(122,931)</u>	<u>(925,310)</u>	<u>(3,405,062)</u>
Operating profit/(loss)	619,002	603,973	(270,353)	(7,795)	(823,397)	121,430
Share of results of a joint venture	–	–	–	–	1,063	1,063
Other gains/(losses), net	<u>10,635</u>	<u>4,917</u>	<u>1,701</u>	<u>37</u>	<u>(1,242)</u>	<u>16,048</u>
Profit/(loss) before income tax	<u>629,637</u>	<u>608,890</u>	<u>(268,652)</u>	<u>(7,758)</u>	<u>(823,576)</u>	<u>138,541</u>
Total assets	<u>18,705,021</u>	<u>46,523</u>	<u>35,483,319</u>	<u>911,610</u>	<u>3,256,212</u>	<u>58,402,685</u>
Total liabilities	<u>14,172,400</u>	<u>773,926</u>	<u>21,194,144</u>	<u>79,144</u>	<u>7,210,856</u>	<u>43,430,470</u>
Supplemental information:						
Depreciation and amortisation	59,042	7,346	2,488	7,629	59,846	136,351
Impairment losses under expected credit loss model, net of reversal	16,545	–	(12,999)	1,183	(115)	4,614
Interest expenses	<u>40,628</u>	<u>432</u>	<u>268,403</u>	<u>23</u>	<u>365,246</u>	<u>674,732</u>

Year ended 31 December 2023

	Brokerage and wealth management RMB'000	Investment banking RMB'000	Proprietary trading RMB'000	Asset management and investment RMB'000	Other businesses RMB'000	Total RMB'000
Total revenue, net investment gains and other income						
Commission and fee income	1,278,888	2,137,338	19,203	109,550	96	3,545,075
Interest income	541,124	25	69,111	615	92,731	703,606
Net investment (losses)/gains	(29,344)	86,268	323,465	(10,902)	–	369,487
Other income	30	–	–	–	3,826	3,856
Total expenses (including reversal of impairment losses)	<u>(1,134,995)</u>	<u>(1,276,638)</u>	<u>(530,511)</u>	<u>(113,026)</u>	<u>(969,269)</u>	<u>(4,024,439)</u>
Operating profit/(loss)	655,703	946,993	(118,732)	(13,763)	(872,616)	597,585
Share of results of a joint venture	–	–	–	–	229	229
Other gains	<u>11,766</u>	<u>6,144</u>	<u>449</u>	<u>94</u>	<u>138,673</u>	<u>157,126</u>
Profit/(loss) before income tax	<u>667,469</u>	<u>953,137</u>	<u>(118,283)</u>	<u>(13,669)</u>	<u>(733,714)</u>	<u>754,940</u>
Total assets	<u>17,996,145</u>	<u>26,502</u>	<u>35,960,072</u>	<u>983,453</u>	<u>4,489,000</u>	<u>59,455,172</u>
Total liabilities	<u>14,242,251</u>	<u>905,416</u>	<u>21,325,778</u>	<u>62,040</u>	<u>7,314,715</u>	<u>43,850,200</u>
Supplemental information:						
Depreciation and amortisation	71,892	17,064	5,577	15,999	34,533	145,065
Impairment losses under expected credit loss model, net of reversal	(13,545)	–	(264)	476	(114)	(13,447)
Interest expenses	<u>24,195</u>	<u>302</u>	<u>346,510</u>	<u>5</u>	<u>312,850</u>	<u>683,862</u>

Period ended 31 March 2024

	Brokerage and wealth management RMB'000	Investment banking RMB'000	Proprietary trading RMB'000	Asset management and investment RMB'000	Other businesses RMB'000	Total RMB'000
Total revenue, net investment gains and other income						
Commission and fee income	336,229	246,412	660	23,906	1	607,208
Interest income	122,732	5	15,086	73	22,533	160,429
Net investment gains/(losses)	–	134,457	471,580	(43,452)	(3,772)	558,813
Other income	–	–	–	–	1,749	1,749
Total expenses (including reversal of impairment losses)	<u>(332,985)</u>	<u>(222,296)</u>	<u>(118,460)</u>	<u>(26,650)</u>	<u>(229,107)</u>	<u>(929,498)</u>
Operating profit/(loss)	125,976	158,578	368,866	(46,123)	(208,596)	398,701
Share of results of a joint venture	–	–	–	–	105	105
Other gains/(losses), net	<u>4,877</u>	<u>2,704</u>	<u>111</u>	<u>96</u>	<u>(1,775)</u>	<u>6,013</u>
Profit/(loss) before income tax	<u>130,853</u>	<u>161,282</u>	<u>368,977</u>	<u>(46,027)</u>	<u>(210,266)</u>	<u>404,819</u>
Total assets	<u>18,906,906</u>	<u>170,077</u>	<u>33,431,061</u>	<u>949,405</u>	<u>4,892,389</u>	<u>58,349,838</u>
Total liabilities	<u>15,723,704</u>	<u>718,080</u>	<u>18,086,969</u>	<u>59,619</u>	<u>7,685,957</u>	<u>42,274,329</u>
Supplemental information						
Depreciation and amortisation	11,533	1,461	2,264	511	18,177	33,946
Impairment losses under expected credit loss model, net of reversal	(20)	–	–	1,183	–	1,163
Interest expenses	<u>5,018</u>	<u>49</u>	<u>91,577</u>	<u>–</u>	<u>82,211</u>	<u>178,855</u>

Period ended 31 March 2023 (Unaudited)

	Brokerage and wealth management RMB'000	Investment banking RMB'000	Proprietary trading RMB'000	Asset management and investment RMB'000	Other businesses RMB'000	Total RMB'000
Total revenue, net investment gains and other income						
Commission and fee income	293,148	429,659	2,403	25,153	2	750,365
Interest income	134,492	6	21,961	69	18,815	175,343
Net investment (losses)/gains	(23,564)	3,402	661,645	7,855	(8,446)	640,892
Other income	-	-	-	-	1,572	1,572
Total expenses (including reversal of impairment losses)	(256,223)	(287,943)	(149,911)	(29,400)	(205,758)	(929,235)
Operating profit/(loss)	147,853	145,124	536,098	3,677	(193,815)	638,937
Share of results of a joint venture	-	-	-	-	(806)	(806)
Other gains	13,246	3,338	108	101	63,683	80,476
Profit/(loss) before income tax	161,099	148,462	536,206	3,778	(130,938)	718,607
Supplemental information						
Depreciation and amortisation	15,480	1,627	2,327	511	14,190	34,135
Impairment losses under expected credit loss model, net of reversal	(22,413)	-	(264)	-	-	(22,677)
Interest expenses	9,536	94	71,720	3	77,907	159,260

8. COMMISSION AND FEE INCOME

	Year ended 31 December			Three months ended 31 March	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000	2024 RMB'000
Revenue from contracts with customers within the scope of IFRS 15:					
Securities brokerage	703,823	805,404	835,729	202,560	216,215
Futures brokerage	180,561	226,701	363,894	58,853	106,542
Underwriting and sponsorship	2,053,416	1,397,207	2,071,971	415,328	237,617
Investment consultancy and financial advisory	91,005	130,504	98,641	18,884	10,814
Asset management	120,376	129,824	109,550	25,153	23,906
Others	14,202	87,429	65,290	29,587	12,114
	<u>3,163,383</u>	<u>2,777,069</u>	<u>3,545,075</u>	<u>750,365</u>	<u>607,208</u>

Disaggregation of revenue from contracts with customers by time of recognition:

	Year ended 31 December			Three months ended 31 March	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (Unaudited)	2024 RMB'000
Timing of revenue recognition					
Point in time	3,012,991	2,604,714	3,374,044	715,104	574,130
Overtime	<u>150,392</u>	<u>172,355</u>	<u>171,031</u>	<u>35,261</u>	<u>33,078</u>
	<u><u>3,163,383</u></u>	<u><u>2,777,069</u></u>	<u><u>3,545,075</u></u>	<u><u>750,365</u></u>	<u><u>607,208</u></u>

9. INTEREST INCOME UNDER EFFECTIVE INTEREST METHOD

	Year ended 31 December			Three months ended 31 March	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (Unaudited)	2024 RMB'000
Interest income from margin financing	423,707	365,131	328,596	83,643	73,093
Interest income from bank deposits	249,497	299,446	315,754	72,600	74,000
Interest income from financial assets held under resale agreements	87,848	56,684	54,135	19,100	11,086
Interest income from debt instruments at fair value through other comprehensive income	–	–	3,338	–	2,250
Others	<u>167</u>	<u>81</u>	<u>1,783</u>	<u>–</u>	<u>–</u>
	<u><u>761,219</u></u>	<u><u>721,342</u></u>	<u><u>703,606</u></u>	<u><u>175,343</u></u>	<u><u>160,429</u></u>

10. NET INVESTMENT GAINS

	Year ended 31 December			Three months ended 31 March	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (Unaudited)	2024 RMB'000
Realised gains from disposal of financial assets at fair value through profit or loss	1,116,169	600,964	563,609	205,876	449,551
Realised (losses)/gains from disposal of financial liabilities at fair value through profit or loss	(73,514)	21,947	(42,703)	(4,775)	(55,573)
Interest expense from financial liabilities at fair value through profit or loss	(92,048)	(102,761)	(94,515)	(29,006)	(25,001)
Interest income from financial assets at fair value through profit or loss	541,796	524,201	573,669	10,910	162,171
Dividends from financial assets at fair value through profit or loss	275,512	258,226	110,995	123,610	20,485
Net realised losses from derivative financial instruments	(30,392)	(11,192)	(120,959)	(29,721)	(54,344)
Unrealised fair value change of financial instruments at fair value through profit or loss					
– Financial assets at fair value through profit or loss	(617,955)	(1,280,699)	(576,362)	366,119	34,463
– Financial liabilities at fair value through profit or loss	(3,013)	2,471	(8,547)	470	7,616
– Derivative financial instruments	(19,531)	6,072	(35,700)	(2,591)	19,445
	<u>1,097,024</u>	<u>19,229</u>	<u>369,487</u>	<u>640,892</u>	<u>558,813</u>

11. OTHER INCOME

	Year ended 31 December			Three months ended 31 March	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (Unaudited)	2024 RMB'000
Rental income	11,239	5,672	3,856	1,572	1,749
Others	<u>1,607</u>	<u>3,180</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>12,846</u>	<u>8,852</u>	<u>3,856</u>	<u>1,572</u>	<u>1,749</u>

12. COMMISSION AND FEE EXPENSES

	Year ended 31 December			Three months ended 31 March	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (Unaudited)	2024 RMB'000
Securities brokerage	160,633	127,434	107,139	28,010	23,339
Futures brokerage	84,260	104,226	194,469	28,638	74,756
Underwriting and sponsorship	1,875	2,546	37,463	1,439	633
Asset management	—	483	779	435	—
Others	<u>4,116</u>	<u>4,329</u>	<u>4,149</u>	<u>1,088</u>	<u>1,366</u>
	<u>250,884</u>	<u>239,018</u>	<u>343,999</u>	<u>59,610</u>	<u>100,094</u>

13. INTEREST EXPENSES

	Year ended 31 December			Three months ended 31 March	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (Unaudited)	2024 RMB'000
Interest expenses on financial liabilities at fair value through profit or loss	11,635	14,127	11,622	3,224	2,772
Interest expense on corporate bonds	149,028	128,213	97,456	23,253	33,533
Interest expense on financial assets sold under repurchase agreements	232,445	185,026	267,675	56,459	71,483
Interest expense on accounts payable to brokerage clients	32,053	32,471	22,531	6,521	4,435
Interest expenses on due to other financial institutions	61,241	105,702	105,859	22,402	29,536
Interest expense on lease liabilities	11,366	12,695	11,139	3,020	2,447
Interest expense of income certificates	199,967	191,430	165,677	43,825	34,023
Others	7,086	5,068	1,903	556	626
	<u>704,821</u>	<u>674,732</u>	<u>683,862</u>	<u>159,260</u>	<u>178,855</u>

14. STAFF COSTS

	Year ended 31 December			Three months ended 31 March	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (Unaudited)	2024 RMB'000
Salaries and bonus	1,713,393	1,659,692	1,993,287	517,711	418,043
Pension	77,112	99,446	116,511	26,926	30,867
Other social security	106,767	132,792	162,711	37,277	41,714
Other welfares	3,117	7,593	10,711	2,669	3,062
Labour union funds and employee education funds	15,444	15,561	17,010	4,424	4,269
Termination benefits	225	13	61	61	–
	<u>1,916,058</u>	<u>1,915,097</u>	<u>2,300,291</u>	<u>589,068</u>	<u>497,955</u>

The Target Group has provided a pension plan for full-time employees in Mainland China as required by the government, including basic pension insurance and corporate annuity plan. The Target Group pays endowment insurance premiums to the social insurance institution designated by the government on a monthly basis, which account for a certain percentage of the total salaries of the staff. After the retirement of the employees, the government is obliged to pay the pensions to them. According to the aforesaid defined contribution plan, the Target Group shall not be liable for the post-retirement benefits beyond the above contributions. Contributions to the plan will be included in the cost at the time of occurrence.

14.1 The five highest paid individuals

The five highest paid employees of the Target Group included one director during the years ended 31 December 2021 and 2022. No director included in the five highest paid employees of the Target Group during the year ended 31 December 2023, and the three months ended 31 March 2023 and 2024. The five highest paid employees of the Target Group are as follows:

	Year ended 31 December			Three months ended 31 March	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (Unaudited)	2024 RMB'000
Directors	22,669	16,815	-	-	-
Employees neither director nor supervisor	<u>61,822</u>	<u>87,327</u>	<u>66,179</u>	<u>49,187</u>	<u>68,985</u>
	<u>84,491</u>	<u>104,142</u>	<u>66,179</u>	<u>49,187</u>	<u>68,985</u>

Details of the directors' remuneration are set out in Note 14.2. Details of the remuneration accrued and paid during the Relevant Period of the 4 remaining highest paid employees for the year ended 31 December 2021 and 2022, and the 5 highest paid employees for the year ended 31 December 2023 and the three months ended 31 March 2023 and 2024, who are neither a director nor supervisor of the Target Group are as follows:

	Year ended 31 December			Three months ended 31 March	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (Unaudited)	2024 RMB'000
Salaries, allowances and other welfares	5,997	4,841	11,994	1,123	1,042
Bonus	<u>55,825</u>	<u>82,486</u>	<u>54,185</u>	<u>48,064</u>	<u>67,943</u>
	<u>61,822</u>	<u>87,327</u>	<u>66,179</u>	<u>49,187</u>	<u>68,985</u>

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The number of the highest paid employees who are not the directors of the Target Group is as follows:

	Year ended 31 December			Three months ended 31 March	
	2021	2022	2023	2023 (Unaudited)	2024
RMB5,000,001 to RMB7,000,000	-	-	-	2	-
RMB7,000,001 to RMB10,000,000	-	-	-	-	2
RMB10,000,001 to RMB12,000,000	-	-	1	2	1
RMB12,000,001 to RMB15,000,000	2	-	3	1	1
RMB15,000,001 to RMB17,000,000	1	-	1	-	-
RMB17,000,001 to RMB20,000,000	1	1	-	-	-
RMB20,000,001 to RMB22,000,000	-	2	-	-	-
RMB22,000,001 to RMB25,000,000	-	-	-	-	-
RMB25,000,001 to RMB27,000,000	-	-	-	-	-
RMB27,000,001 to RMB30,000,000	-	1	-	-	1
	<u>4</u>	<u>4</u>	<u>5</u>	<u>5</u>	<u>5</u>

The Target Group has not provided any compensations to any of the directors and supervisors of the Target Company or the five highest paid individuals as incentive for them to join the Target Group, rewarding for joining the Target Group or for leaving the Target Group.

14.2 Directors' and supervisors' emoluments

The remuneration of directors and supervisors of the Target Company is set out below:

Names	For the year ended 31 December 2021						
	Fees RMB'000	Salaries RMB'000	Housing allowance RMB'000	Pension RMB'000	Other welfares RMB'000	Annual bonus RMB'000	Total RMB'000
Executive director							
Director A ⁽¹⁾	-	6,024	41	55	39	16,510	22,669
Non-executive directors							
Director B ⁽²⁾	18	-	-	-	-	-	18
Director C ⁽³⁾	-	-	-	-	-	-	-
Director D ⁽³⁾	-	-	-	-	-	-	-
Director E	-	-	-	-	-	-	-
Director F	60	-	-	-	-	-	60
Director G	60	-	-	-	-	-	60
Director H ⁽⁴⁾	5	-	-	-	-	-	5
Director I ⁽³⁾	101	-	-	-	-	-	101
Director J	101	-	-	-	-	-	101
Director K	101	-	-	-	-	-	101
Supervisors							
Supervisor A ⁽¹⁰⁾	-	1,148	40	50	36	1,208	2,482
Supervisor B ⁽¹⁰⁾	-	1,121	40	50	36	413	1,660
Supervisor C ⁽¹⁰⁾	-	746	42	54	38	1,706	2,586
Supervisor D	25	-	-	-	-	-	25
Supervisor E	60	-	-	-	-	-	60
Supervisor F	60	-	-	-	-	-	60
Supervisor G ⁽¹³⁾	-	-	-	-	-	-	-
Supervisor H ⁽¹⁴⁾	-	-	-	-	-	-	-
Supervisor I ⁽¹⁰⁾	-	-	-	-	-	-	-
	<u>591</u>	<u>9,039</u>	<u>163</u>	<u>209</u>	<u>149</u>	<u>19,837</u>	<u>29,988</u>

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Names	For the year ended 31 December 2022						
	Fees RMB'000	Salaries RMB'000	Housing allowance RMB'000	Pension RMB'000	Other welfares RMB'000	Annual bonus RMB'000	Total RMB'000
Executive directors							
Director L ⁽⁵⁾	-	688	23	31	19	-	761
Director A ⁽¹⁾	-	4,512	20	28	16	12,239	16,815
Non-executive directors							
Director B ⁽²⁾	60	-	-	-	-	-	60
Director C ⁽³⁾	-	-	-	-	-	-	-
Director D ⁽³⁾	-	-	-	-	-	-	-
Director E	-	-	-	-	-	-	-
Director F	60	-	-	-	-	-	60
Director G	60	-	-	-	-	-	60
Director H ⁽⁴⁾	-	-	-	-	-	-	-
Director I ⁽³⁾	42	-	-	-	-	-	42
Director J	101	-	-	-	-	-	101
Director K	101	-	-	-	-	-	101
Director M ⁽⁶⁾	34	-	-	-	-	-	34
Director N ⁽⁶⁾	-	-	-	-	-	-	-
Director O ⁽⁷⁾	59	-	-	-	-	-	59
Supervisors							
Supervisor A ⁽¹⁰⁾	-	214	10	14	9	-	247
Supervisor B ⁽¹⁰⁾	-	222	10	14	9	-	255
Supervisor C ⁽¹⁰⁾	-	159	11	15	10	-	195
Supervisor E	20	-	-	-	-	-	20
Supervisor F	60	-	-	-	-	-	60
Supervisor J ⁽¹¹⁾	-	454	35	48	31	630	1,198
Supervisor K ⁽¹¹⁾	-	453	35	48	31	1,058	1,625
Supervisor L ⁽¹¹⁾	-	515	35	48	31	1,006	1,635
Supervisor G ⁽¹³⁾	-	-	-	-	-	-	-
Supervisor I ⁽¹⁰⁾	-	-	-	-	-	-	-
Supervisor M ⁽¹²⁾	34	-	-	-	-	-	34
Supervisor D	-	-	-	-	-	-	-
Supervisor H ⁽¹⁴⁾	-	-	-	-	-	-	-
Supervisor N ⁽¹²⁾	-	-	-	-	-	-	-
	<u>631</u>	<u>7,217</u>	<u>179</u>	<u>246</u>	<u>156</u>	<u>14,933</u>	<u>23,362</u>

Names	For the year ended 31 December 2023						
	Fees RMB'000	Salaries RMB'000	Housing allowance RMB'000	Pension RMB'000	Other welfares RMB'000	Annual bonus RMB'000	Total RMB'000
Executive director							
Director L ⁽⁵⁾	-	3,022	47	65	39	4,222	7,395
Non-executive directors							
Director B ⁽²⁾	60	-	-	-	-	-	60
Director E	-	-	-	-	-	-	-
Director F	60	-	-	-	-	-	60
Director G	60	-	-	-	-	-	60
Director H ⁽⁴⁾	-	-	-	-	-	-	-
Director J	101	-	-	-	-	-	101
Director K	101	-	-	-	-	-	101
Director M ⁽⁶⁾	60	-	-	-	-	-	60
Director N ⁽⁶⁾	-	-	-	-	-	-	-
Director O ⁽⁷⁾	101	-	-	-	-	-	101
Director P ⁽⁸⁾	-	-	-	-	-	-	-
Supervisors							
Supervisor F	60	-	-	-	-	-	60
Supervisor J ⁽¹¹⁾	-	611	51	70	43	591	1,366
Supervisor K ⁽¹¹⁾	-	737	51	70	43	1,430	2,331
Supervisor L ⁽¹¹⁾	-	845	51	70	43	1,610	2,619
Supervisor H ⁽¹⁴⁾	-	-	-	-	-	-	-
Supervisor N ⁽¹²⁾	-	-	-	-	-	-	-
Supervisor D	-	-	-	-	-	-	-
Supervisor E	-	-	-	-	-	-	-
Supervisor M ⁽¹²⁾	60	-	-	-	-	-	60
	<u>663</u>	<u>5,215</u>	<u>200</u>	<u>275</u>	<u>168</u>	<u>7,853</u>	<u>14,374</u>

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Names	For the three months ended 31 March 2024						
	Fees RMB'000	Salaries RMB'000	Housing allowance RMB'000	Pension RMB'000	Other welfares RMB'000	Annual bonus RMB'000	Total RMB'000
Executive directors							
Director L ⁽⁵⁾	-	380	12	17	10	-	419
Director Q ⁽¹⁵⁾	-	-	-	-	-	-	-
Non-executive directors							
Director B ⁽²⁾	15	-	-	-	-	-	15
Director E	-	-	-	-	-	-	-
Director F	15	-	-	-	-	-	15
Director G	15	-	-	-	-	-	15
Director J	25	-	-	-	-	-	25
Director K	25	-	-	-	-	-	25
Director M ⁽⁶⁾	15	-	-	-	-	-	15
Director N ⁽⁶⁾	-	-	-	-	-	-	-
Director O ⁽⁷⁾	25	-	-	-	-	-	25
Director P ⁽⁸⁾	-	-	-	-	-	-	-
Director R ⁽⁹⁾	-	-	-	-	-	-	-
Supervisors							
Supervisor D	-	-	-	-	-	-	-
Supervisor E	-	-	-	-	-	-	-
Supervisor H ⁽¹⁴⁾	-	-	-	-	-	-	-
Supervisor N ⁽¹²⁾	-	-	-	-	-	-	-
Supervisor F	15	-	-	-	-	-	15
Supervisor J ⁽¹¹⁾	-	157	13	19	11	-	200
Supervisor K ⁽¹¹⁾	-	184	13	19	11	-	227
Supervisor L ⁽¹¹⁾	-	211	13	19	11	-	254
Supervisor M ⁽¹²⁾	15	-	-	-	-	-	15
	<u>165</u>	<u>932</u>	<u>51</u>	<u>74</u>	<u>43</u>	<u>-</u>	<u>1,265</u>

Names	For the three months ended 31 March 2023						
	Fees	Salaries	Housing allowance	Pension	Other welfares	Annual bonus	Total
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Executive director							
Director L ⁽⁵⁾	-	380	11	15	10	-	416
Non-executive directors							
Director B ⁽²⁾	15	-	-	-	-	-	15
Director E	-	-	-	-	-	-	-
Director F	15	-	-	-	-	-	15
Director G	15	-	-	-	-	-	15
Director H ⁽⁴⁾	-	-	-	-	-	-	-
Director J	25	-	-	-	-	-	25
Director K	25	-	-	-	-	-	25
Director M ⁽⁶⁾	15	-	-	-	-	-	15
Director N ⁽⁶⁾	-	-	-	-	-	-	-
Director O ⁽⁷⁾	25	-	-	-	-	-	25
Director P ⁽⁸⁾	-	-	-	-	-	-	-
Supervisors							
Supervisor D	-	-	-	-	-	-	-
Supervisor E	-	-	-	-	-	-	-
Supervisor H ⁽¹⁴⁾	-	-	-	-	-	-	-
Supervisor N ⁽¹²⁾	-	-	-	-	-	-	-
Supervisor F	15	-	-	-	-	-	15
Supervisor J ⁽¹¹⁾	-	151	12	17	10	-	190
Supervisor K ⁽¹¹⁾	-	184	12	17	10	-	223
Supervisor L ⁽¹¹⁾	-	211	12	17	10	-	250
Supervisor M ⁽¹²⁾	15	-	-	-	-	-	15
	<u>165</u>	<u>926</u>	<u>47</u>	<u>66</u>	<u>40</u>	<u>-</u>	<u>1,244</u>

- (1) Retired as executive director in June 2022.
- (2) Appointed as non-executive director in August 2021
- (3) Retired as non-executive director in May 2022.
- (4) Retired as non-executive director in September 2023.
- (5) Appointed as executive director in June 2022.
- (6) Appointed as non-executive director in May 2022 and retired as non-executive director in March 2024.
- (7) Appointed as non-executive director in May 2022.
- (8) Appointed as non-executive director in September 2023.
- (9) Appointed as non-executive director in March 2024.
- (10) Retired as supervisor in May 2022.
- (11) Appointed as supervisor in May 2022.

- (12) Appointed as supervisor in May 2022 and retired as supervisor in March 2024.
- (13) Appointed as supervisor in January 2021 and retired as supervisor in May 2022.
- (14) Retired as supervisor in March 2024.
- (15) Appointed as Executive director in March 2024.

14.3 Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Target Group's business to which the Target Company was a party in which a director of the Target Company had a material interest, whether directly or indirectly, subsisted at the end of the Relevant Periods or at any time during the Relevant Periods.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Target Group. The non-executive directors' emoluments shown above were for their services as directors of the Target Company.

In addition to the directors' remuneration disclosed above, certain directors are not paid directly by the Target Company but receive remuneration from the Target Company's holding company, in respect of their services to the larger group which includes the Target Company and its subsidiaries. No apportionment has been made as the qualifying services provided by these directors to the Target Company and its subsidiaries are incidental to their responsibilities to the larger group.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

15. DEPRECIATION AND AMORTISATION

	Year ended 31 December			Three months ended	
	2021	2022	2023	31 March	
	RMB'000	RMB'000	RMB'000	2023	2024
				RMB'000	RMB'000
				(Unaudited)	
Depreciation of property and equipment	20,821	23,987	31,350	6,530	7,901
Amortisation of intangible assets	28,535	37,266	41,558	8,840	8,614
Amortisation of long-term prepaid expense	11,099	7,771	9,391	2,360	2,327
Depreciation of right-of-use assets	49,953	67,327	62,766	16,405	15,104
	<u>110,408</u>	<u>136,351</u>	<u>145,065</u>	<u>34,135</u>	<u>33,946</u>

16. OTHER OPERATING EXPENSES

	Year ended 31 December			Three months ended	
	2021	2022	2023	31 March	
	RMB'000	RMB'000	RMB'000	2023	2024
				RMB'000	RMB'000
				(Unaudited)	
Auditor's remuneration	1,155	1,165	1,843	–	–
Consultancy fee	74,644	83,921	118,928	19,245	28,843
Commission and agency fee	35,031	42,465	34,750	8,812	6,105
Conference expenses	5,572	30,154	44,353	7,109	7,992
Marketing and distribution expenses	43,025	41,811	57,306	10,006	8,299
Membership fee	21,505	23,526	22,906	4,936	5,623
Office service fees	24,877	37,212	42,244	10,837	9,527
Postage expenses	16,520	19,625	15,901	4,589	3,487
Property management expenses	12,763	11,969	12,851	3,280	3,111
Securities investors protection fund	63,745	22,667	43,658	8,489	10,091
Share-based payment expense	34,104	2,330	21,256	5,523	2,778
Short term rental expense	69,398	23,400	23,335	5,154	6,270
Tax and surcharges	33,313	26,610	29,146	6,066	6,221
Travelling expenses	34,465	27,145	47,928	5,522	6,921
Others	43,240	41,250	48,264	10,271	12,217
	<u>513,357</u>	<u>435,250</u>	<u>564,669</u>	<u>109,839</u>	<u>117,485</u>

17. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Year ended 31 December			Three months ended 31 March	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (Unaudited)	2024 RMB'000
Margin accounts receivables	594	1,319	(1,022)	(148)	504
Accounts receivables and other receivables	(270,469)	19,484	(13,567)	1,539	(1,704)
Financial assets held under resale agreements	<u>1,263</u>	<u>(25,417)</u>	<u>28,036</u>	<u>21,286</u>	<u>37</u>
	<u>(268,612)</u>	<u>(4,614)</u>	<u>13,447</u>	<u>22,677</u>	<u>(1,163)</u>

18. OTHER (LOSSES)/GAINS, NET

	Year ended 31 December			Three months ended 31 March	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (Unaudited)	2024 RMB'000
Foreign exchange (losses)/gains	(290)	1,176	223	(206)	23
Gain/(loss) on disposal of property and equipment and intangible assets	151	(470)	788	55	(2)
Government grants and subsidies (Note)	78,129	21,424	139,956	59,658	209
Impairment of property and equipment	–	–	–	–	(5,859)
Provision on contingent liabilities	(84,065)	(24,560)	(2,371)	–	(217)
Others	<u>3,489</u>	<u>18,478</u>	<u>18,530</u>	<u>20,969</u>	<u>11,859</u>
	<u>(2,586)</u>	<u>16,048</u>	<u>157,126</u>	<u>80,476</u>	<u>6,013</u>

Note:

During the year ended 31 December 2021, the Group mainly recognised government grants of RMB53,298,000 and RMB20,876,000 in respect of the development support funds of Shanghai Pudong New District World Expo Area Development Management Committee and the subsidies for organisations newly established in Shanghai Pudong New Area in 2021 respectively.

During the year ended 31 December 2022, the Group mainly recognised government grants of RMB15,876,000 in respect of the incentive payments for financial start-ups.

During the year ended 31 December 2023, the Group mainly recognised government grants and subsidy of RMB59,552,000, RMB50,152,000 and RMB25,000,000 in respect of the supporting project funds for the 14th Five-Year Plan of Pudong New Area in terms of financial contribution incentives, development supporting funds for the World Expo Administration of the Administrative Committee of China (Shanghai) Pilot Free Trade Zone and development supporting funds for the World Expo Administration of China (Shanghai) Pilot Free Trade Zone, respectively.

There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.

19. INCOME TAX (EXPENSE)/CREDIT

	Year ended 31 December			Three months ended	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Mainland China					
Current income tax expense	(473,345)	(255,410)	(257,673)	(23,903)	(42,603)
Over/(under) – provision in prior years	6,599	(589)	(2,784)	(1,270)	–
	(466,746)	(255,999)	(260,457)	(25,173)	(42,603)
Mainland China					
Deferred tax	205,823	308,687	147,499	(140,849)	(35,861)
Income tax (expense)/credit	<u>(260,923)</u>	<u>52,688</u>	<u>(112,958)</u>	<u>(166,022)</u>	<u>(78,464)</u>

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for Relevant Periods.

The tax charge/(credit) for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Three months ended 31 March	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (Unaudited)	2024 RMB'000
Profit before taxation	<u>1,266,399</u>	<u>138,541</u>	<u>754,940</u>	<u>718,607</u>	<u>404,819</u>
Tax calculated at applicable statutory tax rate	(316,600)	(34,635)	(188,735)	(179,652)	(101,204)
Tax effect of income not taxable for tax purpose	58,806	89,864	100,634	18,872	25,947
Tax effect of expenses not deductible for tax purposes	(13,006)	(5,708)	(16,884)	(2,332)	(1,675)
Tax effect of deductible temporary differences not recognised	(283)	(5,188)	(5,451)	(1,640)	(1,532)
Over/(under)-provision in respect of prior years	6,599	(589)	(2,784)	(1,270)	–
Others	<u>3,561</u>	<u>8,944</u>	<u>262</u>	<u>–</u>	<u>–</u>
Income tax (expenses)/credit for the year/period	<u>(260,923)</u>	<u>52,688</u>	<u>(112,958)</u>	<u>(166,022)</u>	<u>(78,464)</u>

Income tax recognised in other comprehensive income as follow:

	Year ended 31 December			Three months ended	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)
Deferred tax (expense)/credit recognised in other comprehensive income arising from (Note 27):					
Fair value gain on equity instruments at fair value through other comprehensive income	-	-	(13,044)	-	(47,379)
Fair value loss on debt instruments at fair value through other comprehensive income	-	-	437	-	245
Total income tax recognised in other comprehensive income	-	-	(12,607)	-	(47,134)

20. DIVIDENDS

	Year ended 31 December			Three months ended	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)
Dividends recognised as distribution	249,455	284,273	68,303	-	-
Dividend per share	2.2 cents	2.5 cents	0.6 cents	-	-

Pursuant to the resolution of shareholders meeting, the Target Company declared the 2020, 2021 and 2022 final dividend of RMB2.2 cents, RMB2.5 cents and RMB0.6 cents per share, in aggregate amount of RMB249,455 thousand, RMB284,273 thousand and RMB68,303 thousand respectively.

At a shareholders meeting held on 11 June 2024, the final dividend of RMB1.5 cents per share for the year ended 31 December 2023 amounting to RMB170,593 thousand is declared by the Target Company.

21. EARNINGS PER SHARE

No earnings per share information is prepared as its inclusion, for the purpose of the Historical Financial Information, is not meaningful.

22. PROPERTY AND EQUIPMENT

	Buildings	Machinery	Motor vehicles	Electronics and other equipment	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost					
At 1 January 2021	292,712	7,825	18,894	179,983	499,414
Additions	–	25	1,482	18,642	20,149
Others	4,322	–	–	–	4,322
Disposals	<u>–</u>	<u>(357)</u>	<u>(1,870)</u>	<u>(6,711)</u>	<u>(8,938)</u>
At 31 December 2021 and 1 January 2022	297,034	7,493	18,506	191,914	514,947
Additions	3,198	541	639	30,179	34,557
Disposals	<u>–</u>	<u>(193)</u>	<u>(243)</u>	<u>(14,999)</u>	<u>(15,435)</u>
At 31 December 2022 and 1 January 2023	300,232	7,841	18,902	207,094	534,069
Additions	4,791	–	–	20,495	25,286
Transfer from construction in progress	–	–	–	895	895
Disposals	<u>–</u>	<u>(353)</u>	<u>(2,543)</u>	<u>(21,921)</u>	<u>(24,817)</u>
At 31 December 2023 and 1 January 2024	305,023	7,488	16,359	206,563	535,433
Additions	517	–	–	1,655	2,172
Transfer from construction in progress	–	–	–	676	676
Disposals	<u>–</u>	<u>–</u>	<u>–</u>	<u>(703)</u>	<u>(703)</u>
At 31 March 2024	<u><u>305,540</u></u>	<u><u>7,488</u></u>	<u><u>16,359</u></u>	<u><u>208,191</u></u>	<u><u>537,578</u></u>

	Buildings RMB'000	Machinery RMB'000	Motor vehicles RMB'000	Electronics and other equipment RMB'000	Total RMB'000
Accumulated depreciation and impairment loss					
At 1 January 2021	85,223	6,515	16,956	150,129	258,823
Provided for the year	7,921	250	359	12,291	20,821
Others	120	–	–	–	120
Disposals	<u>–</u>	<u>(343)</u>	<u>(1,776)</u>	<u>(5,980)</u>	<u>(8,099)</u>
At 31 December 2021 and 1 January 2022	93,264	6,422	15,539	156,440	271,665
Provided for the year	8,455	263	684	14,585	23,987
Disposals	<u>–</u>	<u>(184)</u>	<u>(231)</u>	<u>(13,944)</u>	<u>(14,359)</u>
At 31 December 2022 and 1 January 2023	101,719	6,501	15,992	157,081	281,293
Provided for the year	9,555	225	756	20,814	31,350
Disposals	<u>–</u>	<u>(336)</u>	<u>(2,416)</u>	<u>(20,581)</u>	<u>(23,333)</u>
At 31 December 2023 and 1 January 2024	111,274	6,390	14,332	157,314	289,310
Provided for the period	2,256	29	177	5,439	7,901
Impairment loss recognised in profit or loss	593	333	–	4,935	5,861
Disposals	<u>–</u>	<u>–</u>	<u>–</u>	<u>(607)</u>	<u>(607)</u>
At 31 March 2024	<u>114,123</u>	<u>6,752</u>	<u>14,509</u>	<u>167,081</u>	<u>302,465</u>
Carrying amount					
At 31 December 2021	<u>203,770</u>	<u>1,071</u>	<u>2,967</u>	<u>35,474</u>	<u>243,282</u>
At 31 December 2022	<u>198,513</u>	<u>1,340</u>	<u>2,910</u>	<u>50,013</u>	<u>252,776</u>
At 31 December 2023	<u>193,749</u>	<u>1,098</u>	<u>2,027</u>	<u>49,249</u>	<u>246,123</u>
At 31 March 2024	<u>191,417</u>	<u>736</u>	<u>1,850</u>	<u>41,110</u>	<u>235,113</u>

23. RIGHT-OF-USED ASSETS

	Land use right RMB'000	Buildings RMB'000	Car parks RMB'000	Total RMB'000
Cost				
At 1 January 2021	1,795	232,238	2,477	236,510
Additions	–	87,544	31	87,575
Derecognition	–	(18,127)	–	(18,127)
At 31 December 2021 and 1 January 2022	1,795	301,655	2,508	305,958
Additions	–	41,850	37	41,887
Derecognition	–	(20,884)	(70)	(20,954)
At 31 December 2022 and 1 January 2023	1,795	322,621	2,475	326,891
Additions	–	22,951	–	22,951
Derecognition	–	(28,653)	(60)	(28,713)
At 31 December 2023 and 1 January 2024	1,795	316,919	2,415	321,129
Additions	–	3,198	–	3,198
Derecognition	–	(1,782)	–	(1,782)
At 31 March 2024	<u>1,795</u>	<u>318,335</u>	<u>2,415</u>	<u>322,545</u>
Accumulated depreciation				
At 1 January 2021	672	–	–	672
Provided for the year	39	49,581	333	49,953
Derecognition	–	(1,994)	–	(1,994)
At 31 December 2021 and 1 January 2022	711	47,587	333	48,631
Provided for the year	39	67,021	267	67,327
Derecognition	–	(18,976)	(70)	(19,046)
At 31 December 2022 and 1 January 2023	750	95,632	530	96,912
Provided for the year	39	62,460	267	62,766
Derecognition	–	(25,479)	(56)	(25,535)
At 31 December 2023 and 1 January 2024	789	132,613	741	134,143
Provided for the period	10	15,029	65	15,104
Derecognition	–	(1,782)	–	(1,782)
At 31 March 2024	<u>799</u>	<u>145,860</u>	<u>806</u>	<u>147,465</u>
Carrying amount				
At 31 December 2021	<u>1,084</u>	<u>254,068</u>	<u>2,175</u>	<u>257,327</u>
At 31 December 2022	<u>1,045</u>	<u>226,989</u>	<u>1,945</u>	<u>229,979</u>
At 31 December 2023	<u>1,006</u>	<u>184,306</u>	<u>1,674</u>	<u>186,986</u>
At 31 March 2024	<u>996</u>	<u>172,475</u>	<u>1,609</u>	<u>175,080</u>

The Target Group leases various buildings and car parks for its operations. Lease contracts are entered into for term of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Target Group applies the definition of a contract and determines the period for which the contract is enforceable.

	Year ended 31 December			Three months ended	
	2021	2022	2023	31 March	
	RMB'000	RMB'000	RMB'000	2023	2024
				(Unaudited)	
Total cash outflow for leases	<u>123,148</u>	<u>92,650</u>	<u>91,376</u>	<u>21,769</u>	<u>23,759</u>
Expense relating to short-term leases (Note 16)	<u>69,398</u>	<u>23,400</u>	<u>23,335</u>	<u>5,154</u>	<u>6,270</u>

In addition, as at 31 December 2021, 31 December 2022, 31 December 2023 and 31 March 2024, lease liabilities of RMB264,053 thousand, RMB246,608 thousand, RMB206,238 thousand and RMB194,196 thousand are recognised with related right-of-use assets of RMB256,243 thousand, RMB228,934 thousand, RMB185,980 thousand and RMB174,084 thousand, respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

As at 31 December 2021, 31 December 2022, 31 December 2023 and 31 March 2024, the Target Group did not enter into any lease that is not yet commenced.

24. GOODWILL

	As at 31 December			As at
	2021	2022	2023	31 March
	RMB'000	RMB'000	RMB'000	2024
Acquisition through business combination	7,071	7,071	7,071	7,071

The Target Group acquired 55% of Minsheng Future Co., Ltd in 2008. The Group recognised the excess of fair value of the consideration transferred over the fair value of the net identifiable assets acquired as the goodwill of Minsheng Future Co., Ltd.

The Target Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The Target Group assessed the recoverable amount of the business with reference to a business valuation of Minsheng Future Co., Ltd determined under a market-based approach.

No impairment loss were recognised during the years ended 31 December 2021, 2022, 2023 and three months ended 31 March 2024.

25. INTANGIBLE ASSETS

	Trading rights RMB'000	Computer software RMB'000	Total RMB'000
Cost			
At 1 January 2021	17,565	160,632	178,197
Additions	–	46,337	46,337
Disposals	–	(730)	(730)
At 31 December 2021 and 1 January 2022	17,565	206,239	223,804
Additions	–	27,876	27,876
At 31 December 2022 and 1 January 2023	17,565	234,115	251,680
Additions	–	43,483	43,483
Disposals	–	(31)	(31)
At 31 December 2023 and 1 January 2024	17,565	277,567	295,132
Additions	–	128	128
Disposals	–	(94)	(94)
At 31 March 2024	17,565	277,601	295,166

	Trading rights RMB'000	Computer software RMB'000	Total RMB'000
Accumulated amortisation			
At 1 January 2021	10,146	132,444	142,590
Charge for the year	–	28,535	28,535
Disposals	–	(730)	(730)
	<u>10,146</u>	<u>160,249</u>	<u>170,395</u>
At 31 December 2021 and 1 January 2022	10,146	160,249	170,395
Charge for the year	–	37,266	37,266
	<u>10,146</u>	<u>197,515</u>	<u>207,661</u>
At 31 December 2022 and 1 January 2023	10,146	197,515	207,661
Charge for the year	–	41,558	41,558
Disposals	–	(31)	(31)
	<u>10,146</u>	<u>239,042</u>	<u>249,188</u>
At 31 December 2023 and 1 January 2024	10,146	239,042	249,188
Charge for the year	–	8,614	8,614
Disposals	–	(94)	(94)
	<u>10,146</u>	<u>247,562</u>	<u>257,708</u>
At 31 March 2024	<u>10,146</u>	<u>247,562</u>	<u>257,708</u>
Carrying amount			
At 31 December 2021	<u>7,419</u>	<u>45,990</u>	<u>53,409</u>
At 31 December 2022	<u>7,419</u>	<u>36,600</u>	<u>44,019</u>
At 31 December 2023	<u>7,419</u>	<u>38,525</u>	<u>45,944</u>
At 31 March 2024	<u>7,419</u>	<u>30,039</u>	<u>37,458</u>

26. INTEREST IN A JOINT VENTURE

Set out below is the joint venture of the Target Group as at Relevant Period. Interest in a joint venture as listed below is held indirectly by the Target Company; the country of incorporation or registration is also their principal place of business.

Zhongmin Chuangxing Private Equity Fund Management Beijing Co., Ltd* (中民創興私募基金管理(北京)有限公司), invested by the Company, provides private equity investment fund management and venture investment fund management services.

Details of interest in a joint venture as at Relevant Period

Name of entity	Country of incorporation/ registration and principal place of business	% of ownership interest				Nature of the relationship	Measurement method
		At 31 December 2021	2022	2023	At 31 March 2024		
Zhongmin Chuangxing Private Equity Fund Management Beijing Co., Ltd	China, Beijing	40%	40%	40%	40%	Indirectly held	Equity

The entity is a private company and there is no quoted market price available for the shares.

There are no contingent liabilities relating to the Target Group's interests in the joint venture.

	At 31 December			At 31 March
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at beginning of the year/ period	3,067	1,720	2,783	3,012
Share of (loss)/profit	(1,347)	1,063	229	105
Balance at end of the year/period	<u>1,720</u>	<u>2,783</u>	<u>3,012</u>	<u>3,117</u>

* English name is for identification purpose only.

Reconciliation of the equity attributable to equity holder of the joint venture to the carrying amount of the interest in a joint venture recognised in the Historical Financial Information:

	At 31 December			At 31 March
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Equity attributable to equity holders of the joint venture	4,300	6,958	7,530	7,793
Proportion of equity interests held by the Target Group	<u>40%</u>	<u>40%</u>	<u>40%</u>	<u>40%</u>
Balance at end of the year/period	<u>1,720</u>	<u>2,783</u>	<u>3,012</u>	<u>3,117</u>

27. DEFERRED TAX ASSETS/(LIABILITIES)

- (1) For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 31 December			As at
	2021	2022	2023	31 March
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	610,724	794,651	862,679	780,281
Deferred tax liabilities	(191,891)	(67,131)	(267)	(864)
	<u>418,833</u>	<u>727,520</u>	<u>862,412</u>	<u>779,417</u>

- (2) The gross movements in deferred tax assets and liabilities during the Relevant Period are as follows:

	Changes in fair value of financial assets/liabilities at fair value through profit or loss RMB'000	Changes in fair value of derivatives instruments RMB'000	Debt instruments at fair value through comprehensive income RMB'000	Equity instruments at fair value through other comprehensive income RMB'000	Impairment losses RMB'000	Salaries, bonus, allowance payables and contingent liabilities RMB'000	Tax losses RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2021	(51,080)	(7,309)	-	-	62,676	153,484	55,238	1	213,010
Credit/(charge) to profit or loss	157,885	4,883	-	-	71,731	25,387	(54,828)	765	205,823
As at 31 December 2021 and 1 January 2022	106,805	(2,426)	-	-	134,407	178,871	410	766	418,833
Credit/(charge) to profit or loss	305,513	(1,518)	-	-	1,222	(8,013)	5,896	5,587	308,687
As at 31 December 2022 and 1 January 2023	412,318	(3,944)	-	-	135,629	170,858	6,306	6,353	727,520
Credit/(charge) to profit or loss	114,591	8,925	-	-	(3,362)	9,060	20,773	(2,488)	147,499
Credit/(charge) to other comprehensive income	-	-	437	(13,044)	-	-	-	-	(12,607)
As at 31 December 2023 and 1 January 2024	526,909	4,981	437	(13,044)	132,267	179,918	27,079	3,865	862,412
(Charge)/credit to profit or loss	(4,832)	(4,861)	-	-	1,756	(6,267)	(19,694)	(1,963)	(35,861)
Credit/(charge) to other comprehensive income	-	-	245	(47,379)	-	-	-	-	(47,134)
As at 31 March 2024	<u>522,077</u>	<u>120</u>	<u>682</u>	<u>(60,423)</u>	<u>134,023</u>	<u>173,651</u>	<u>7,385</u>	<u>1,902</u>	<u>779,417</u>

As at 31 December 2021, 2022 and 2023 and 31 March 2024, the Target Group has unused tax losses of RMB2,771 thousand, RMB47,109 thousand, RMB152,004 thousand and RMB79,356 thousand available for offset against future profits respectively. A deferred tax asset has been recognised in respect of RMB1,639 thousand, RMB25,224 thousand, RMB108,316 thousand and RMB29,542 thousand of such losses respectively. No deferred tax asset has been recognised in respect of the remaining RMB1,132 thousand, RMB21,885 thousand, RMB43,688 thousand and RMB49,814 thousand respectively due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of RMB1,132 thousand, RMB21,885 thousand, RMB43,688 thousand and RMB49,814 thousand that will expire in 2026, 2026 to 2027, 2026 to 2028 and 2026 to 2029 respectively.

28. REFUNDABLE DEPOSITS

	As at 31 December			As at
	2021	2022	2023	31 March
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Deposits with Stock Exchanges				
– Shanghai Stock Exchange	25,548	25,919	20,454	19,112
– Shenzhen Stock Exchange	22,453	21,567	18,806	16,658
– China Beijing Equity Exchange	963	976	1,297	1,745
Deposits with futures brokers	1,089,668	1,671,562	2,011,464	2,259,852
Others	24	21	17	18
	<u>1,138,656</u>	<u>1,720,045</u>	<u>2,052,038</u>	<u>2,297,385</u>

29. CONSTRUCTION IN PROGRESS

	As at 31 December			As at
	2021	2022	2023	31 March
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
At 1 January	17,238	21,502	24,751	28,493
Additions	42,293	17,709	28,862	493
Disposals	–	(313)	(1,439)	–
Transfer to property and equipment, intangible assets and long-term prepaid assets	<u>(38,030)</u>	<u>(14,147)</u>	<u>(23,681)</u>	<u>(789)</u>
	<u>21,501</u>	<u>24,751</u>	<u>28,493</u>	<u>28,197</u>

30. OTHER NON-CURRENT ASSETS

	At 31 December			At 31 March
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2024 RMB'000
Margin deposits of derivative contracts (Note (i))	38,405	23,265	23,005	23,706
Less: Impairment loss allowance	<u>(192)</u>	<u>(116)</u>	<u>(4,973)</u>	<u>(4,978)</u>
	38,213	23,149	18,032	18,728
Long-term prepaid assets	<u>24,987</u>	<u>30,921</u>	<u>28,091</u>	<u>25,849</u>
	<u>63,200</u>	<u>54,070</u>	<u>46,123</u>	<u>44,577</u>

Note i: Margin deposits of derivative contracts

The following table shows the reconciliation of loss allowances that has been recognised for margin deposits of derivative contracts.

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit- impaired) RMB'000	Stage 3 Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 1 January 2021	230	-	-	230
Changes in the loss allowance:				
- Credit to profit or loss	<u>(38)</u>	<u>-</u>	<u>-</u>	<u>(38)</u>
As at 31 December 2021 and 1 January 2022	192	-	-	192
Changes in the loss allowance:				
- Credit to profit or loss	<u>(76)</u>	<u>-</u>	<u>-</u>	<u>(76)</u>
As at 31 December 2022 and 1 January 2023	116	-	-	116
Changes in the loss allowance:				
- (Credit)/charge to profit or loss	<u>(26)</u>	<u>-</u>	<u>4,883</u>	<u>4,857</u>
As at 31 December 2023 and 1 January 2024	90	-	4,883	4,973
Changes in the loss allowance:				
- Charge to profit or loss	<u>4</u>	<u>-</u>	<u>1</u>	<u>5</u>
As at 31 March 2024	<u>94</u>	<u>-</u>	<u>4,884</u>	<u>4,978</u>

Gross carrying amount

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit- impaired) RMB'000	Stage 3 Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 31 December 2021	<u>38,405</u>	<u>–</u>	<u>–</u>	<u>38,405</u>
As at 31 December 2022	<u>23,265</u>	<u>–</u>	<u>–</u>	<u>23,265</u>
As at 31 December 2023	<u>18,122</u>	<u>–</u>	<u>4,883</u>	<u>23,005</u>
As at 31 March 2024	<u>18,822</u>	<u>–</u>	<u>4,884</u>	<u>23,706</u>

Note ii: Long-term prepaid assets

The following table shows the movement of long-term prepaid assets during the Relevant Periods:

	At 31 December			At 31 March
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2024 RMB'000
Balance at beginning of the year/period	15,591	24,987	30,921	28,091
Addition	9,290	11,723	4,578	85
Transfer from construction in progress	15,405	1,982	2,848	–
Amortisation	(11,099)	(7,771)	(9,391)	(2,327)
Written off	<u>(4,200)</u>	<u>–</u>	<u>(865)</u>	<u>–</u>
Balance at end of the year/period	<u>24,987</u>	<u>30,921</u>	<u>28,091</u>	<u>25,849</u>

31. OTHER CURRENT ASSETS

	At 31 December			At 31 March
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2024 RMB'000
Accounts receivable (Note i)	211,215	906,713	658,288	434,247
Other receivables (Note ii)	566,965	553,960	530,197	533,752
Prepaid expenses	22,253	11,870	7,360	7,053
Others	8,946	7,339	41,488	34,874
	809,379	1,479,882	1,237,333	1,009,926
Less: Impairment allowance	(525,028)	(505,895)	(514,605)	(516,301)
	<u>284,351</u>	<u>973,987</u>	<u>722,728</u>	<u>493,625</u>

Note i: Accounts receivable

The aging analysis of accounts receivable based on the date of rendering services is as follows:

	At 31 December 2021		At 31 December 2022	
	Amount RMB'000	Impairment allowance RMB'000	Amount RMB'000	Impairment allowance RMB'000
Up to 1 year	171,398	8,111	882,288	7,995
1 to 3 years	22,321	5,597	6,306	1,964
More than 3 years	17,496	17,496	18,119	18,119
	<u>211,215</u>	<u>31,204</u>	<u>906,713</u>	<u>28,078</u>
	At 31 December 2023		At 31 March 2024	
	Amount RMB'000	Impairment allowance RMB'000	Amount RMB'000	Impairment allowance RMB'000
Up to 1 year	635,568	6,595	410,834	7,261
1 to 3 years	4,205	1,094	4,625	1,712
More than 3 years	18,515	18,515	18,788	18,788
	<u>658,288</u>	<u>26,204</u>	<u>434,247</u>	<u>27,761</u>

In accordance with the requirements of IFRS 9, the Target Group adopts a simplified method to measure the expected credit loss for accounts receivable, that is, the Target Group always recognises lifetime ECL for accounts receivable. As at 31 December 2021, 31 December 2022, 31 December 2023 and 31 March 2024, accounts receivable of the Target Group which are credit-impaired amount to RMB17,496 thousand, RMB18,119 thousand, RMB18,515 thousand and RMB18,788 thousand, and the credit impairment allowance is RMB17,496 thousand, RMB18,119 thousand, RMB18,515 thousand and RMB18,788 thousand, respectively. As at 31 December 2021, 31 December 2022, 31 December 2023 and 31 March 2024, the credit risk exposure of accounts receivable amounted to RMB211,215 thousand, RMB906,713 thousand, RMB658,288 thousand and RMB434,247 thousand, respectively.

The following tables show reconciliation of loss allowances that has been recognised for accounts receivables.

	Total <i>RMB'000</i>
As at 1 January 2021	22,166
Changes in the loss allowance:	
– Charge to profit or loss	<u>9,038</u>
As at 31 December 2021 and 1 January 2022	31,204
Changes in the loss allowance:	
– Credit to profit or loss	<u>(3,126)</u>
As at 31 December 2022 and 1 January 2023	28,078
Changes in the loss allowance:	
– Credit to profit or loss	<u>(1,874)</u>
As at 31 December 2023 and 1 January 2024	26,204
Changes in the loss allowance:	
– Charge to profit or loss	<u>1,557</u>
As at 31 March 2024	<u><u>27,761</u></u>

Note ii: Other receivables

Other receivables of the Target Group are mainly represents the receivables of option premium, demolition and relocation compensation and employee social benefits contributions.

The tables below details the credit risk exposures of the Target Group's other receivables, which are subject to ECL assessment.

The following tables show reconciliation of loss allowances that has been recognised for other receivables.

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit- impaired) RMB'000	Stage 3 Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2021	2,263	14,999	171,141	188,403
Changes in the loss allowance:				
– Transfer	(1,044)	694	350	–
– Reclassification	–	–	60,919	60,919
– Write-off	–	–	(16,967)	(16,967)
– (Credit)/charge to profit or loss	(41)	(164)	261,674	261,469
As at 31 December 2021 and 1 January 2022	1,178	15,529	477,117	493,824
Changes in the loss allowance:				
– Transfer	(192)	192	–	–
– Reclassification	–	–	275	275
– Charge/(credit) to profit or loss	978	(3,985)	(13,275)	(16,282)
As at 31 December 2022 and 1 January 2023	1,964	11,736	464,117	477,817
Changes in the loss allowance:				
– Transfer	(99)	(1,922)	2,021	–
– (Credit)/charge to profit or loss	(1,167)	1,072	10,679	10,584
As at 31 December 2023 and 1 January 2024	698	10,886	476,817	488,401
Changes in the loss allowance:				
– Transfer	(36)	36	–	–
– Charge/(credit) to profit or loss	270	(129)	(2)	139
As at 31 March 2024	932	10,793	476,815	488,540

Gross carrying amount

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit- impaired) RMB'000	Stage 3 Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 31 December 2021	29,976	25,091	511,898	566,965
As at 31 December 2022	40,545	14,517	498,898	553,960
As at 31 December 2023	17,048	12,510	500,639	530,197
As at 31 March 2024	21,747	11,367	500,638	533,752

32. MARGIN ACCOUNTS RECEIVABLES

	<u>At 31 December</u>			<u>At 31 March</u>
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Margin accounts receivable	5,077,892	4,478,707	4,663,412	4,408,059
Less: Impairment allowance	(9,625)	(8,306)	(9,328)	(8,824)
	<u>5,068,267</u>	<u>4,470,401</u>	<u>4,654,084</u>	<u>4,399,235</u>

Margin accounts are the funds the Target Group lends to the customers in margin financing and securities lending business. As at 31 December 2021, 31 December 2022, 31 December 2023 and 31 March 2024, impairment allowance amounting to RMB9,625 thousand, RMB8,306 thousand, RMB9,328 thousand and RMB8,824 thousand was provided, respectively.

Margin accounts receivables as at 31 December 2021, 31 December 2022, 31 December 2023 and 31 March 2024 is secured by the customers' securities as collateral with undiscounted market value of approximately RMB16,730,321 thousand, RMB13,200,113 thousand, RMB12,947,361 thousand and RMB12,359,249 thousand and cash of RMB547,639 thousand, RMB509,218 thousand, RMB377,027 thousand and RMB483,487 thousand, respectively.

The following tables show reconciliation of loss allowances that has been recognised for margin accounts receivables.

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit- impaired) RMB'000	Stage 3 Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 1 January 2021	10,219	–	60,919	71,138
Changes in the loss allowance:				
– Reclassification	–	–	(60,919)	(60,919)
– Credit to profit or loss	(594)	–	–	(594)
As at 31 December 2021 and 1 January 2022	9,625	–	–	9,625
Changes in the loss allowance:				
– Credit to profit or loss	(1,319)	–	–	(1,319)
As at 31 December 2022 and 1 January 2023	8,306	–	–	8,306
Changes in the loss allowance:				
– Charge to profit or loss	1,022	–	–	1,022
As at 31 December 2023 and 1 January 2024	9,328	–	–	9,328
Changes in the loss allowance:				
– Credit to profit or loss	(504)	–	–	(504)
As at 31 March 2024	<u>8,824</u>	<u>–</u>	<u>–</u>	<u>8,824</u>

The tables below details the credit risk exposures of the Group's margin accounts receivable, which are subject to ECL assessment.

Gross carrying amount

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit- impaired) RMB'000	Stage 3 Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 31 December 2021	<u>5,077,892</u>	<u>–</u>	<u>–</u>	<u>5,077,892</u>
As at 31 December 2022	<u>4,478,707</u>	<u>–</u>	<u>–</u>	<u>4,478,707</u>
As at 31 December 2023	<u>4,663,412</u>	<u>–</u>	<u>–</u>	<u>4,663,412</u>
As at 31 March 2024	<u>4,408,059</u>	<u>–</u>	<u>–</u>	<u>4,408,059</u>

33. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	At 31 December			At 31 March
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Analysed by asset type:				
– Equity securities	441,574	237,882	20,448	15,905
– Debt securities	2,530,356	3,789,125	1,477,209	1,490,035
– Others	4,043	4,722	1,807	326
Less: impairment allowance	<u>(2,783)</u>	<u>(28,200)</u>	<u>(164)</u>	<u>(127)</u>
	<u>2,973,190</u>	<u>4,003,529</u>	<u>1,499,300</u>	<u>1,506,139</u>
Analysed by market:				
– Interbank market	2,302,355	3,484,950	1,252,199	1,460,022
– Shenzhen Stock Exchange	666,792	513,857	245,294	45,791
– Others	<u>4,043</u>	<u>4,722</u>	<u>1,807</u>	<u>326</u>
	<u>2,973,190</u>	<u>4,003,529</u>	<u>1,499,300</u>	<u>1,506,139</u>

The following tables show reconciliation of loss allowances that has been recognised for financial assets held under resale agreements.

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit- impaired) RMB'000	Stage 3 Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 1 January 2021	1,251	2,795	–	4,046
Changes in the loss allowance:				
– Credit to profit or loss	<u>(801)</u>	<u>(462)</u>	<u>–</u>	<u>(1,263)</u>
As at 31 December 2021 and 1 January 2022	450	2,333	–	2,783
Changes in the loss allowance:				
– (Credit)/charge to profit or loss	<u>(162)</u>	<u>(2,084)</u>	<u>27,663</u>	<u>25,417</u>
As at 31 December 2022 and 1 January 2023	288	249	27,663	28,200
Changes in the loss allowance:				
– Credit to profit or loss	<u>(288)</u>	<u>(85)</u>	<u>(27,663)</u>	<u>(28,036)</u>
As at 31 December 2023 and 1 January 2024	–	164	–	164
Changes in the loss allowance:				
– Credit to profit or loss	<u>–</u>	<u>(37)</u>	<u>–</u>	<u>(37)</u>
As at 31 March 2024	<u>–</u>	<u>127</u>	<u>–</u>	<u>127</u>

The tables below details the credit risk exposures of the Target Group's financial assets held under resale agreements, which are subject to ECL assessment.

Gross carrying amount

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit- impaired) RMB'000	Stage 3 Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 31 December 2021	<u>2,682,016</u>	<u>293,957</u>	<u>–</u>	<u>2,975,973</u>
As at 31 December 2022	<u>3,889,846</u>	<u>31,116</u>	<u>110,767</u>	<u>4,031,729</u>
As at 31 December 2023	<u>1,478,501</u>	<u>20,963</u>	<u>–</u>	<u>1,499,464</u>
As at 31 March 2024	<u>1,490,361</u>	<u>15,905</u>	<u>–</u>	<u>1,506,266</u>

**34. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER
COMPREHENSIVE INCOME**

	As at 31 December			As at 31
	2021	2022	2023	March
	RMB'000	RMB'000	RMB'000	RMB'000
Equity securities	–	–	1,975,935	2,236,933
Analysed as:				
Listed in PRC	–	–	246,327	276,030
Listed in Hong Kong	–	–	1,729,608	1,960,903
	–	–	1,975,935	2,236,933

The above equity investments include common stocks listed on the Shanghai Stock Exchange, Shenzhen Stock Exchange and The Stock Exchange of Hong Kong Limited. These investments are not held for trading, but for long-term strategic purposes. The Target Group has chosen to designate these investments as equity instruments measured at fair value with changes included in other comprehensive income because they believe that the short-term fluctuations in the fair value of such investments recognised in profit or loss will be different from the Target Group's strategy of holding such investments for long-term purposes, so their performance potential will be recognised from a long-term perspective.

As at the Relevant Period, no equity instruments were collateralised for securities lending.

35. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At 31 December			At 31 March
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Analysed by type of issuers:				
Financial institutions	—	—	197,646	198,915
Analysed as:				
Interbank market	—	—	197,646	198,915
Expected credit losses	—	—	—*	—*

As at 31 December 2023, the fair value of securities of the Target Group which have been placed as collateral for financial assets sold under repurchase agreements was RMB197,646 thousand.

There is no collateral placed as at 31 December 2021, 2022 and 31 March 2024.

The following table shows reconciliation of loss allowances that have been recognised for debt instruments at fair value through other comprehensive income.

	Stage 1	Stage 2	Stage 3	Total
	12m ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2021,				
31 December 2021, 1 January 2022, 31 December 2022,				
1 January 2023	—	—	—	—
Changes in the loss allowance:				
– Charge to profit or loss	—*	—	—	—*
As at 31 December 2023,				
1 January 2024 and 31 December 2024	—*	—	—	—*

The table below details the credit risk exposures of the debt instruments at fair value through other comprehensive income, which are subject to ECL assessment.

Gross carrying amount

	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL (not credit- impaired) RMB'000	Stage 3 Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
As at 31 December 2021	—	—	—	—
As at 31 December 2022	—	—	—	—
As at 31 December 2023	197,646	—	—	197,646
As at 31 March 2024	198,915	—	—	198,915

36. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**Non-current assets**

	At 31 December			At 31 March
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets mandatorily measured at fair value through profit or loss				
Investment funds	919,800	851,665	425,157	427,767
Equity securities	714,990	225,427	161,247	156,817
Collective asset management schemes	—	—	10,000	10,000
Investments in unlisted companies	269,676	493,669	588,436	624,717
Total non-current assets	1,904,466	1,570,761	1,184,840	1,219,301
Analysed as:				
Listed in PRC	989,450	496,849	159,681	155,251
Unlisted	915,016	1,073,912	1,025,159	1,064,050
	1,904,466	1,570,761	1,184,840	1,219,301

Current assets

	At 31 December			At 31 March
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets mandatorily measured at fair value through profit or loss				
Debt securities	18,228,079	21,781,153	22,850,692	20,886,741
Investment funds	4,609,594	3,883,501	4,892,151	3,068,818
Equity securities	2,641,670	3,553,642	3,639,472	4,166,107
Wealth management products	747,113	586,476	91,560	652,369
Collective asset management schemes	64,288	121,076	82,487	28,852
Trust schemes	1,267,728	667,531	20,647	20,647
Investments in unlisted companies	321,579	324,698	11,565	11,566
Assets backed securities	4,741	4,741	4,741	4,741
Total current assets	27,884,792	30,922,818	31,593,315	28,839,841
Analysed as:				
Listed in PRC	6,118,068	7,604,776	8,311,092	5,174,082
Listed in Hong Kong	526,374	770,649	708,482	1,637,083
Interbank market	14,810,461	17,477,903	18,504,132	19,572,415
Unlisted	6,429,889	5,069,490	4,069,609	2,456,261
	27,884,792	30,922,818	31,593,315	28,839,841

As at 31 December 2021, 2022, 2023 and 31 March 2024, financial assets at fair value through profit or loss collateralised for financial assets sold under repurchase agreements, bond lending, debt securities repurchase, securities lending and margin deposits of derivative contracts amounted to RMB13,737,218 thousand, RMB15,933,554 thousand, RMB17,769,757 thousand and RMB15,287,244 thousand.

As at 31 December 2021, 2022, 2023 and 31 March 2024, the Target Group had equity securities amounted to RMB1,494,820 thousand, RMB1,083,401 thousand, RMB1,111,935 thousand and RMB1,117,317 thousand respectively that were subjected to lock-up periods. These equity securities are classified as non-current assets if the remaining lock-up period is more than one than on year as of the end of each of the Relevant Period.

37. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	2021/12/31			2022/12/31		
	Nominal value	Assets	Liabilities	Nominal value	Assets	Liabilities
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest rate swaps	19,955,945	-	(40)	20,522,875	145	-
Commodity options	664,509	238	-	-	-	-
	<u>20,620,454</u>	<u>238</u>	<u>(40)</u>	<u>20,522,875</u>	<u>145</u>	<u>-</u>
	2023/12/31			2024/3/31		
	Nominal value	Assets	Liabilities	Nominal value	Assets	Liabilities
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest rate swaps	24,269,319	-	(6,608)	23,766,502	-	(212)
Commodity options	2,114,595	-	-	349,714	-	-
	<u>26,383,914</u>	<u>-</u>	<u>(6,608)</u>	<u>24,116,216</u>	<u>-</u>	<u>(212)</u>

Analysed for reporting purpose as:

	2021/12/31		2022/12/31	
	Assets	Liabilities	Assets	Liabilities
	RMB'000	RMB'000	RMB'000	RMB'000
Current	238	-	-	-
Non-current	-	(40)	145	-
	<u>238</u>	<u>(40)</u>	<u>145</u>	<u>-</u>
	2023/12/31		2024/3/31	
	Assets	Liabilities	Assets	Liabilities
	RMB'000	RMB'000	RMB'000	RMB'000
Current	-	(6,454)	-	(12)
Non-current	-	(154)	-	(200)
	<u>-</u>	<u>(6,608)</u>	<u>-</u>	<u>(212)</u>

38. CLEARING SETTLEMENT FUNDS

	<u>At 31 December</u>			<u>At 31 March</u>
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Clearing settlement funds held for clients	1,401,431	992,209	956,523	1,384,641
Proprietary clearing settlement funds	<u>262,516</u>	<u>218,553</u>	<u>240,317</u>	<u>220,252</u>
	<u>1,663,947</u>	<u>1,210,762</u>	<u>1,196,840</u>	<u>1,604,893</u>

39. CASH HELD FOR BROKERAGE CLIENTS

The Group maintains separate banking accounts with banks and authorised institutions for clients' monies arising from the normal course of business. The Group records these monies as cash held for brokerage clients under current assets, and recognises them as due to clients given that they are held liable for any loss or appropriation of these monies. Cash held for brokerage clients for their transaction and settlement purposes is subject to regulatory oversight by third-party depository institutions as per CSRC.

40. CASH AND BANK BALANCES

	<u>At 31 December</u>			<u>At 31 March</u>
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank balances	3,019,244	2,337,042	3,748,167	4,450,814
Other monetary assets	<u>13,214</u>	<u>22,834</u>	<u>13,834</u>	<u>39,559</u>
	<u>3,032,458</u>	<u>2,359,876</u>	<u>3,762,001</u>	<u>4,490,373</u>

Other monetary assets of the Target Group are mainly represented cash deposited in securities and futures companies.

41. SHARE CAPITAL

All shares issued by the Target Company are fully paid common shares, with a notional value of RMB1 per share. The number of shares and nominal value of the Target Company's share capital are as follows:

	<u>Total</u>	
	Number of shares	Amount RMB'000
Registered, issued and fully paid at RMB1.0 per share:		
At 1 January 2021, 31 December 2021, 1 January 2022, 31 December 2022 and 1 January 2023	11,456,160,748	11,456,161
Cancellation of treasury shares (<i>Note</i>)	<u>(72,323,985)</u>	<u>(72,324)</u>
At 31 December 2023, 1 January 2024 and 31 March 2024	<u><u>11,383,836,763</u></u>	<u><u>11,383,837</u></u>

Note:

In May 2023, the treasury shares were cancelled and the registered capital of the Target Company was decreased from RMB11,456,161 thousand to RMB11,383,837 thousand.

42. SHARE PREMIUM AND RESERVES

	Share premium RMB'000	Treasury share RMB'000	Surplus reserve ⁽¹⁾ RMB'000	General risk reserve ⁽²⁾ RMB'000	Transaction risk reserve ⁽²⁾ RMB'000	Revaluation reserve RMB'000	Other reserve RMB'000	Total reserve RMB'000
As at 1 January 2021	824,518	(159,625)	316,019	423,202	423,201	-	17,750	1,845,065
Recognition of share-based payment (note)	(19,681)	43,607	-	-	-	-	10,433	34,359
Appropriation to general risk reserve	-	-	-	49,010	-	-	-	49,010
Appropriation to transaction risk reserve	-	-	-	-	42,992	-	-	42,992
Appropriation to surplus reserve	-	-	42,992	-	-	-	-	42,992
As at 31 December 2021 and 1 January 2022	804,837	(116,018)	359,011	472,212	466,193	-	28,183	2,014,418
Recognition of share-based payment (note)	1,191	29,585	-	-	-	-	(28,183)	2,593
Share repurchase	-	(12,000)	-	-	-	-	-	(12,000)
Appropriation to general risk reserve	-	-	-	35,199	-	-	-	35,199
Appropriation to transaction risk reserve	-	-	-	-	29,534	-	-	29,534
Appropriation to surplus reserve	-	-	29,534	-	-	-	-	29,534
As at 31 December 2022 and 1 January 2023	806,028	(98,433)	388,545	507,411	495,727	-	-	2,099,278
Fair value gain on investments in equity instruments at fair value through other comprehensive income, net of tax	-	-	-	-	-	39,133	-	39,133
Fair value loss on debt instruments measured at fair value through other comprehensive income, net of tax	-	-	-	-	-	(1,311)	-	(1,311)
Impairment loss for debt instruments at fair value through other comprehensive income included in profit or loss, net of tax	-	-	-	-	-	-*	-	-*
Recognition of share-based payment (note)	21,256	-	-	-	-	-	-	21,256
Cancellation of treasury share	(26,109)	98,433	-	-	-	-	-	72,324
Appropriation to general risk reserve	-	-	-	81,937	-	-	-	81,937
Appropriation to transaction risk reserve	-	-	-	-	73,829	-	-	73,829
Appropriation to surplus reserve	-	-	73,829	-	-	-	-	73,829
As at 31 December 2023 and 1 January 2024	801,175	-	462,374	589,348	569,556	37,822	-	2,460,275
Fair value gain on investments in equity instruments at fair value through other comprehensive income, net of tax	-	-	-	-	-	142,140	-	142,140
Fair value loss on debt instruments measured at fair value through other comprehensive income, net of tax	-	-	-	-	-	(736)	-	(736)
Impairment loss for debt instruments at fair value through other comprehensive income included in profit or loss, net of tax	-	-	-	-	-	-*	-	-*
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	(2)	-	(2)
Recognition of share-based payment (note)	2,778	-	-	-	-	-	-	2,778
As at 31 March 2024	803,953	-	462,374	589,348	569,556	179,224	-	2,604,455

(1) Surplus reserve

Pursuant to the Company Law of the PRC, the Target Company's Articles of Association and resolutions of the Board, the Target Company is required to appropriate 10% of its profit net of the previous years' losses to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital.

Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses, or converted into capital of the Target Company, provided that the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the registered capital immediately before capitalisation.

(2) General risk reserve and transaction risk reserve

General reserve includes general risk reserve and transaction risk reserve.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No.320) issued on 18 December 2007, the Target Company appropriates 10% of its profit to the general risk reserve.

In accordance with the requirements of the CSRC Circular regarding the Annual Reporting of Securities Companies in 2007 (Zhengjian Jigou Zi [2007] No.320) issued on 18 December 2007 and in compliance with the Securities Law, for the purpose of covering securities trading losses, the Target Company appropriates 10% from its profit to the transaction risk reserve and cannot be distributed or transferred to share capital.

In accordance with the requirements of the CSRC's guidance about regulating financial institutions in the asset management business for collective asset management business of securities, interim measures on the supervision and administration of risk reserves of securities investment funds publicly raised and Measures for the Administration of Private Asset Management Business of Securities and Futures Operating Institutions, the Target Company and its subsidiaries appropriate 10% from their management fee income from the collective asset management schemes, investment funds and private funds to the general risk reserve.

- (3) In 2020, the Target Company convened a general meeting to consider and approve the Resolution on the Employee Share Incentive Scheme and Related Party Transactions of the Company (《關於民生證券股份有限公司員工股權激勵計劃暨關聯交易的議案》), which approved the implementation of the Employee Share Incentive Scheme of the Company (《民生證券股份有限公司員工股權激勵計劃》) (the “Employee Share Incentive Scheme”), and at the same time, authorised the board of directors and/or the management with full discretion to handle the related matters. The employee share incentive scheme is divided into two forms, namely the employee stock ownership plan and restricted shares. Among which, part of the employee stock ownership plan is subscribed by the employees and restricted shares are granted by the Target Company upon fulfilment of the grant conditions by the participants, and the relevant shares of the Target Company are held by three limited partnerships as shareholding platforms.

The lock-up periods for the shares acquired under the employee share incentive scheme are 36 months or 48 months in accordance with the requirements of laws and regulations and the actual situation of historical changes in the shareholding structure of the Target Company. During the lock-up period, the shares of the Target Company held by the shareholding platform shall not be transferred, and the participants shall not transfer or sell their partnership interests in the shareholding platforms, except under the circumstances stipulated in the scheme.

Regarding the Employee Share Incentive Scheme, the Target Company repurchased in aggregate of 115,000 thousand share from the former shareholder with the fair value of RMB1.361 per share. During the year ended 31 December 2020, the Target Company granted 80,824 thousand shares under the Employee Share Incentive Scheme.

As at 31 December 2021, the Company had 79,575 thousand shares remained outstanding under the Employee Share Incentive Scheme. During the year ended 31 December 2021, nil and 1,249 thousand shares were vested and forfeited respectively.

As at 31 December 2022, the Company had 71,493 thousand shares remained outstanding under the Employee Share Incentive Scheme. During the year ended 31 December 2022, nil and 8,082 thousand shares were vested and forfeited respectively.

As at 31 December 2023, the Company had 57,084 thousand shares remained outstanding under the Employee Share Incentive Scheme. During the year ended 31 December 2023, 13,674 thousand and 735 thousand shares were vested and forfeited respectively.

As at 31 March 2024, the Company had 55,849 thousand share under the Employee Share Incentive Scheme. During the period ended 31 March 2024, nil and 1,235 thousand shares were vested and forfeited respectively.

For details of the share-based payment expenses, please refer to Note 16 to the Historical Financial Information.

43. BONDS IN ISSUE

	As at 31 December			As at
				31 March
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Current:				
19民生G1 ^(a)	900,000	-	-	-
20民生G1 ^(b)	-	650,000	-	-
22民生C1 ^(c)	-	-	-	1,000,000
23民生C1 ^(d)	-	-	-	-
23民生G1 ^(e)	-	-	-	650,000
Income certificates ^(f)	2,665,309	4,222,152	3,492,290	3,863,186
Interest payables	98,266	166,394	140,273	88,149
	<u>3,663,575</u>	<u>5,038,546</u>	<u>3,632,563</u>	<u>5,601,335</u>
Non-current:				
19民生G1 ^(a)	-	-	-	-
20民生G1 ^(b)	650,000	-	-	-
22民生C1 ^(c)	-	1,000,000	1,000,000	-
23民生C1 ^(d)	-	-	1,000,000	1,000,000
23民生G1 ^(e)	-	-	650,000	-
Income certificates ^(f)	1,442,671	414,997	380,338	430,427
Interest payables	-	-	-	-
	<u>2,092,671</u>	<u>1,414,997</u>	<u>3,030,338</u>	<u>1,430,427</u>
Total bonds in issue	<u>5,756,246</u>	<u>6,453,543</u>	<u>6,662,901</u>	<u>7,031,762</u>

- (a) On 19 November 2019, the Target Group issued RMB900,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 5% paid annually.
- (b) On 18 March 2020, the Target Group issued RMB650,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 5% paid annually.
- (c) On 26 January 2022, the Target Group issued RMB1,000,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 6% paid annually.
- (d) On 13 December 2023, the Target Group issued RMB1,000,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 3 years and a fixed coupon rate of 4.2% paid annually.

- (e) On 14 March 2023, the Target Group issued RMB650,000 thousand of corporate bonds on Shanghai Stock Exchange with a term of 2 years and a fixed coupon rate of 5% paid annually.
- (f) As at 31 December 2021, 2022, 2023 and 31 March 2024, income certificates were with a maturity of 3 days to 726 days, 15 days to 725 days, 10 days to 717 days and 7 days to 724 days and the bore interest rates ranging from 3.80% to 6.35%, 3.80% to 4.70%, 3.15% to 4.50% and 3.15% to 4.50% per annum respectively.

44. LEASE LIABILITIES

	As at 31 December			As at
	2021	2022	2023	31 March
	RMB'000	RMB'000	RMB'000	RMB'000
Lease liabilities payable:				
Within one year	49,115	56,010	55,315	52,928
Within a period of more than one year but not more than two years	44,802	50,238	42,972	37,479
Within a period of more than two years but not more than five years	88,098	78,045	67,111	68,865
Within a period of more than five years	<u>82,038</u>	<u>62,315</u>	<u>40,840</u>	<u>34,924</u>
	264,053	246,608	206,238	194,196
Less: Amount due for settlement with 12 months shown under current liabilities	<u>(49,115)</u>	<u>(56,010)</u>	<u>(55,315)</u>	<u>(52,928)</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u>214,938</u>	<u>190,598</u>	<u>150,923</u>	<u>141,268</u>

45. OTHER NON-CURRENT LIABILITIES

	As at 31 December			As at
	2021	2022	2023	31 March
	RMB'000	RMB'000	RMB'000	2024
Margin deposits of derivative contracts	4,000	7,974	–	–

46. OTHER CURRENT LIABILITIES

	As at 31 December			As at
	2021	2022	2023	31 March
	RMB'000	RMB'000	RMB'000	2024
Salaries, bonus, allowances and benefits payables (note)	1,521,028	1,380,713	1,517,530	1,190,799
Accounts payable	449,010	12,321	18,366	21,116
Other taxes payable	222,749	47,618	33,341	167,402
Securities investor protection fund	33,248	6,540	15,545	9,088
Margin deposits of derivative contracts	56,166	103,359	152,908	192,982
Deferred income	3,944	3,611	3,278	3,194
Dividends payable	410	89,276	110,604	110,604
Provision of contingent liabilities (Note 52)	102,620	20,996	2,371	2,588
Others	139,842	199,097	145,149	120,415
	<u>2,529,017</u>	<u>1,863,531</u>	<u>1,999,092</u>	<u>1,818,188</u>

Note: The movement of salaries, bonus, allowances and benefits payables

	As at	Current year charge	Current year payment	As at
	1 January			31 December
	2021			2021
	RMB'000	RMB'000	RMB'000	RMB'000
Salaries and bonus	1,150,460	1,713,393	(1,379,948)	1,483,905
Pension	3	77,112	(76,977)	138
Other social security	97	106,767	(106,779)	85
Other welfare	–	3,117	(3,117)	–
Labour union funds and employee education funds	34,403	15,444	(12,947)	36,900
Termination benefits	–	225	(225)	–
	<u>1,184,963</u>	<u>1,916,058</u>	<u>(1,579,993)</u>	<u>1,521,028</u>

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	As at 1 January 2022 RMB'000	Current year charge RMB'000	Current year payment RMB'000	As at 31 December 2022 RMB'000
Salaries and bonus	1,483,905	1,659,692	(1,801,495)	1,342,102
Pension	138	99,446	(99,353)	231
Other social security	85	132,792	(132,616)	261
Other welfare	–	7,593	(6,086)	1,507
Labour union funds and employee education funds	36,900	15,561	(15,849)	36,612
Termination benefits	–	13	(13)	–
	<u>1,521,028</u>	<u>1,915,097</u>	<u>(2,055,412)</u>	<u>1,380,713</u>
	As at 1 January 2023 RMB'000	Current year charge RMB'000	Current year payment RMB'000	As at 31 December 2023 RMB'000
Salaries and bonus	1,342,102	1,993,287	(1,853,666)	1,481,723
Pension	231	116,511	(116,545)	197
Other social security	261	162,711	(162,752)	220
Other welfare	1,507	10,711	(11,272)	946
Labour union funds and employee education funds	36,612	17,010	(19,178)	34,444
Termination benefits	–	61	(61)	–
	<u>1,380,713</u>	<u>2,300,291</u>	<u>(2,163,474)</u>	<u>1,517,530</u>
	As at 1 January 2024 RMB'000	Current year charge RMB'000	Current year payment RMB'000	As at 31 March 2024 RMB'000
Salaries and bonus	1,481,723	418,043	(748,575)	1,151,191
Pension	197	30,867	(30,858)	206
Other social security	220	41,714	(41,810)	124
Other welfare	946	3,062	(2,745)	1,263
Labour union funds and employee education funds	34,444	4,269	(698)	38,015
	<u>1,517,530</u>	<u>497,955</u>	<u>(824,686)</u>	<u>1,190,799</u>

The Target Group has provided a pension plan for full-time employees in Mainland China as required by the government, including basic pension insurance and corporate annuity plan. Namely, the Target Group pays endowment insurance premiums to the social insurance institution designated by the government on a monthly basis, which account for a certain percentage of the total salaries of the staff. After the retirement of the employees, the government is obliged to pay the pensions to them. According to the aforesaid defined contribution plan, the Target Group shall not be liable for the post-retirement benefits beyond the above contributions. Contributions to the plan will be included in the cost at the time of occurrence.

The Target Group did not forfeit any retirement benefit plan contributions, and there are no forfeited contributions under the Target Group's retirement benefit plans that can be used to deduct the contributions payable in future years.

47. CONTRACT LIABILITIES

	As at 31 December			As at 31 March
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Underwriting fees received in advance	90,914	133,158	106,874	160,381
Investment consultancy and financial advisory service fees received in advance	2,726	3,306	-	-
Asset management service fees received in advance	17,218	16,705	11,951	19,180
Others	170	-	-	-
	111,028	153,169	118,825	179,561

48. DUE TO OTHER FINANCIAL INSTITUTIONS

	As at 31 December			As at 31 March
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Due to banks	2,670,453	3,001,176	3,411,839	2,197,938
Due to China Securities Finance Corporation Limited	1,303,774	1,309,277	1,509,023	2,012,727
	3,974,227	4,310,453	4,920,862	4,210,665

49. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	<u>As at 31 December</u>			<u>As at</u>
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>31 March</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2024</i>
				<i>RMB'000</i>
Analysed by asset type				
– Debt securities	11,316,326	13,750,535	14,380,795	11,661,911
– Others	<u>134,120</u>	<u>160,390</u>	<u>145,154</u>	<u>148,996</u>
	<u>11,450,446</u>	<u>13,910,925</u>	<u>14,525,949</u>	<u>11,810,907</u>
	<u>As at 31 December</u>			<u>As at</u>
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>31 March</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2024</i>
				<i>RMB'000</i>
Analysed by market				
– Interbank market	10,197,811	11,584,514	13,010,037	11,661,911
– Shanghai Stock Exchange	1,015,204	1,994,852	1,370,758	–
– Shenzhen Stock Exchange	<u>237,431</u>	<u>331,559</u>	<u>145,154</u>	<u>148,996</u>
	<u>11,450,446</u>	<u>13,910,925</u>	<u>14,525,949</u>	<u>11,810,907</u>
	<u>As at 31 December</u>			<u>As at</u>
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>31 March</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2024</i>
				<i>RMB'000</i>
Analysed by transaction type:				
– Pledged	10,450,626	13,303,216	14,525,949	11,810,907
– Outright	<u>999,820</u>	<u>607,709</u>	<u>–</u>	<u>–</u>
	<u>11,450,446</u>	<u>13,910,925</u>	<u>14,525,949</u>	<u>11,810,907</u>

51. ACCOUNTS PAYABLE TO BROKERAGE CLIENTS

Accounts payable to brokerage clients mainly include money held for clients placed at banks and at clearing houses by the Target Group, and are interest bearing at the prevailing market interest rates. The majority of the accounts payable balances are repayable on demand except where certain balances represent margin deposits and cash collateral received from clients for their trading activities under the normal course of business. Only the excess amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

As at the end of Relevant Periods, the amounts of cash collateral received from clients for margin financing and securities lending arrangements included in the Target Group's accounts payable to brokerage clients are as follows:

	As at 31 December			As at 31 March
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash collateral	<u>547,639</u>	<u>509,218</u>	<u>377,027</u>	<u>483,487</u>

52. CONTINGENT LIABILITIES

As at 31 December 2021, 2022, 2023 and 31 March 2024, the contingent liabilities of the Target Group mainly include potential liabilities arising from pending litigation or arbitration, amounting to approximately RMB102,620 thousand, RMB20,996 thousand, RMB2,371 thousand and RMB2,588 thousand, respectively.

As at 31 March 2024, the provisions of RMB2,588 thousand were made as a result of clients pursuing tortious liabilities against the Target Group's branches as well as employee labour arbitration.

53. LITIGATION

- 53.1 In September 2011, Bank of Zhengzhou Co., Ltd. filed a lawsuit with Zhengzhou Intermediate People's Court on the grounds of a bond custody contract dispute, claiming Minsheng Securities, Henan Branch of Minsheng Securities (民生證券河南分公司) to return the bonds under their custody and to pay compensation for the principal amount of the bonds of RMB17,670,000 and interest of RMB42,452,900 (provisionally calculated up to 16 September 2011) if the aforesaid bonds are not returned after the due date. The case was heard by Zhengzhou Intermediate People's Court of Henan Province, and no final judgement has been obtained.
- 53.2 In August 2023, Liaocheng Heshan Haibo Technology Consulting Partnership (Limited Partnership)(聊城合杉海博科技諮詢合夥企業(有限合夥)) filed a lawsuit with the People's Court of Dong'e County, Shandong Province on the grounds that Minsheng Securities had defaulted on the payment of remuneration under the cooperative agreement and prejudiced its interests, claiming that Minsheng Securities would pay the corresponding amount of remuneration of RMB5,684,500, interest on the overdue payment, liquidated damages of RMB40,000,000, etc. After Minsheng Securities filed an objection to the jurisdiction, the case was transferred to the jurisdiction of the People's Court of Guang'an District, Guang'an, Sichuan Province (四川省廣安市廣安區人民法院), and a judgement of first instance has not yet been made.
- 53.3 In March 2024, Sichuan Zhongteng Kemao Co., Ltd.(四川中騰科貿有限公司)(hereinafter referred to as "Zhongteng Kemao") filed an arbitration with China International Economic and Trade Arbitration Commission on the grounds of a trust contract dispute, claiming a ruling that SDIC Taikang Trust Co., Ltd. and Minsheng Securities should compensate Zhongteng Kemao for the loss of subscription amount of RMB130 million, loss of interest of RMB10,614,900, and the fee for loss of capital occupation (from 15 January 2021 until the date of actual settlement), etc. Upon the application of Minsheng Securities, Beijing Financial Court accepted the case of application for confirmation of the validity of the arbitration agreement. In July 2024, Beijing Financial Court ruled to confirm that there was no arbitration agreement between Minsheng Securities and Zhongteng Kemao, the arbitration applicant.

Apart from the above litigation and arbitration cases, as of 31 March 2024, the Group had no other significant legal or arbitration cases.

54. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

54.1 Cash and cash equivalents comprise:

	Year ended 31 December			Three months ended 31 March	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (Unaudited)	2024 RMB'000
Bank balances	3,032,458	2,359,876	3,762,001	4,459,354	4,490,373
Proprietary clearing settlement funds	<u>261,480</u>	<u>218,032</u>	<u>239,818</u>	<u>278,195</u>	<u>219,640</u>
	<u>3,293,938</u>	<u>2,577,908</u>	<u>4,001,819</u>	<u>4,737,549</u>	<u>4,710,013</u>

54.2 Reconciliation of liabilities arising from financing activities

	Bonds in issue RMB'000	Lease liabilities RMB'000	Dividend payable RMB'000	Total RMB'000
At 1 January 2021	9,109,063	225,169	410	9,334,642
Financing cash flows				
– Additional bonds in issue	5,851,328	–	–	5,851,328
– Repayment of bonds in issue	(9,006,380)	–	–	(9,006,380)
– Repayment of lease liabilities	–	(49,586)	–	(49,586)
– Interest paid for bonds	(547,006)	–	–	(547,006)
– Dividend paid	–	–	(249,455)	(249,455)
Non-cash changes				
– Interest expenses	349,241	11,366	–	360,607
– New leases	–	77,104	–	77,104
– Dividend declared	–	–	249,455	249,455
At 31 December 2021 and 1 January 2022	5,756,246	264,053	410	6,020,709
Financing cash flows				
– Additional bonds in issue	7,383,687	–	–	7,383,687
– Repayment of bonds in issue	(6,754,518)	–	–	(6,754,518)
– Repayment of lease liabilities	–	(67,845)	–	(67,845)
– Interest paid for bonds	(256,462)	–	–	(256,462)
– Dividend paid	–	–	(195,407)	(195,407)
Non-cash changes				
– Interest expenses	324,590	12,695	–	337,285
– New leases	–	37,705	–	37,705
– Dividend declared	–	–	284,273	284,273
At 31 December 2022 and 1 January 2023	<u>6,453,543</u>	<u>246,608</u>	<u>89,276</u>	<u>6,789,427</u>

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FINANCIAL INFORMATION OF MINSHENG SECURITIES

	Bonds in issue RMB'000	Lease liabilities RMB'000	Dividend payable RMB'000	Total RMB'000
At 1 January 2023	6,453,543	246,608	89,276	6,789,427
Financing cash flows				
- Additional bonds in issue	7,593,549	-	-	7,593,549
- Repayment of bonds in issue	(7,358,070)	-	-	(7,358,070)
- Repayment of lease liabilities	-	(66,100)	-	(66,100)
- Interest paid for bonds	(289,254)	-	-	(289,254)
- Dividend paid	-	-	(46,975)	(46,975)
Non-cash changes				
- Interest expenses	263,133	11,139	-	274,272
- New leases	-	14,591	-	14,591
- Dividend declared	-	-	68,303	68,303
At 31 December 2023 and 1 January 2024	6,662,901	206,238	110,604	6,979,743
Financing cash flows				
- Additional bonds in issue	1,631,020	-	-	1,631,020
- Repayment of bonds in issue	(1,210,035)	-	-	(1,210,035)
- Repayment of lease liabilities	-	(17,083)	-	(17,083)
- Interest paid for bonds	(120,305)	-	-	(120,305)
Non-cash changes				
- Interest expenses	68,181	2,447	-	70,628
- New leases	-	2,594	-	2,594
At 31 March 2024	<u>7,031,762</u>	<u>194,196</u>	<u>110,604</u>	<u>7,336,562</u>
At 1 January 2023	6,453,543	246,608	89,276	6,789,427
Financing cash flows				
- Additional bonds in issue	2,067,002	-	-	2,067,002
- Repayment of bonds in issue	(141,973)	-	-	(141,973)
- Repayment of lease liabilities	-	(16,895)	-	(16,895)
- Interest paid for bonds	(1,800,160)	-	-	(1,800,160)
Non-cash changes				
- Interest expenses	67,078	3,020	-	70,098
- New leases	-	14,353	-	14,353
At 31 March 2023	<u>6,645,490</u>	<u>247,086</u>	<u>89,276</u>	<u>6,981,852</u>

55. RELATED PARTY TRANSACTIONS

55.1 Related parties transactions

Name of related parties	Relationship	Nature of transactions	Year ended 31 December			Three months ended 31 March	
			2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (Unaudited)	2024 RMB'000
Gongqingcheng Minsheng Hongjing Phase III Investment Centre (Limited Partnership) (共青城民生紅景三期投資中心(有限合夥))	Common key management personnel and its related parties	Commission and fee income	-	-	1,539	-	229
Huzhou Jianing Equity Investment Partnership (Limited Partnership) (湖州佳寧股權投資合夥企業(有限合夥))	Common key management personnel and its related parties and its related parties	Commission and fee income	413	1,340	1,494	-	385
Guangzhou Minjin Internet Credit Finance Co. Ltd. (廣州民金小額貸款有限公司)	Common key management personnel and its related parties	Commission and fee income	1	-	1	-	1
Shanghai Zhangjiang Technology Venture Investment Co., Ltd. (上海張江科技創業投資有限公司)	Common key management personnel and its related parties	Commission and fee income	-	509	170	-	68
Oceanwide Equity Investment Management Co., Ltd. (泛海股權投資管理有限公司)	Common key management personnel and its related parties	Commission and fee income	97	-	-	-	-
Huaxin Capital Investment Management Co., Ltd. (華馨資本投資管理有限公司)	Common key management personnel and its related parties	Commission and fee income	-	-	-*	-	-
Minsheng Jinfu (Beijing) Investment Management Co., Ltd. (民生金服(北京)投資管理有限公司)	Common key management personnel and its related parties	Commission and fee income	6	1	-	-	-
Hwabao WP Fund Management Co., Ltd. (華寶基金管理有限公司)	Common key management personnel and its related parties	Commission and fee income	1,896	1,725	2,658	-	915
FullGoal Fund Management Co., Ltd. (富國基金管理有限公司)	Common key management personnel and its related parties	Commission and fee income	4,306	12,115	14,916	-	14,692
Huzhou Jianing Equity Investment Partnership (Limited Partnership) (湖州佳寧股權投資合夥企業(有限合夥))	Common key management personnel and its related parties	Investment (gains)/losses	1	12	-	-	3

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Name of related parties	Relationship	Nature of transactions	Year ended 31 December			Three months ended 31 March	
			2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (Unaudited)	2024 RMB'000
Oceanwide Property Management Co., Ltd. (泛海物業管理有限公司)	Common key management personnel and its related parties	Property management expenses	4,397	1,653	1,640	419	419
Beijing Economic Observer Culture Media Co., Ltd. (北京經觀文化傳媒有限公司)	Common key management personnel and its related parties	Consultancy fee	566	–	–	–	–
China Bohai Bank Co., Ltd. (渤海銀行股份有限公司)	Common key management personnel and its related parties	Interest expense of lease liabilities	–	–	1	–	–
Oceanwide Property Management Co., Ltd. (泛海物業管理有限公司)	Common key management personnel and its related parties	Interest expense of lease liabilities	1	–*	–*	–	–
China Bohai Bank Co., Ltd. (渤海銀行股份有限公司)	Common key management personnel and its related parties	Interest expenses	–	16	3	3	–
Guangzhou Sophia Investment Co., Ltd. (廣州索菲亞投資有限公司)	Shareholder	Commission and fee income	29	30	12	12	–
Xinxiang Bailu Investment Group Co., Ltd. (新鄉白鷺投資集團有限公司)	Shareholder	Commission and fee income	–*	–*	–*	–	–
Hangzhou Dongheng Petroleum Co., Ltd. (杭州東恒石油有限公司)	Shareholder	Commission and fee income	–	–	–*	–	–
Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司)	Shareholder	Commission and fee income	–	–*	–	–	–
Xizang Tengyun Investment Management Co., Ltd. (西藏騰雲投資管理有限公司)	Shareholder	Commission and fee income	45	–	–	–	–
Asia-Pacific Property & Casualty Insurance Co., Ltd. (亞太財產保險有限公司)	Common key management personnel and its related parties	Commission and fee income	–	135	66	17	53
Asia-Pacific Property & Casualty Insurance Co., Ltd. (亞太財產保險有限公司)	Common key management personnel and its related parties	Insurance expenses	140	90	56	4	20
First-Trust Fund Management Co., Ltd. (泰信基金管理有限公司)	Common key management personnel and its related parties	Interest expenses	–	51	4	–	21

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FINANCIAL INFORMATION OF MINSHENG SECURITIES

Name of related parties	Relationship	Nature of transactions	Year ended 31 December			Three months ended 31 March	
			2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (Unaudited)	2024 RMB'000
First-Trust Fund Management Co., Ltd. (泰信基金管理有限公司)	Common key management personnel and its related parties	Commission and fee income	–	2,524	49	–	464
Xinxiang Chemical Fiber Co., Ltd. (新鄉化纖股份有限公司)	Common key management personnel and its related parties	Commission and fee income	–	4	1	1	–
Tonghai Investment Group Co., Ltd. (通海股權投資股份有限公司)	Common key management personnel and its related parties	Commission and fee income	–	–	–*	–	–
China Oceanwide Holdings Group Co., Ltd. (中國泛海控股集團有限公司)	Common key management personnel and its related parties	Commission and fee income	–*	–*	–	–	–
China Oceanwide Holdings Group Co., Ltd. (中國泛海控股集團有限公司)	Common key management personnel and its related parties	Rental expenses	51,644	18,657	16,727	3,902	4,493
China Oceanwide Holdings Group Co., Ltd. (中國泛海控股集團有限公司)	Common key management personnel and its related parties	Interest expense of lease liabilities	131	67	5	5	–
Wuhan Central Business District Operation and Development Co., Ltd. (武漢中央商務區運營發展有限公司)	Common key management personnel and its related parties	Interest expense of lease liabilities	29	14	–	–	–
China Oceanwide Holdings Group Co., Ltd. (中國泛海控股集團有限公司)	Common key management personnel and its related parties	Depreciation of right-of-use assets	1,411	1,499	475	356	–
China Bohai Bank Co., Ltd. (渤海銀行股份有限公司)	Common key management personnel	Depreciation of right-of-use assets	–	–	41	41	–
Oceanwide Property Management Co., Ltd. (泛海物業管理有限公司)	Common key management personnel and its related parties	Depreciation of right-of-use assets	18	8	–	–	–
Wuhan Central Business District Operation and Development Co., Ltd. (武漢中央商務區運營發展有限公司)	Common key management personnel and its related parties	Depreciation of right-of-use assets	303	303	–	–	–
Others	Common key management personnel and its related parties	Commission and fee income	3,799	1,236	223	89	22

55.2 Related parties balances

Name of related parties	Relationship	Nature of balances	As at 31 December			As at 31
			2021 RMB'000	2022 RMB'000	2023 RMB'000	March 2024 RMB'000
Oceanwide Property Management Co., Ltd. (泛海物業管理有限公司)	Common key management personnel and its related parties	Lease liabilities	49	–	–	–
Huzhou Jianing Equity Investment Partnership (Limited Partnership)(湖州佳寧股權投資合夥企業(有限合夥))	Common key management personnel and its related parties	Account receivables	167	61	122	–
FullGoal Fund Management Co.,Ltd. (富國基金管理有限公司)	Common key management personnel and its related parties	Account receivables	521	3,339	1,665	15,470
Hwabao WP Fund Management Co., Ltd. (華寶基金管理有限公司)	Common key management personnel and its related parties	Account receivables	1,666	415	–	1,478
Oceanwide Property Management Co., Ltd. (泛海物業管理有限公司)	Common key management personnel and its related parties	Other receivables	94	97	–	–
Huzhou Jianing Equity Investment Partnership (Limited Partnership)(湖州佳寧股權投資合夥企業(有限合夥))	Common key management personnel and its related parties	Other receivables	–*	1	1	–
Gongqingcheng Minsheng Hongjing Phase III Investment Centre (Limited Partnership) (共青城民生紅景三期投資中心(有限合夥))	Common key management personnel and its related parties	Other receivables	–	–	1	–
Oceanwide Property Management Co., Ltd. (泛海物業管理有限公司)	Common key management personnel and its related parties	Prepayment	15	32	2	2
Gongqingcheng Minsheng Hongjing Phase III Investment Centre (Limited Partnership) (共青城民生紅景三期投資中心(有限合夥))	Common key management personnel and its related parties	Contract liabilities	–	–	1,527	1,527
Huzhou Jianing Equity Investment Partnership (Limited Partnership)(湖州佳寧股權投資合夥企業(有限合夥))	Common key management personnel and its related parties	Contract liabilities	–	–	–	1,233
Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司)	Shareholder	Dividend payable	–	88,866	110,194	110,194
First-Trust Fund Management Co., Ltd. (泰信基金管理有限公司)	Common key management personnel and its related parties	Account receivables	–	885	115	490

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Name of related parties	Relationship	Nature of balances	As at 31 December			As at 31
			2021	2022	2023	March
			RMB'000	RMB'000	RMB'000	RMB'000
Asia-Pacific Property & Casualty Insurance Co., Ltd. (亞太財產保險有限公司)	Common key management personnel and its related parties	Account receivables	–	–	2	56
China Oceanwide Holdings Group Co., Ltd. (中國泛海控股集團有限公司)	Common key management personnel and its related parties	Other receivables	7,403	4,242	–	–
Wuhan Central Business District Operation and Development Co., Ltd. (武漢中央商務區運營發展有限公司)	Common key management personnel and its related parties	Other receivables	90	90	–	–
Asia-Pacific Property & Casualty Insurance Co., Ltd (亞太財產保險有限公司)	Common key management personnel and its related parties	Prepayment	–	–	13	–
China Oceanwide Holdings Group Co., Ltd. (中國泛海控股集團有限公司)	Common key management personnel and its related parties	Prepayment	6,813	–	333	–
China Oceanwide Holdings Group Co., Ltd. (中國泛海控股集團有限公司)	Common key management personnel and its related parties	Other payables	161	–*	–*	–*
Gongqingcheng Minsheng Hongjing Phase III Investment Centre (Limited Partnership)(共青城民生紅景三期投資中心(有限合夥))	Common key management personnel and its related parties	Account receivables	–	–	–	217
China Oceanwide Holdings Group Co., Ltd. (中國泛海控股集團有限公司)	Common key management personnel and its related parties	Lease liabilities	2,059	507	–	–
Wuhan Central Business District Operation and Development Co., Ltd. (武漢中央商務區運營發展有限公司)	Common key management personnel and its related parties	Lease liabilities	399	165	–	–

55.3 Key management personnel

Key management personnel are those persons who have the power to, directly or indirectly, plan, direct and control the activities of the Target Group, including members of the board of directors, board of supervisors and other members of the senior management.

	Year ended 31 December			Three months ended 31 March	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000	2024 RMB'000
Short term employee benefits	89,200	94,385	86,236	4,587	4,719

(Unaudited)

56. UNCONSOLIDATED STRUCTURED ENTITIES

Unconsolidated structured entities of the Target Group mainly include asset management schemes managed by the Target Group and asset management schemes, investment funds, wealth management products, private equity funds and etc. which the Target Group invests in but does not act as a manager.

Except for the structured entities that the Target Group has consolidated, in the opinion of the directors of the Target Company, the variable returns the Target Group exposed to the structured entities that the Target Group has interests in are not significant. The Target Group did not consider itself being the principal and consequently did not consolidate these structured entities.

As at 31 December 2021, 2022, 2023 and 31 March 2024, the total assets of unconsolidated structured entities managed by the Target Group amounted to RMB34,757,800 thousand, RMB33,394,202 thousand, RMB29,986,780 thousand and RMB30,538,830 thousand respectively.

The interests in unconsolidated structured entities held by the Target Group which are classified as financial assets at FVTPL included asset management schemes, wealth management products, investment funds, trust schemes, private equity fund, asset backed securities and limited partnership.

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FINANCIAL INFORMATION OF MINSHENG SECURITIES

The related carrying amounts and the maximum exposure of interests in unconsolidated structured entities managed by the Target Group classified as financial assets at FVTPL were as follows:

	<u>As at 31 December</u>			<u>As at</u>
	2021	2022	2023	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2024
Investment funds	290,818	257,728	334,932	334,973
Collective asset management products	<u>35,448</u>	<u>23,587</u>	<u>11,261</u>	<u>10,172</u>
	<u>326,266</u>	<u>281,315</u>	<u>346,193</u>	<u>345,145</u>

The related carrying amounts and the maximum exposure of interests in unconsolidated structured entities for which the Group did not act as the investment manager classified as financial asset at FVTPL were as follows:

	<u>As at 31 December</u>			<u>As at</u>
	2021	2022	2023	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2024
Investment funds	5,238,576	4,477,438	4,982,376	3,161,612
Wealth management products	747,113	586,476	91,560	652,369
Trust schemes	1,267,728	667,531	20,647	20,647
Collective asset management products	<u>28,841</u>	<u>97,489</u>	<u>81,226</u>	<u>28,680</u>
	<u>7,282,258</u>	<u>5,828,934</u>	<u>5,175,809</u>	<u>3,863,308</u>

For the years ended 31 December 2021, 2022, 2023 and 31 March 2024, income from these unconsolidated structured entities held by the Group classified as financial asset at FVTPL was as follows:

	<u>Year ended 31 December</u>			<u>Three months ended</u>	
	2021	2022	2023	31 March	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2023	2024
Net investment gain	208,337	131,921	50,364	23,260	26,896
Asset management fee income	<u>120,376</u>	<u>129,341</u>	<u>108,771</u>	<u>24,717</u>	<u>23,906</u>

57. PRINCIPAL SUBSIDIARIES

General information of principal subsidiaries

The following were principal subsidiaries of the Target Group as at the Relevant Periods. The equity interests in these subsidiaries were held by the Target Company and the percentage of ownership held by the Target Group represented the voting rights of the Target Group.

Name of subsidiaries	Type of legal entity registered	Date of establishment	Place of registration	Registered capital (in thousand)	Equity interests held by the Target Group				Principal activities
					As at 31 December			As at 31 March	
					2021	2022	2023	2024	
Minsheng Equity Investment Fund Management Co., Ltd. (民生股權投資基金管理有限公司)	Limited liability company	2012.3.6	Beijing	1,000,000	100.00%	100.00%	100.00%	100.00%	Investment consultancy for non-securities businesses
Minsheng Securities Investment Company Limited (民生證券投資有限公司)	Limited liability company	2013.5.21	Shenzhen	4,000,000	100.00%	100.00%	100.00%	100.00%	Investment
Minsheng Futures Co., Ltd. (民生期貨有限公司)	Limited liability company	1996.1.29	Beijing	436,000	95.01%	95.01%	95.01%	95.01%	Futures brokerage
Minsheng Bohai Capital Management Co., Ltd. (民生渤海資本管理有限公司)	Limited liability company	2018.5.23	Shanghai	122,000	95.01%	95.01%	95.01%	95.01%	Asset management, investment management
Minsheng Fund Management Co., Ltd. (民生基金管理有限公司)	Limited liability company	2020.6.2	Beijing	200,000	100.00%	100.00%	100.00%	100.00%	Capital market services

C. EVENTS AFTER THE REPORTING PERIOD

During the subsequent period, the Company shall comply with the provisions of the “Employee Equity Incentive Plan” to repurchase/recover 10,958,303 shares from these employees who have resigned, retired, or voluntarily withdrawn. The aforementioned persons have withdrawn from the partnership. Since the company plans to convene a general meeting of shareholders in the near future, it is temporarily unable to register changes to the company’s shareholder list in accordance with the provisions of the Company Law. The Target Company will handle the registration of the aforementioned shares as soon as possible after the convening of its general meeting of shareholders. After the capital reduction is completed, the registered capital of the Target Company will be reduced by RMB10,958,303 and the shareholding ratio of each counterparty will be slightly adjusted accordingly.

On June 11 2024, the Target Company held second extraordinary shareholders meeting of 2024 and passed the “Proposal on the Company’s Profit Distribution Plan for 2023”. Given that the company has repurchased 10,958,303 shares mentioned above. The 10,958,303 of the company’s 11,383,836,763 shares are held by the company. Shares do not participate in profit distribution. Therefore, a cash of RMB0.15 (tax included) is distributed for every 10 shares. The expect cash outflow in this profit distribution amounting to RMB170,593 thousand.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group in respect of any period subsequent to 31 March 2024.

**BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

The following is an illustrative unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows (the “**Unaudited Pro Forma Financial Information**”) of Guolian Securities (the “**Company**” and its subsidiaries (collectively referred to as the “**Group**”) and Minsheng Securities Co., Ltd and its subsidiaries (collectively referred to as the “**Target Group**”) (the Group together with the Target Group are collectively referred to as the “**Enlarged Group**”) as if the proposed acquisition of the Target Group (the “**Acquisition**”) had been completed on (i) 31 December 2023 in respect of the unaudited pro forma consolidated statement of financial position of the Enlarged Group; and (ii) 1 January 2023 in respect of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Enlarged Group.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company in accordance with Rule 4.29 of the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the actual financial position, financial results and cash flows of the Enlarged Group that would be attained had the Acquisition been completed on the respective dates indicated herein. Furthermore, the Unaudited Pro Forma Financial Information does not purport to predict the Enlarged Group’s future financial position, financial results and cash flows.

The Unaudited Pro Forma Financial Information is prepared based on (i) the audited consolidated statement of financial position of the Group as at 31 December 2023 and the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2023 as extracted from the published annual report of the Group for the year ended 31 December 2023; (ii) the audited consolidated statement of financial position of the Target Group as at 31 March 2024, the audited consolidated statement of profit or loss and other comprehensive income and the statement of cash flows of the Target Group for the year ended 31 December 2023 as extracted from the Accountants’ Reports set out in Appendix IV to this circular; and (iii) after giving effect to the unaudited pro forma adjustments as described in the accompanying notes.

A narrative description of the pro forma adjustments of the Acquisition that are directly attributable to the transaction and factually supportable, is summarized in the accompanying notes.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the financial information of the Group as set out in the published annual report of the Group for the year ended 31 December 2023 dated 26 March 2024, and that of the Target Group, as set out in Appendix V to this circular, and other financial information included elsewhere in this circular. The Unaudited Pro Forma Financial Information of the Enlarged Group does not take into account any trading or other transactions subsequent to the dates of the respective financial statements of the companies comprising the Enlarged Group.

APPENDIX V

**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE GROUP**

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
OF THE ENLARGED GROUP**

	The Group	The Target	Unaudited Pro forma Adjustments			Unaudited
	as at 31 December 2023	as at 31 March 2024	RMB'000	RMB'000	RMB'000	Pro Forma of the Enlarged Group
	RMB'000 Note 1	RMB'000 Note 2(a)	RMB'000 Note 3	RMB'000 Note 4	RMB'000 Note 5	RMB'000
ASSETS						
Non-current assets						
Property and equipment	101,738	235,113		174,096		510,947
Right-of-use assets	227,464	175,080				402,544
Goodwill	1,142,579	7,071		13,325,168		14,474,818
Intangible assets	545,052	37,458		141,028		723,538
Investment in a subsidiary	–	–	29,491,806	(29,491,806)		–
Interests in an associate and a joint venture	75,780	3,117				78,897
Equity instruments at fair value through other comprehensive income	3,600,396	2,236,933				5,837,329
Debt instruments at fair value through other comprehensive income	4,598,052	–				4,598,052
Financial assets at fair value through profit or loss	843,584	1,219,301				2,062,885
Financial assets held under resale agreements	200,336	–				200,336
Derivative financial assets	1,503,130	–				1,503,130
Deferred income tax assets	32,666	780,281				812,947
Refundable deposits	465,954	2,297,385				2,763,339
Construction in progress	8,843	28,197		967		38,007
Other non-current assets	1,313,253	44,577		973		1,358,803
Total non-current assets	14,658,827	7,064,513	29,491,806	(15,849,574)	–	35,365,572

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**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE GROUP**

	The Group	The Target	Unaudited Pro forma Adjustments			Unaudited
	as at 31 December 2023	Company as at 31 March 2024	RMB'000	RMB'000	RMB'000	Pro Forma of the Enlarged Group
	RMB'000 Note 1	RMB'000 Note 2(a)	RMB'000 Note 3	RMB'000 Note 4	RMB'000 Note 5	RMB'000
Current assets						
Other current assets	2,528,617	493,625				3,022,242
Margin accounts receivable	10,126,663	4,399,235				14,525,898
Financial assets held under resale agreements	5,106,578	1,506,139		3		6,612,720
Debt instruments at fair value through other comprehensive income	2,485,305	198,915				2,684,220
Financial assets at fair value through profit or loss	38,183,659	28,839,841				67,023,500
Derivative financial assets	244,113	–				244,113
Clearing settlement funds	3,978,960	1,604,893				5,583,853
Cash held for brokerage clients	6,650,429	9,752,304				16,402,733
Cash and bank balances	<u>3,165,723</u>	<u>4,490,373</u>			<u>(41,638)</u>	<u>7,614,458</u>
Total current assets	<u>72,470,047</u>	<u>51,285,325</u>	<u>–</u>	<u>3</u>	<u>(41,638)</u>	<u>123,713,737</u>
Total assets	<u>87,128,874</u>	<u>58,349,838</u>	<u>29,491,806</u>	<u>(15,849,571)</u>	<u>(41,638)</u>	<u>159,079,309</u>

APPENDIX V
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE GROUP**

	The Group	The Target	Unaudited Pro forma Adjustments			Unaudited
	as at 31 December 2023	Company as at 31 March 2024	RMB'000	RMB'000	RMB'000	Pro Forma of the Enlarged Group
	RMB'000 Note 1	RMB'000 Note 2(a)	RMB'000 Note 3	RMB'000 Note 4	RMB'000 Note 5	RMB'000
Equity and liabilities						
Equity						
Share capital	2,831,773	11,383,837	2,640,269	(11,383,837)		5,472,042
Share premium	8,189,045	803,953	26,851,537	(803,953)		35,040,582
Reserves	3,062,913	1,800,502		(1,800,502)		3,062,913
Retained earnings	3,684,960	2,060,677		(2,060,677)	(41,638)	3,643,322
Equity attributable to shareholders of the Company	17,768,691	16,048,969	29,491,806	(16,048,969)	(41,638)	47,218,859
Non-controlling interest	354,867	26,540		120,131		501,538
Total equity	18,123,558	16,075,509	29,491,806	(15,928,838)	(41,638)	47,720,397
Liabilities						
Non-current liabilities						
Deferred income tax liabilities	658,105	864		79,267		738,236
Bonds in issue	16,025,000	1,430,427				17,455,427
Lease liabilities	135,206	141,268				276,474
Derivative financial liabilities	161,577	200				161,777
Financial liabilities at fair value through profit or loss	70,636	–				70,636
Other non-current liabilities	8,754,770	–				8,754,770
Total non-current liabilities	25,805,294	1,572,759	–	79,267	–	27,457,320

APPENDIX V
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE GROUP**

	The Group	The Target	Unaudited Pro forma Adjustments			Unaudited
	as at 31 December 2023	Company as at 31 March 2024	RMB'000	RMB'000	RMB'000	Pro Forma of the Enlarged Group
	RMB'000 Note 1	RMB'000 Note 2(a)	RMB'000 Note 3	RMB'000 Note 4	RMB'000 Note 5	RMB'000
Current liabilities						
Other current liabilities	3,623,968	1,818,188				5,442,156
Current income tax liabilities	10,688	128,184				138,872
Bonds in issue	9,293,077	5,601,335				14,894,412
Lease liabilities	94,878	52,928				147,806
Contract liabilities	17,552	179,561				197,113
Due to other financial institutions	5,314,014	4,210,665				9,524,679
Derivative financial liabilities	286,066	12				286,078
Financial assets sold under repurchase agreements	14,421,564	11,810,907				26,232,471
Financial liabilities at fair value through profit or loss	1,092,116	3,778,492				4,870,608
Accounts payable to brokerage clients	9,046,099	13,121,298				22,167,397
Total current liabilities	<u>43,200,022</u>	<u>40,701,570</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>83,901,592</u>
Total liabilities	<u>69,005,316</u>	<u>42,274,329</u>	<u>-</u>	<u>79,267</u>	<u>-</u>	<u>111,358,912</u>
Total equity and liabilities	<u>87,128,874</u>	<u>58,349,838</u>	<u>29,491,806</u>	<u>(15,849,571)</u>	<u>(41,638)</u>	<u>159,079,309</u>

APPENDIX V
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE GROUP**
**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME OF THE ENLARGED GROUP**

	The Group	The Target	Unaudited Pro forma Adjustments				Unaudited
	for the year ended 31 December 2023 RMB'000 Note 1	Group for the year ended 31 December 2023 RMB'000 Note 2(b)	RMB'000 Note 5	RMB'000 Note 6	RMB'000 Note 7	RMB'000 Note 8	Pro Forma of the Enlarged Group RMB'000
Revenue							
– Commission and fee income	1,805,286	3,545,075			(141)		5,350,220
– Interest income under effective interest method	1,330,276	703,606					2,033,882
Net investment gains	1,243,463	369,487					1,612,950
Other income	6,541	3,856					10,397
Total revenue, net investment gains and other income	4,385,566	4,622,024	–	–	(141)	–	9,007,449
Commission and fee expenses	(251,117)	(343,999)			141		(594,975)
Interest expenses	(1,248,823)	(683,862)					(1,932,685)
Staff costs	(1,377,070)	(2,300,291)					(3,677,361)
Depreciation and amortisation	(270,532)	(145,065)		(42,097)			(457,694)
Other operating expenses	(524,652)	(564,669)	(41,638)				(1,130,959)
Impairment losses under expected credit loss model, net of reversal	28,598	13,447					42,045
Total expenses	(3,643,596)	(4,024,439)	(41,638)	(42,097)	141	–	(7,751,629)
Total revenue, net investment gains and other income less total expenses	741,970	597,585	(41,638)	(42,097)	–	–	1,255,820
Share of results of associates	(21,026)	229					(20,797)
Other gains	104,473	157,126					261,599
Profit before income tax	825,417	754,940	(41,638)	(42,097)	–	–	1,496,622
Income tax expense	(150,867)	(112,958)		10,524			(253,301)
Profit for the year	674,550	641,982	(41,638)	(31,573)	–	–	1,243,321
Attributable to:							
Shareholders of the Company	671,319	639,166	(41,638)	(31,340)		(4,714)	1,232,793
Non-controlling interests	3,231	2,816		(233)		4,714	10,528
Profit for the year	674,550	641,982	(41,638)	(31,573)	–	–	1,243,321

APPENDIX V
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE GROUP**

	The Group	The Target	Unaudited Pro forma Adjustments				Unaudited
	for the year ended 31 December 2023	Group for the year ended 31 December 2023	RMB'000	RMB'000	RMB'000	RMB'000	Pro Forma of the Enlarged Group
	RMB'000 Note 1	RMB'000 Note 2(b)	RMB'000 Note 5	RMB'000 Note 6	RMB'000 Note 7	RMB'000 Note 8	RMB'000
Profit for the year	674,550	641,982	(41,638)	(31,573)	–	–	1,243,321
Other comprehensive income/(expense)							
Items that will not be reclassified to profit or loss:							
Fair value gain on:							
– investments in equity instruments at fair value through other comprehensive income	303,919	52,177					356,096
Income tax relating to items that will not be reclassified to profit or loss	(75,980)	(13,044)					(89,024)
	227,939	39,133	–	–	–	–	267,072
Items that may be reclassified subsequently to profit or loss:							
Exchange differences arising on translation of foreign operations	3,827	–					3,827
Fair value gain/(loss) on:							
– debt instruments measured at fair value through other comprehensive income	154,207	(1,748)					152,459
Impairment loss for debt instruments at fair value through other comprehensive income included in profit or loss	(14,137)						(14,137)
Income tax relating to items that may be reclassified subsequently	(35,018)	437					(34,581)
	108,879	(1,311)	–	–	–	–	107,568
Other comprehensive income for the year, net of tax	336,818	37,822	–	–	–	–	374,640
Total comprehensive income for the year	1,011,368	679,804	(41,638)	(31,573)	–	–	1,617,961
Attributable to:							
Shareholders of the Company	1,008,137	676,988	(41,638)	(31,340)	–	(4,993)	1,607,154
Non-controlling interests	3,231	–	–	(233)	–	4,993	10,807
Total comprehensive income for the year	1,011,368	679,804	(41,638)	(31,573)	–	–	1,617,961

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE
ENLARGED GROUP

	The Group for the year ended 31 December 2023 RMB'000 Note 1	The Target Group for the year ended 31 December 2023 RMB'000 Note 2(b)	<i>Unaudited Pro forma Adjustments</i> RMB'000		Unaudited Pro Forma of the Enlarged Group RMB'000
			Note 5	Note 6	
Cash flows from operating activities					
Profit before tax	825,417	754,940	(41,638)	(42,097)	1,496,622
Adjustments for:					
Depreciation and amortization	270,532	145,065		42,097	457,694
Impairment losses under expected credit loss model, net of reversal	(28,598)	(13,447)			(42,045)
Net gains on disposal of property and equipment, intangible assets and other non-current assets, net	(81,250)	(788)			(82,038)
Unrealised fair value change of financial instruments at fair value through profit or loss	(677,011)	576,362			(100,649)
Unrealised fair value change of financial liabilities at fair value through profit or loss	–	8,547			8,547
Foreign exchange gains	(635)	(223)			(858)
Share of results of associates	21,026	–			21,026
Share of results of a joint venture	–	(229)			(229)
Interest income from debt instruments at fair value through other comprehensive income	(259,542)	–			(259,542)
Unrealised fair value change of financial derivative instruments	–	35,700			35,700
Interest income from debt investments at fair value through other comprehensive income	–	(3,338)			(3,338)
Net gains from disposal of debt instruments at fair value through other comprehensive income	(10,055)	–			(10,055)
Dividends from equity instruments at fair value through other comprehensive income	(308,540)	–			(308,540)
Interest expense of bonds in issue and short-term borrowings	796,881	263,133			1,060,014
Interest expense of lease liabilities	8,268	11,139			19,407
Share-based payment expenses	–	21,256			21,256
Operating cash flows before movements in working capital	556,493	1,798,117	(41,638)	–	2,312,972

APPENDIX V
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE GROUP**

	The Group for the year ended 31 December 2023 RMB'000 Note 1	The Target Group for the year ended 31 December 2023 RMB'000 Note 2(b)	<i>Unaudited Pro forma Adjustments</i> RMB'000		Unaudited Pro Forma of the Enlarged Group RMB'000
			Note 5	Note 6	
Net increase in margin accounts receivable	(1,307,769)	(184,705)			(1,492,474)
Net increase in financial assets at fair value through profit or loss	(6,097,082)	(860,938)			(6,958,020)
Net decrease in financial assets held under resale agreements	840,474	2,532,265			3,372,739
Net decrease/(increase) in refundable deposits	126,272	(331,993)			(205,721)
Net decrease in cash held for brokerage clients	1,314,506	570,247			1,884,753
Net decrease in clearing settlement funds	179,265	35,708			214,973
Net (increase)/decrease in other assets	(957,026)	236,248			(720,778)
Net decrease in accounts payable to brokerage clients	(1,751,182)	(139,151)			(1,890,333)
Net (increase)/decrease in financial assets sold under repurchase agreements	(571,117)	615,024			43,907
Net increase in due to other financial institutions	4,413,798	610,409			5,024,207
Net movement of financial derivative instruments	–	(28,947)			(28,947)
Net decrease in contract liabilities	–	(34,344)			(34,344)
Net increase in other liabilities	4,051,642	116,580			4,168,222
Net increase/(decrease) in financial liabilities at fair value through profit or loss	<u>28,500</u>	<u>(850,835)</u>			<u>(822,335)</u>
Cash generated from operations	826,774	4,083,685	(41,638)	–	4,868,821
Income taxes paid	<u>(46,986)</u>	<u>(286,696)</u>			<u>(333,682)</u>
Net cash from operating activities	<u>779,788</u>	<u>3,796,989</u>	<u>(41,638)</u>	<u>–</u>	<u>4,535,139</u>

APPENDIX V
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE GROUP**

	The Group for the year ended 31 December 2023 RMB'000 Note 1	The Target Group for the year ended 31 December 2023 RMB'000 Note 2(b)	<i>Unaudited Pro forma Adjustments</i> RMB'000		Unaudited Pro Forma of the Enlarged Group RMB'000
			Note 5	Note 6	
Cash flows from investing activities					
Dividends received from investments	587,884	–			587,884
Proceeds on disposal of property and equipment, intangible assets and other long-term assets	92,741	1,215			93,956
Purchase of property and equipment, intangible assets and other long-term assets	(198,542)	(89,029)			(287,571)
Cash paid for purchase of					
– debt instruments at fair value through other comprehensive income	(11,733,982)	(196,056)			(11,930,038)
– equity instruments at fair value through other comprehensive income	(466,088)	(1,923,758)			(2,389,846)
Cash received from disposal of					
– debt instruments at fair value through other comprehensive income	12,926,155	–			12,926,155
– equity instruments at fair value through other comprehensive income	99,773	–			99,773
Payment made on acquisition of subsidiaries, net of cash acquired	(2,212,761)	–			(2,212,761)
Net cash used in investing activities	(904,820)	(2,207,628)	–	–	(3,112,448)

APPENDIX V
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE GROUP**

	The Group for the year ended 31 December 2023 RMB'000 Note 1	The Target Group for the year ended 31 December 2023 RMB'000 Note 2(b)	<i>Unaudited Pro forma Adjustments</i> RMB'000		Unaudited Pro Forma of the Enlarged Group RMB'000
			Note 5	Note 6	
Cash flows from financing activities					
Interest paid for bonds in issue	(763,422)	(289,254)			(1,052,676)
Dividends paid	–	(46,975)			(46,975)
Repayment of lease liabilities	(120,560)	(66,100)			(186,660)
Cash received from additional bonds in issue	19,171,935	7,593,549			26,765,484
Cash paid for repayment of bonds in issue	<u>(14,567,201)</u>	<u>(7,358,070)</u>			<u>(21,925,271)</u>
Net cash from financing activities	<u>3,720,752</u>	<u>(166,850)</u>	–	–	<u>3,553,902</u>
Net increase in cash and cash equivalents	3,595,720	1,422,511	(41,638)		4,976,593
Effect of exchange rate changes on the balance of cash held in foreign currencies	1,303	1,400	–	–	2,703
Cash and cash equivalents at the beginning of the year	<u>3,723,982</u>	<u>2,577,908</u>	–	–	<u>6,301,890</u>
Cash and cash equivalents at the end of the year	<u><u>7,321,005</u></u>	<u><u>4,001,819</u></u>	<u><u>(41,638)</u></u>	–	<u><u>11,281,186</u></u>

Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group:

1. The amounts are extracted from the published annual report of the Group for the year ended 31 December 2023 dated 26 March 2024.
2. (a) The amounts are extracted from the audited consolidated statement of financial position of the Target Group as at 31 March 2024, which are extracted from the Accountants' Report thereon set out in Appendix IV to this Circular.
- (b) The amounts are extracted from the audited consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows of the Target Group for the year ended 31 December 2023, which are extracted from the Accountants' Report thereon set out in Appendix IV to this Circular.

3. The pro forma adjustment represents the recognition of the investment costs in the Target Group.

On 14 May 2024, the Company entered into the framework acquisition agreement with the shareholders of the Target Company (the “**Framework Agreement**”). The Company conditionally agreed to acquire 99.26% equity interest in the Target Company based on a valuation of the equity interest in the Target Group conducted by an independent valuer, China United Assets Appraisal Group Co., Ltd. (中聯資產評估集團有限公司), filed with the competent state-owned assets regulatory authority and upon negotiation between the parties. The consideration for the acquisition of the Target Group will be satisfied by the allotment and issue of 2,640,269,065 new A shares (the “**Consideration Shares**”) of the Company at an agreed share price of RMB11.17 per share. For the details of the consideration, please refer to the announcement of the Company dated 14 May 2024.

The purchase consideration represented the consideration to be paid by the Group for the purpose of Acquisition, which is based on the acquisition agreement with the shareholders of the Target Company.

For the purpose of this Unaudited Pro Forma Financial Information of the Enlarged Group, the directors of the Company assumed the fair value of the purchase consideration to be the same as that as stated in the acquisition agreement. The fair value of purchase consideration will however be subject to changes upon actual completion of the Acquisition in accordance with International Financial Reporting Standard 3 (Revised) Business Combinations (“**IFRS 3**”) issued by the International Accounting Standards Board. According to the IFRS 3, it is stated that the consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer. Upon the completion of the Acquisition on fulfilment of the conditions as stipulated in the acquisition agreements, the fair value of the purchase consideration shall be measured at the fair value of the A share of the Company at the completion date.

4. The Target Group has operation before completion of the Acquisition. Therefore, the Acquisition has been accounted for as business combination in accordance with IFRS 3 “Business Combinations” in the Unaudited Pro Forma Financial Information of the Enlarged Group.

The adjustments represent the consolidation adjustments to eliminate the pre-acquisition reserves of the Target Group, the fair value adjustments on the identifiable assets and liabilities and record the provisional goodwill in the Target Group as if the Acquisition had completed on 31 December 2023.

The identifiable assets and liabilities and the provisional goodwill arising from the Acquisition is calculated as follows:

	<i>Notes</i>	<i>RMB'000</i>
Purchase consideration	<i>(a)</i>	29,491,806
Less: net assets acquired:		
Net assets of the Target Group as at 31 March 2024		16,048,969
Add: Fair value adjustments	<i>(b)</i>	
– Property and equipment		174,096
– Intangible assets		141,028
– Construction in progress		967
– Other non-current assets		973
– Financial assets held under resale agreements		3
– Deferred tax arising from the fair value increase in assets		<u>(79,267)</u>
		<u>237,800</u>
Less: Non-controlling interest	<i>(c)</i>	120,131
Total amount of net assets acquired		16,166,638
Provisional goodwill arising from the Acquisition (“ Goodwill ”)	<i>(d)</i>	13,325,168

- (a) The purchase consideration represented the consideration to be paid by the Group for the purpose of the Acquisition. Please refer to the note 3 above for the details.

- (b) For the purpose of the Unaudited Pro Forma Financial Information of the Enlarge Group, in the opinion of the directors of the Company, the Target Group's fair values of the assets and liabilities being acquired is subject to changes upon completion of the Acquisition because the fair value of the assets and liabilities being acquired shall be assessed at the completion date.

The directors of the Company have determined the fair value of the identifiable assets and liabilities of the Target Group as at 31 March 2024 with reference to a valuation conducted by China United Assets Appraisal Group Co., Ltd. (中聯資產評估集團有限公司). Since this Unaudited Pro Forma Financial Information of the Enlarged Group is prepared solely for illustrative purposes, the directors of the Company had assumed that the fair values changes of identifiable net assets and liabilities of the Target Group with approximate net RMB237,800 thousand. The fair values of the assets and liabilities being acquired may subject to change after further assessment by the directors of the Company at the completion date.

- (c) Amount represented the Target Group's net asset values' proportionate shared by the non-controlling interest with approximate 0.74% holding in the Target Group.
- (d) According to the Group's accounting policy, after initial recognition, the Goodwill will be measured at cost less any accumulated impairment losses. The Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, the Goodwill is, from the acquisition date, allocated to one of the Enlarged Group's cash generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Enlarged Group are assigned to those units or groups of units.

Further, according to the Group's accounting policy, impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units) to which the Goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash generating units) is less than the carrying amount, an impairment loss will be recognised. An impairment loss recognised for the Goodwill will not be reversed in a subsequent period.

In the preparation of this Unaudited Pro Forma Financial Information of the Company, the directors of the Company had performed an impairment assessment of the Goodwill in accordance with IAS 36 Impairment of Assets and the Group's accounting policy. Based on the impairment assessment, the recoverable amount of the cash-generating unit in which the Target Group was assigned exceeds its carrying amount and accordingly, no pro forma adjustment in respect of goodwill impairment is made by the directors of the Company in the Unaudited Pro Forma Financial Information for the Enlarged Group. Based on the assessment results, the directors of the Company concluded that there is no impairment in the value of property and equipment, intangible assets and goodwill.

The reporting accountants have conducted their engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 Assurance Engagements to Report on the Compilation of Unaudited Pro Forma Financial Information Included in a Circular and considered that the goodwill impairment test performed by the directors of the Company is consistent with the Group's applicable financial reporting framework and its accounting policies under that framework. However, the reporting accountants did not perform an audit or review of the financial information used in the preparation of the goodwill impairment test prepared by the directors of the Company.

Upon the completion of the Acquisition and at the end of each reporting period, the directors of the Company confirmed that they will apply consistent accounting policies, principal assumptions and valuation method to assess impairment of the Goodwill in subsequent reporting periods in accordance with the requirement of IAS 36.

5. For the purpose of the preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group, the total transaction costs of legal, accountancy and other professional services to the Acquisition are estimated to be approximated RMB41,638 thousand.

This adjustment on transaction costs is not expected to have continuing effect on the Enlarged Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows.

6. The adjustment represents additional depreciation and amortisation on the fair value adjustment of the property and equipment, intangible assets and other non-current assets of approximately RMB11,033 thousand, RMB30,638 thousand and RMB426 thousand respectively; and the reversal of deferred income tax liabilities of approximately RMB10,524 thousand as a consequence of the recognition of the fair value adjustment of property and equipment, intangible assets and other non-current assets.

For the purpose of this Unaudited Pro Forma Financial Information, the directors of the Company, having considered the above factors, assumed that the fair values of the property and equipment, intangible assets and other non-current assets as set out in the valuation report as at 31 March 2024 are the same as at 1 January 2023. The directors of the Company assumed that the provisional goodwill arising from the Acquisition as at 1 January 2023 approximated that as computed in note 4 above.

7. The pro forma adjustment represents elimination of intra-group transaction which is a securities dealing arrangement between the Group and the Target Group upon the completion of the Acquisition.

For the purpose of the Unaudited Pro Forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group for the year ended 31 December 2023, the commission income of the Target Group and the commission expenses of the Group of approximately RMB141 thousand were eliminated assuming that the Acquisition had been completed on 1 January 2023.

For the purpose of the Unaudited Pro Forma consolidated statement of cash flows of the Enlarged Group for the year ended 31 December 2023, the commission income of the Target Group and the commission expenses paid of the Group of approximately RMB141 thousand were eliminated assuming that the Acquisition had been completed on 1 January 2023.

This adjustment may not have continuing effect on the Enlarged Group. Such elimination adjustment subject to the existence of any intra-company transaction in the future.

8. The amount represents the adjustments of approximate 0.74% share of profit and total comprehensive income of the Target Group to the non-controlling interests that is attributable to equity holders of the Group for the year ended 31 December 2023 assuming that the Acquisition had been completed on 1 January 2023 for the purpose of the Unaudited Pro Forma Financial Information. This pro forma adjustment is expected to have a continuing effect on the unaudited pro forma consolidated statement of profit or loss and other comprehensive income.

9. Apart from the Acquisition, no other adjustments have been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions entered into by the Group on the Target Group subsequent to 31 December 2023 where applicable.
10. The Unaudited Pro Forma consolidated statement of financial position of the Enlarged Group attributable to owners of the Company in the table on pages 479 to 482 does not take into account the share repurchase exercise of 10,958,303 shares of Target Group from its shareholders amounted to approximate RMB7,025 thousand (“Share Repurchase”) and the Target Group had declared a dividend of approximate RMB170,593 thousand to its shareholders on 11 June 2024 (“Dividend Declaration”), since both events are not directly attributable to the Acquisition.

However, had the Share Repurchase and the Dividend Declaration been taken into account, the net assets attributable to the owners of Target Group as at 31 March 2024 would be reduced by a total amount of approximate RMB177,619 thousand; the corresponding Target Group’s value held by the non-controlling interest (i.e. the party with approximate 0.74% shareholding in the Target Group) will be reduced by approximate RMB118,936 thousand; and the adjusted provisional goodwill be approximated RMB13,501,592 thousand.

Set out below is the text of a report received from the independent reporting accountants of the Company, SHINEWING (HK) CPA Limited, which has been prepared for the purpose of incorporated in this circular.



SHINEWING (HK) CPA Limited
17/F, Chubb Tower, Windsor House,
311 Gloucester Road,
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣告士打道311號
皇室大廈安達人壽大樓17樓

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

To the Directors of Guolian Securities Co., Ltd.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Guolian Securities Co., Ltd. (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) and Minsheng Securities Co., Ltd. (the “**Target Company**”) and its subsidiaries (collectively referred to as the “**Target Group**”) (the Group together with the Target Group are collectively referred to as the “**Enlarged Group**”), by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2023, and the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2023 and related notes as set out in sections A and B of Appendix IV to the circular dated 20 August 2024 (the “**Circular**”) issued by the Company (the “**Unaudited Pro Forma Financial Information**”) in connection with the acquisition of 99.26% issued share capital of the Target Group by the Company (the “**Acquisition**”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix V to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Acquisition on the Group's financial position as at 31 December 2023 and the Group's financial performance and cash flows for the year ended 31 December 2023 as if the Acquisition had taken place at 31 December 2023 and 1 January 2023 respectively. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 December 2023, on which an independent auditor's report has been published, and the information about the Target Group's financial position, financial performance and cash flows has been extracted by the Directors from the Target Group's consolidated financial statements for each of the years ended 31 December 2021, 2022 and 2023 and the three months ended 31 March 2024 on which an accountants' report has been published in Appendix IV to the Circular.

Directors' Responsibility for the Unaudited pro forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “**Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars**” (“**AG7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Management

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Management (“**HKSQM**”) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in a circular is solely to illustrate the impact of the Acquisition on unadjusted financial information of the Group as if the Acquisition had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Pang Wai Hang

Practising Certificate Number: P05044

Hong Kong

20 August 2024

GUOLIAN SECURITIES CO., LTD.**SPECIAL REPORT ON THE USE OF PROCEEDS PREVIOUSLY RAISED
BY THE COMPANY**

In accordance with the relevant requirements of the Guidelines for the Application of Regulatory Rules – Issuance No. 7 (《監管規則適用指引—發行類第7號》) issued by the CSRC, the Board of Directors of Guolian Securities Co., Ltd. (the “**Company**”) has prepared a report on the use of proceeds previously raised as of 30 June 2024.

I. RAISING AND DEPOSIT OF THE PROCEEDS PREVIOUSLY RAISED**(I) Initial Public Offering of A Shares in 2020**

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

The aforesaid proceeds were fully received on 27 July 2020 and were verified by Deloitte Touche Tohmatsu Certified Public Accountant LLP and a capital verification report of De Shi Bao (Yan) Zi (20) No. 00324 (德師報(驗)字(20)第00324號) was issued.

As of 30 June 2024, all the proceeds raised from the Company's initial public offering of A shares have been utilised. The bank accounts of the proceeds have no balance and have all been cancelled as follows:

Deposit bank	Bank account number	Initial deposit amount	Balance as at 30 June 2024	Bank account status
Wuxi Taihu New City Sub-branch of China Construction Bank Corporation	32050161410100000845	500,000,000.00	–	Cancelled
Operation Department of Wuxi Branch of China Merchants Bank Co., Ltd.	510902020510559	466,805,750.00	–	Cancelled
Wuxi Branch of China CITIC Bank	8110501014001564567	400,000,000.00	–	Cancelled
Operation Department of Wuxi Branch of Bank of Jiangsu Co., Ltd.	29010188000252301	300,000,000.00	–	Cancelled
Wuxi Branch of Bank of Nanjing Co., Ltd.	0401090000000098	300,000,000.00	–	Cancelled

(II) Non-public Issuance of A Shares in 2021

As approved by CSRC with the Approval in Relation to the Non-public Issuance of Shares by Guolian Securities Co., Ltd. (Zheng Jian Xu Ke [2021] No. 2486) (《關於核准國聯證券股份有限公司非公開發行股票的批覆》證監許可[2021]2486號), as of 23 September 2021, the actual non-publicly issued RMB-denominated ordinary shares (A Shares) of the Company at an issue price of RMB11.22 per share were 453,654,168 shares, and the total proceeds raised were RMB5,089,999,764.96. After deducting the remaining sponsorship fees and underwriting fees of CSC Financial Co., Ltd., the joint lead underwriter of the non-public issuance of RMB-denominated ordinary shares (A Shares), of RMB66,037,735.84, the actual proceeds received by the Company were RMB5,023,962,029.12. After deducting the total amount of issuing expenses of RMB107,011,571.39 (excluding value-added tax) from the total proceeds from the non-public issuance of A Shares, the net amount of proceeds was RMB4,982,988,193.57.

The proceeds mentioned above from the non-public issuance of A Shares were fully received on 23 September 2021 and were verified by Deloitte Touche Tohmatsu Certified Public Accountant LLP and a capital verification report of De Shi Bao (Yan) Zi (21) No. 00499 (德師報(驗)字(21)第00499號) was issued.

As of 30 June 2024, all the proceeds raised from the Company's non-public issuance of A Shares in 2021 have been utilised. The bank accounts of the proceeds have no balance and have all been cancelled as follows:

Deposit bank	Bank account	Initial deposit amount	Balance as at 30 June 2024	Bank account status
Wuxi Taihu New City Sub-branch of China Construction Bank Corporation	32050161410100001193	1,250,000,000.00	–	Cancelled
Wuxi Branch of Bank of Jiangsu Co., Ltd.	29010188000274092	750,000,000.00	–	Cancelled
Wuxi Branch of China Merchants Bank Co., Ltd.	510902020510775	1,023,962,029.12	–	Cancelled
Wuxi Branch of Industrial Bank Co., Ltd.	408410100100591665	1,000,000,000.00	–	Cancelled
Operation Department of the head office of Bank of Hangzhou Co., Ltd.	3301040160016589973	1,000,000,000.00	–	Cancelled

II. ACTUAL USE OF THE PROCEEDS PREVIOUSLY RAISED

Comparison Table of the Use of Proceeds Previously Raised
from Initial Public Offering of A Shares in 2020

Unit: RMB10 thousand

Total amount of proceeds raised:	202,180.58	Accumulated total amount of	193,808.45
Net amount of proceeds raised:	193,808.45	proceeds raised used:	
Proportion of proceeds raised with	–	Total amount of proceeds raised	
use of purpose changed:		used for each year:	
		2020:	193,808.45

No.	Investment project	Actual investment project	Total investment of proceeds raised			Accumulated investment amount of proceeds raised on the closing date			Difference between actual investment amount and committed investment amount after raising proceeds	Date on which the project is ready for use (or the degree of project completion on the closing date)
			Committed investment amount before raising proceeds ¹	Committed investment amount after raising proceeds ¹	Actual investment amount	Committed investment amount before raising proceeds ¹	Committed investment amount after raising proceeds ¹	Actual investment amount		
1	Optimize the layout of business branches	Optimize the layout of business branches	N/A	N/A	–	N/A	N/A	–	–	N/A
2	Capital-based intermediary service	Capital-based intermediary service	N/A	N/A	105,508.45	N/A	N/A	105,508.45	–	N/A
3	Proprietary trading business	Proprietary trading business	N/A	N/A	61,597.14	N/A	N/A	61,597.14	–	N/A
4	Assets management business	Assets management business	N/A	N/A	–	N/A	N/A	–	–	N/A
5	OTC market business and financial derivatives business	OTC market business and financial derivatives business	N/A	N/A	26,702.86	N/A	N/A	26,702.86	–	N/A
6	Funding subsidiaries	Funding subsidiaries	N/A	N/A	–	N/A	N/A	–	–	N/A
7	IT system construction	IT system construction	N/A	N/A	–	N/A	N/A	–	–	N/A
Total			–	–	193,808.45	–	–	193,808.45	–	–

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

Comparison Table of the Use of Proceeds Previously Raised
from the Non-public Issuance of A Shares in 2021

Unit: RMB10 thousand

Total amount of proceeds raised:	508,999.98	Accumulated total amount of proceeds raised used:	498,298.82
Net amount of proceeds raised:	498,298.82	Total amount of proceeds raised used for each year:	
Proportion of proceeds raised with use of purpose changed:	–	2021:	498,298.82

No.	Investment project		Total investment of proceeds raised			Accumulated investment amount of proceeds raised on the closing date			Difference between actual investment amount and committed investment amount after raising proceeds	The date on which the project is ready for use (or the degree of project completion on the closing date)
	Committed investment project	Actual investment project	Committed investment amount before raising proceeds	Committed investment amount after raising proceeds	Actual investment amount	Committed investment amount before raising proceeds	Committed investment amount after raising proceeds	Actual investment amount		
1	Further expanding credit transaction business including margin financing and securities lending	Further expanding credit transaction business including margin financing and securities lending	Not exceeding RMB2.5 billion	Not exceeding RMB2.5 billion	197,395.82	Not exceeding RMB2.5 billion	Not exceeding RMB2.5 billion	197,395.82	–	N/A
2	Expanding fixed income, equity, equity derivatives and other transaction business	Expanding fixed income, equity, equity derivatives and other transaction business	Not exceeding RMB3.0 billion	Not exceeding RMB3.0 billion	300,000.00	Not exceeding RMB3.0 billion	Not exceeding RMB3.0 billion	300,000.00	–	N/A
3	Increasing investment in subsidiaries	Increasing investment in subsidiaries	Not exceeding RMB500 million	Not exceeding RMB500 million	–	Not exceeding RMB500 million	Not exceeding RMB500 million	–	–	N/A
4	Replenishing other general working capital of the Company	Replenishing other general working capital of the Company	Not exceeding RMB500 million	Not exceeding RMB500 million	903.00	Not exceeding RMB500 million	Not exceeding RMB500 million	903.00	–	N/A
Total			Not exceeding RMB6.5 billion in total	Not exceeding RMB6.5 billion in total	498,298.82	Not exceeding RMB6.5 billion in total	Not exceeding RMB6.5 billion in total	498,298.82	–	–

Note 1: According to the Company's Plan for the non-public issuance of A Shares, the total amount of proceeds raised did not exceed RMB6.5 billion. After deducting the issuance expenses, it is intended to be used for further expanding the credit transaction business, including margin financing and securities lending, of not exceeding RMB2.5 billion; expanding the fixed income, equity, equity derivatives and other transaction business of not exceeding RMB3.0 billion; increasing the investment in subsidiaries of not exceeding RMB500 million; and replenishing other general working capital of the Company of not exceeding RMB500 million. The actual net proceeds from this issuance was RMB4.983 billion.

III. CHANGES IN PROCEEDS PREVIOUSLY RAISED

As of 30 June 2024, there was no change in the actual investment projects with the Company's proceeds previously raised.

IV. TRANSFER OR REPLACEMENT OF PRIOR INVESTMENT PROJECTS WITH PROCEEDS PREVIOUSLY RAISED

As of 30 June 2024, there was no external transfer or replacement of the actual investment projects with the Company's proceeds previously raised.

V. BENEFITS REALISED BY THE INVESTMENT PROJECTS WITH PROCEEDS PREVIOUSLY RAISED IN THE LAST THREE YEARS**(I) Initial Public Offering of A Shares in 2020**

After the Company's proceeds that raised from the initial public offering of A shares are in place, they have all been used for capital-based intermediary business such as margin financing and securities lending business and stock pledged repurchase, proprietary securities investment business, over-the-counter market business and financial derivatives business and other innovative businesses. Since proceeds used in all of the investment projects of proceeds raised include original self-owned proceeds and proceeds raised, it is not possible to separately calculate the actual benefits realised with the investment project of proceeds raised as of 30 June 2024.

(II) Non-public Issuance of A Shares in 2021

After the Company's proceeds that raised from the non-public issuance of A Shares are in place, they have all been used for further expanding credit transaction business including margin financing and securities lending; expanding fixed income, equity, equity derivatives and other transaction business and other working capitals. Since proceeds used in all of the investment projects of proceeds raised include original self-owned proceeds and proceeds raised, it is not possible to separately calculate the actual benefits realised with the investment project of proceeds raised as of 30 June 2024.

APPENDIX VI

**SPECIAL REPORT ON THE USE OF PROCEEDS
PREVIOUSLY RAISED BY THE COMPANY**

Comparison Table of the Benefits Realised by the Investment Projects with the Proceeds Previously Raised from Initial Public Offering of A Shares in 2020

Unit: RMB10 thousand

No.	Actual investment project Name of project	Accumulated capacity utilisation rate of investment projects as of the closing date	Committed benefits	Actual benefits in the past three years			Accumulated realised benefits as of January to 30 June 2024	Whether the expected benefits are realised
				Year 2021	Year 2022	Year 2023		
1	Supplementing the capital, increasing the working capital and developing the principal activities	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Comparison Table of the Benefits Realised by the Investment Projects with the Proceeds Previously Raised from the Non-public Issuance of A Shares in 2021

Unit: RMB10 thousand

No.	Actual investment project Name of project	Accumulated capacity utilisation rate of investment projects as of the closing date	Committed benefits	Actual benefits in the last three years			Accumulated realised benefits as of January to 30 June 2024	Whether the expected benefits are realised
				Year 2021	Year 2022	Year 2023		
1	Further expanding credit transaction business including margin financing and securities lending	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2	Expanding fixed income, equity, equity derivatives and other transaction business	N/A	N/A	N/A	N/A	N/A	N/A	N/A
3	Replenishing other general working capital of the Company	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**VI. OPERATION OF THE UNDERLYING ASSETS IN THE PREVIOUS ISSUANCE
INVOLVING SUBSCRIPTION OF SHARES WITH ASSETS**

As of 30 June 2024, there was no subscription of shares with assets in the Company's previous issuance.

VII. USE OF IDLE PROCEEDS

As of 30 June 2024, all the proceeds had been fully utilised in accordance with the committed purposes and there were no idle proceeds.

**VIII. BALANCE OF PROCEEDS PREVIOUSLY RAISED AND USE OF REMAINING
PROCEEDS**

As of 30 June 2024, all the proceeds had been fully utilised in accordance with the committed purposes, and the Company had no unused proceeds previously raised.

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

The following management discussion and analysis on the results of the Group is extracted from the annual reports of the Company for 2021, 2022 and 2023. These information are originally published in Chinese and the English translated version is provided for information purposes only. In case of discrepancies between the two versions, the Chinese version shall prevail.

For the year ended 31 December 2021:

I. BOARD'S DISCUSSION AND ANALYSIS ON THE OPERATION OF THE COMPANY DURING THE REPORTING PERIOD

(I) Overall Operation of the Company

For the whole year of 2021, the Group achieved revenue, net investment gains and other income amounting to RMB4.231 billion, representing a year-on-year increase of 57.76%. Net profit attributable to shareholders of the Company of RMB889 million was achieved, representing a year-on-year increase of 51.16%. As at 31 December 2021, total assets of the Group was RMB65.939 billion; and net assets attributable to shareholders of the Company was RMB16.381 billion and the weighted average returns on net assets was 7.27%.

The revenue generated from the brokerage and wealth management business was RMB1.157 billion, representing a year-on-year increases of 23.20%; the revenue generated from the investment banking business was RMB591 million, representing a year-on-year increase of 63.13%; the revenue generated from the asset management and investment business was RMB261 million, representing a year-on-year increase of 150.87%; the revenue generated from the credit transactions business was RMB734 million, representing a year-on-year increase of 26.29%; and the revenue generated from the proprietary trading business was RMB1.318 billion, representing a year-on-year increase of 95.25%.

(II) Analysis of Principal Business**(I) Brokerage and Wealth Management Business***Market Environment*

In 2021, the overall market trading sentiment of domestic securities market was vibrant as compared with the same period of last year. According to the information of the Shanghai and Shenzhen Stock Exchanges, the annual stocks and funds trading volume on the Shanghai and Shenzhen markets was RMB276.30 trillion, and the average daily turnover of stocks and funds was RMB1,137.024 billion, representing a year-on-year increase of 25.33%.

Actions and Achievements

During the Reporting Period, the Company vigorously strengthened the efforts of soliciting clients' assets, and the asset size of high-net-worth clients and institutional clients achieved significant growth. The fund investment advisory business was developed both internally and externally, whereby internally it consolidated the foundation and externally established the fund investment advisory ecological chain for its business partner to expand cooperation channels. It strengthened process management, solidly promoted product sales and achieved a dual growth in product sales and income. The Company continued to introduce high-end and high-quality products and created a product and service system for high-net-worth clients with its distinguished characteristics to meet the deployment needs of high-net-worth clients. It sorted out and integrated corporate resources, further improved private equity service chain, explored new models of private equity fund business and enhanced comprehensive service capabilities for private equity fund business of the Company. It continued to improve personnel efficiency, optimized income structure and deepened the transformation of wealth management.

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

In 2021, the net income from agency sales of securities business of the Company was RMB494 million, representing a year-on-year increase of 5.27%. During the Reporting Period, the transaction volume from the agency sales of securities of the Company (shares and funds) was RMB2,723.058 billion with a market share of 0.49%, representing a year-on-year increase of 2.08% as compared to 2020. As at the end of the Reporting Period, the total number of customers was 1,385,600, representing an increase of 8.46% as compared to the same period of last year.

Items	2021/ end of 2021	2020/ end of 2020	Year-on-year increase/ decrease
Trading volume of shares and funds (in RMB100 million)	27,230.58	21,280.62	27.96%
Number of securities brokerage clients (in '0,000)	138.56	127.75	8.46%

During the Reporting Period, sales volume of financial products of the Company amounted to RMB45.749 billion, representing a year-on-year increase of 5.84%. Among which, sales volume of self-developed asset management products amounted to RMB20.515 billion, representing a year-on-year decrease of 26.50%. Sales volume of third-party fund products amounted to RMB15.318 billion, representing a year-on-year increase of 27.59%. Sales volume of third-party trust products amounted to RMB4.813 billion, representing a year-on-year increase of 207.54%. Sales volume of other financial products amounted to RMB5.103 billion, representing a year-on-year increase of 192.94%.

During the Reporting Period, the fund investment advisory business of the Company witnessed its rapid business development. As at the end of the Reporting Period, the total number of contracted accounts for fund investment advisory of the Company was 150,300, with contracted asset size amounted to RMB10.263 billion, continuing to maintain the leading position in the industry.

Outlook for 2022

In 2022, the Company will continue to improve its retail sales capabilities, propel the transformation of its service model and consolidate the foundation of its retail business. According to the individual needs of different clients, the Company will explore and try its “personalized” asset deployment service model for fund investment advisory and stock investment advisory businesses, so as to improve customer experience, enhance customer loyalty and promote the transformation of employees from product sales model to asset deployment service model. The Company will continue to expand the pipelines coverage of fund investment advisory and further expand business scale by leveraging the opportunity of Internet financial management rectification and standardized supervision of investment advisory business. It will co-ordinate all business lines of the Company to integrate resources and create a more professional institutional business mechanism, and strengthen team building and cadre training to promote the sustainable development of wealth management business.

(II) Investment Banking Business

The Company engaged in the investment banking business through Hua Ying Securities, its wholly-owned subsidiary. Specifically, it mainly includes the equity financing business, bond financing business, financial advisory business and NEEQ business.

*1. Equity Financing Business**Market Environment*

In 2021, with continuous deepening capital market reform, the merger of Shenzhen SME board and the main board and the opening of Beijing Stock Exchange, important steps have been marched in constructing a multi-level capital market, and a new pattern of coordinated development of multiple market sectors has been formed. According to the statistics from Wind, in 2021, 1,212 equity financing projects were completed in the Shanghai and Shenzhen A Share markets, with a total financing amount of RMB1,817.785 billion, reaching a new high in the past five years in terms of financing size. Among which, 524 IPO projects were completed during the year, representing an increase of 87 as compared with last year, and the financing amount reached RMB542.654 billion, representing a year-on-year increase of 12.92%. Both the number of IPOs and financing amount had set historical records. There were 520 additional issuance projects completed during the year, representing an increase of 143 as compared with last year, and the financing amount reached RMB908.258 billion, representing a year-on-year increase of 8.84%. There were 168 other raising and issuance projects, with a financing amount of RMB366.873 billion, basically the same as last year.

Actions and Achievements

In 2021, adhering to the concept of providing all-round services to its core customers, Hua Ying Securities implemented the business strategy of focusing on specific regions, specific industries and specific projects. The equity business developed rapidly, achieving the “dual breakthrough” in IPO and refinancing business of Hua Ying Securities and a “good start” in the Beijing Stock Exchange business. According to the ranking from Wind, the equity business of Hua Ying Securities achieved its best historical ranking in the industry and ranked 23rd in terms of total underwriting amount of equity business. Among which, the listed company’s refinancing underwriting amount ranked 16th and the underwriting income ranked 6th. As the mainstream product of refinancing, the private replacement underwriting amount ranked 9th and the underwriting income ranked 4th. All core indicators entered the top 25 in the industry.

During the Reporting Period, Hua Ying Securities completed 9 equity underwriting and sponsorship projects, including 2 IPO projects and 7 refinancing projects, 2 IPO sub-underwriting projects and 1 refinancing sub-underwriting project, with a total underwriting amount of RMB13.461 billion, representing a year-on-year increase of 300.15%. At the same time, the equity business maintained a good development momentum. Currently, there are 2 projects which had already obtained approvals and were pending issuance, 3 projects are under review and 13 projects have been declared and seeking consultation.

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

The table below shows the details of equity underwriting and sponsorship business for the year:

Currency: RMB

Items	2021		2020	
	Underwriting amount (In 100 million)	Number of issuance (Unit)	Underwriting amount (In 100 million)	Number of issuance (Unit)
Initial public offering	6.83	2	12.91	4
Refinancing issuance	127.78	7	20.50	4
Sub-underwriting	0	3	0.23	1
Total	134.61	12	33.64	9

Outlook for 2022

In 2022, Hua Ying Securities will continue to expand its IPO business and strive to build it into a brand business of investment banking; further deepen the business synergy with the parent company and promote the transformation of the investment banking business through the “investment banking + investment” model. It will seize the business opportunities of the Beijing Stock Exchange to promote more professionalized, refined, specialized and novelty introverted champion enterprises to enter the capital market. It will continue to strengthen the construction of contracting and underwriting capabilities, improve the comprehensive service capabilities of investment banks and actively serve the development of the real economy.

2. Bond Financing Business

Market Environment

In 2021, the issuance review policy of the bond market was more and more stringent, and the growth rate of bond issuance slowed down as compared with previous years. According to statistics from Wind, the total amount of bond issuance various types for the year was RMB61.75 trillion, representing a year-on-year increase of 8.54%. Among which, the annual issuance volume of corporate bond was RMB3.45 trillion, representing a year-on-year increase of 2.46%. The annual issuance volume of enterprise bond was RMB0.44 trillion, representing a year-on-year increase of 12.05%.

Actions and Achievements

In 2021, Hua Ying Securities demonstrated strong resilience in its business development in facing tightening bond policies. The volume and size of bond issuance increased significantly compared with last year, and its varieties continued to enrich. According to the ranking from Wind, the bond business of Hua Ying Securities achieved historic highest ranking in the industry. The total underwriting amount of bond business ranked 36th, up by 19 as compared with last year. Among which, the total underwriting amount of enterprise bond, corporate bond and non-policy financial bond ranked 30th, up by 18 as compared with last year. The underwriting amount of corporate bond ranked 29th, up by 24 as compared with last year. All core indicators entered the top 36 in the industry.

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In 2021, Hua Ying Securities completed a total of 86 bond underwriting projects (lead underwriting and joint lead underwriting) and 55 government bond sub-underwriting projects, with a total underwriting amount of RMB43.138 billion, representing a year-on-year increase of 49.70%. In addition, Hua Ying Securities had 43 bond projects which had already obtained approvals and were pending issuance, with a pending issuance amount exceeded RMB100 billion and 25 bond projects with applications under review.

The table below shows the details of bond underwriting business for the year:

Currency: RMB

Items	2021		2020	
	Amount of underwriting (In 100 million)	Number of issuances (Unit)	Amount of underwriting (In 100 million)	Number of issuances (Unit)
Enterprise bonds	13.20	4	19.50	5
Corporate bonds	393.56	80	262.51	40
Standardized bills	0.00	0	0.52	1
Debt financing plan	3.50	2	0.93	2
Local government bonds	21.12	55	4.70	19
Total	431.38	141	288.16	67

Note: The above bond projects include lead underwriting, joint lead underwriting and sub-underwriting.

Outlook for 2022

In 2022, Hua Ying Securities will continue to give full play to its overall business advantages and provide customers with all-round and comprehensive bond financing services. It will continue to consolidate and improve the strengths of bond underwriting business in Wuxi and effectively serve the development of the local real economy in Wuxi. It will strengthen the cooperation with the government, banks and industrial parks, increase the development and service of high-quality customers, strengthen the maintenance of investment institutions, expand bond sales network, and enhance bond sales capabilities.

3. *Financial Advisory Business*

Market Environment

In 2021, the mergers and acquisitions and restructuring market remained sluggish. The Listed Company Mergers and Acquisitions and Restructuring Review Committee of CSRC reviewed a total of 45 transactions during the year, and the overall number of companies was nearly halved compared to 2020.

Actions and Achievements

In 2021, Hua Ying Securities completed 48 financial advisory projects (excluding NEEQ), including 1 financial advisory project for listed companies, 47 for other advisory projects, and achieved rapid growth in the number of projects and business income.

Outlook for 2022

In 2022, with the full implementation of the registration system and the normalized issuance of IPOs, the market demand for mergers and acquisitions and restructuring of listed companies will gradually accumulate. Hua Ying Securities will always maintain its sensitivity to the mergers and acquisition transaction policy, conduct in-depth research and analysis on business and industries, cultivate mergers and acquisitions business, and improve comprehensive service capabilities of mergers and acquisitions.

4. *NEEQ Business*

Market Environment

As at the end of 2021, the number of enterprises listed on NEEQ was 6,932, with a total market capitalization of RMB1,957.494 billion. The total trading volume on the NEEQ market during the year amounted to RMB81.999 billion, and total funds raised from the issuance of shares amounted to RMB31.325 billion. The market turnover and total issuance financing decreased slightly as compared with last year. As at the end of the Reporting Period, the NEEQ component index closed at 1,138.22, representing an increase of 12.61% as compared with that of the end of 2020. The NEEQ market-making component index closed at 1,455.68, representing an increase of 35.64% as compared with that of the end of 2020.

Actions and Achievements

In 2021, the NEEQ business of Hua Ying Securities continued to operate on the basis of expanding client coverage with value identification and actualization as the core, prepared for the listing business of the Beijing Stock Exchange, propelled listing business and completed daily supervision work. At the same time, it placed great emphasis on quality control and effective control of business risks. During the Reporting Period, Hua Ying Securities completed 7 projects in relation to private placing for NEEQ and ongoing supervision for 94 enterprises.

Outlook for 2022

In 2022, Hua Ying Securities will continue to improve the business management system and market development system of NEEQ with value identification and actualization as the core, drive the development of other relevant business and provide quality NEEQ integrated services for customers to create good returns.

(III) Asset Management and Investment Business***1. Asset Management*****Market Environment**

2021 marked the “inauguration year of new asset management” when the “new asset management regulations” are about to complete its transitional period. The asset management business entered a new era of returning to active management and deepening net worth transformation. The pace of public offering transformation of large-scale fund collections was accelerated and public offering REITs were launched. Digitalized reformation accelerated business upgrades and ecological remodeling, and product innovation continued to show its vibrancy. All asset management institutions continued to build differentiated core competitive advantages, continuously strengthened comprehensive management capabilities, and effectively served the investment and financing needs of the real economy. According to the data from SAC, as of the end of December 2021, total size under entrusted management in the securities companies reached RMB10.88 trillion, representing an increase of 3.53% as compared with the end of 2020, and net income from asset management business of securities companies reached RMB31.786 billion, representing a year-on-year increase of 6.10%.

Actions and Achievements

In 2021, for asset management business, the Company focused on customer needs, continued to strengthen active management capabilities, accelerated the promotion of large-scale fund collections to public offerings, and continued to improve investment and research standards, product creation capabilities, pipeline marketing capabilities and compliance risk control efficiency. The Company effectively provided professional asset deployment and underlying asset evaluation services according to its own licenced advantages to form core strategy output and provided clients with comprehensive financial service solutions for the full life cycle and the full business chain. As of the end of the Reporting Period, according to the data from SAC, the asset management business of the Company ranked 23rd in terms of entrusted size and ranked 34th in terms of net income, showing significant improvement in industry ranking.

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

As of the end of the Reporting Period, the Company managed a total of 238 asset management schemes, and the entrusted funds of the asset management business amounted to RMB102.412 billion, representing a year-on-year increase of 169.28%. Among which, the size of asset securitization business amounted to RMB37.119 billion, representing a year-on-year increase of 2,262.76%.

The table below shows the details of size of asset management and operating income:

Category	Size of asset management		Operating income	
	(In RMB100 million)		(In RMB ten thousand by SAC standards)	
	2021	2020	2021	2020
Collective Asset Management				
Scheme	130.36	72.14	4,980.99	4,321.23
Single Asset Management Scheme	522.57	292.46	5,564.11	3,024.93
Specialized Asset Management				
Scheme	371.19	15.71	4,059.75	452.04
Total	1,024.12	380.32	14,604.86	7,798.20

Outlook for 2022

In 2022, the Company will continue to build the three core capabilities of the asset management business, namely asset deployment capabilities, product coverage and evaluation and risk control of products. It will deepen its asset deployment and pan-FOF platform construction, centering on the general direction of its 50 systems. It will build a multi-strategy product pool integrating public and private placements and provide long-term and stable product deployment services to promote the dual-wheel driver of flexible asset deployment + “general direction” product deployment.

The Company will gather and integrate the advantages of internal and external channels and customer resources. The Company will propel the steady growth of the entrusted asset management scale through those methods such as optimizing product structure, improving investment performance and strengthening sales service system, and will continue to create value and gain for customers. At the same time, the Company will accelerate the digitalized construction of asset management business, strengthen the construction of system platforms such as compliance and internal control, institutional services, investment and research integration to ensure stable business operation.

2. Private Equity Investment Business

The Company is engaged in private equity investment business through the equity investment fund under its wholly-owned subsidiary, Guolian Capital.

Market Environment

Under the situation of global epidemic normalization, the market of private equity fund has gradually recovered. According to statistics from CVSource, in 2021, a total of 9,350 funds in the private equity market had completed a new round of fundraising, representing a year-on-year increase of 70.53%. The investment size increased to US\$233 billion, and the number of investment projects increased by 17% year-on-year. In terms of industry, the investment in energy, finance, construction materials, telecommunications, VR/AR, automobiles and other sectors increased sharply. Industries such as chips and medicine were still the major fund-financing sectors, and the popular concepts such as “metaverse” were also reacting quickly in the capital market. In terms of policies, new progress was seen frequently in the construction of country’s multi-level capital market system. Pilot policies for QDLP and QFLP were implemented in various regions. With the establishment of the Beijing Stock Exchange and the approval of the transfer of private equity and venture capital shares in the Shanghai’s regional equity market, the private equity investment market may continue to benefit.

Actions and Achievements

In 2021, on one hand, Guolian Capital actively promoted the withdrawal of existing fund projects, while accomplishing the management and service works of existing funds. On the other hand, Guolian Capital made every effort to develop incremental equity investment business by strengthening internal compliance management and strengthening business synergy. As of the end of the Reporting Period, Guolian Capital completed the registration 12 fund products in total and the filing of a total of 10 funds. Among which, 3 fund products with a size of RMB327 million were newly added in 2021.

Outlook for 2022

In 2022, Guolian Capital will continue to promote business development and team building. It will give full play to the aggregate functionality of financial resources, enlarge and strengthen fund management size. It will accomplish the investment management service works for established funds, conduct regular follow-up visits and continue to pay attention to the performance of invested companies and potential investment risks. It will maintain good communication with regulatory agencies, promote QDLP and QFLP qualifications applications and fund establishment according to policy guidance as well as window guidance. According to the latest policies requirements of SAC and business development requirements, it will improve the various systems, covering the entire process of fundraising, investment, management and withdrawal, and strengthen system support.

(IV) Credit Transaction Business

1. Margin Financing and Securities Lending

Market Environment

In 2021, the fluctuation of the balance of margin financing and securities lending in the A-share market showed a slightly upward trend. As of the end of the Reporting Period, the total balance of margin financing and securities lending amounted to RMB1,832.191 billion, representing a year-on-year increase of 13.17%, of which the balance of margin financing was RMB1,712.051 billion, and the balance of securities lending was RMB120.140 billion.

Actions and Achievements

During the Reporting Period, the Company focused on the cooperation opportunity with public equity to construct a system for the industry chain of securities lending and vigorously expanded the sources of securities lending, and adopted a dynamic stock index futures hedging strategy to actively increase the supply of securities sources for proprietary ETF. In view of frequent market credit business risks, the Company strengthened pre-warning risk alert through strengthening compliance risk control and management, and formulated a model plan for the conversion rate of guarantee securities and underlying securities for the margin financing and securities lending business, so as to reduce the probability of business risks, with no risk events occurred throughout the year.

As at the end of the Reporting Period, the total number of credit accounts of clients was 24,219, representing a year-on-year increase of 5.57%. The total credit amount of margin financing and securities lending of clients was RMB66.372 billion, representing a year-on-year increase of 16.03%. The closing balance of margin financing and securities lending was RMB10.407 billion, representing a year-on-year increase of 20.65%. Interest income from margin financing and securities lending was RMB613 million, representing a year-on-year increase of 41.24%.

Outlook for 2022

In 2022, the Company will focus on securities lending in terms of the margin financing and securities lending business, keep abreast of market business development trends, actively explore new ideas for business development, and facilitate the enhancement of business scale. It will make greater efforts to develop securities sources for state-owned legal persons and other corporate institutions and strategic placements. Through strengthening public offering fund agency sales and early deploying insurance companies, the Company will continue to lay a foundation for securities sources for special financial institutions, strengthen cooperation with business competitors, and expand its proprietary securities lending pool according to demand. It will refine the risk classification model of guaranteed securities to adjust the scope and conversion rate of collateral in a timely manner, and strictly control business risks. It will also actively establish a strategy research team to strengthen business strategy research, and continue to provide business training and experience exchange for branches, so as to improve its business professionalism and customer service capabilities.

2. *Stock Pledged Repurchase*

Market Environment

Currently, the stock pledged repurchase business of Shanghai Stock Exchange and Shenzhen Stock Exchange are running smoothly. Regulatory authorities continue to promote the prevention of stock pledged risks. Stock risk are basically under control, and the overall business scale of the market maintains a gradual declining trend. However, the pressure of risk prevention and resolution still existed. Currently, the polarisation is more obvious, and the new businesses mainly concentrate on high-quality companies with better profitability. However, the formation of stock pledged business risks is affected by a variety of factors and the prevention and resolution of stock pledged risks will take a long period of time and is complicated. A cautious attitude still needs to be maintained and credit risk management still needs to be further strengthened for self-funded stock pledged business.

Actions and Achievements

During the Reporting Period, the Company further clarified the development strategies of the stock pledged repurchase business according to market conditions, and prudently and steadily conducted its business under the premise of stringent control and solving business risks. The risk project scale of stock pledged business of the Company was orderly reduced, and the risks were significantly resolved. The equity incentive financing-oriented option exercise business for listed companies were carried out smoothly, with continuous expansion in business scale, and this variety of financing instrument had become the main source of funds for the equity incentives of listed companies.

As of the end of the Reporting Period, the principal balance of stock pledged repurchase business of the Company was RMB3.815 billion, representing an increase of 23.74% as compared with RMB3.083 billion as at the end of 2020. Of which, the balance of investment (on-balance sheet) stock pledged repurchase business was RMB2.289 billion, with an average performance guarantee ratio of 376.70%. The balance of management (off-balance sheet) stock pledged repurchase business was RMB1.526 billion, with an average performance guarantee ratio of 405.53%. Moreover, as of the end of the Reporting Period, the financing amount of financing-oriented option exercise business of the Company was RMB480 million, representing an increase of 207.69% as compared with RMB156 million as at the end of 2020.

Outlook for 2022

In 2022, the Company will continue to strengthen the credit risk assessment system and model construction of stock pledge projects, enhance the risk management and control of the existing business, and conduct risk prediction for the incremental part in advance. Also, on the basis of the traditional model of its original self-funded stock pledge business, the Company will strengthen the market expansion of financing-oriented option exercise business, customize comprehensive investment and financing programs, and expand multi-dimensional service business by comprehensively focusing on customer actual needs such as the substantial shareholders and senior management of listed companies.

(V) *Proprietary Trading Business*

Market Environment

The global economy began to recover in 2021, however, the uncertainty of the epidemic and the impact of global supply chain still significantly undermined the global economy. From the perspective of the domestic situation, as affected by various factors such as real estate regulation and resurgence of epidemic, the downward pressure on China's economy had increased since the second half of 2021. Meanwhile, the A-share market has shown a momentum of transformation and intensified differentiation, and the volatility of indices, industries and individual stocks had increased significantly. The CSI 500 index rose by 15.6% as compared with that of the end of the previous year, while the CSI 300 index fell by 5.2% as compared with that of the end of the previous year.

With increasing downward pressure on macroeconomy and the marginal relaxation of monetary policy since July, the central bank had reduced the deposit reserve ratio twice by 1 percentage point in total, and the one-year LPR rate was reduced by 5BP in December. Against the above economic and policy context, the bond yields went up and then dropped in 2021. The valuation yield of 10-year China Treasury Bonds once climbed up to approximately 3.30% in the first quarter, and the fluctuation center dropped to approximately 3.10% in the second quarter, then gradually fell thereafter, and closed at a yearly low level of 2.78% at the end of the year.

Actions and Achievements

For equity proprietary trading business, the Company has all along been adhering to its principle of value investment and taking absolute return as the direction, adopted fundamental research as starting point, focused on under-valued industries and companies that had good growth potential, and developed the business steadily while taking risks and returns into consideration. In 2021, the equity proprietary trading business strengthened the research and judgment on the market direction and dynamics, actively deployed cyclical industry sectors, and conducted in-depth research and exploration of investment opportunities in high-growth emerging industries. The investment yield for the year significantly outperformed the CSI 300 index and the median level of the partial share mixed fund over the same period, achieving better investment returns.

For fixed income business, with customer needs as the fundamental, the Company has actively participated in business innovation, achieved stable investment returns under the premise of strictly controlling risk, and further increased its market influence. In 2021, as an investor, the Company actively participated in innovative businesses such as the issuance of short-term financing quotations by securities brokers, the underwriting and distribution of iDeal system bonds, and was honoured the Market Innovation Award among the outstanding member institutions in the inter-bank local currency market in 2021 selected by the National Interbank Funding Center. The Company had conducted in-depth research on and successfully released the “China Bond-Guolian Securities Yangtze Delta Select Short-term Bond Balance Index”, better serving the development strategy of integration of Yangtze River Delta region while meeting customer needs.

For equity derivatives business, the OTC derivatives business of the Company continued its development and innovation, business transaction models had been continuously enriched, transaction services and product design capabilities had been continuously enhanced, and transaction volume grew rapidly, which basically achieved full coverage of mainstream business products and transaction structures in the market. According to the operating income information of securities companies that based on counter-party transactions between counters and institutional clients released by SAC in 2021, the Company entered top 20 in the industry for the first time. In 2021, the cumulative notional principal of OTC option and income swaps signed in the year increased by 241% year-on-year.

Outlook for 2022

For equity proprietary trading business, the Company will continue to put greater efforts in research, expand the dimensions of fundamental research, improve investment system construction, strengthen market research and judgment, and develop stock investment business steadily. The domestic A-share market still has better structural opportunities against the context of stable macroeconomic growth. However, the industry valuations are significantly differentiated and market expectations are more aligned, which will lead to higher requirements for selecting and grasping opportunities. In 2022, the equity proprietary trading business of the Company will continue to aim at securing reasonable absolute returns, select individual stocks from the perspective of valuation and growth matching, and flexibly adopt position adjustment, futures and other methods to hedge periodic systemic risks, and continue to explore and develop various strategy investment systems such as private placement investment and convertible bond investment, so as to cope with various market conditions.

For fixed income business, the Company will continue to strengthen its investment and research capabilities, strengthen the rotation allocation of various major assets, strengthen the development of hedging and arbitrage strategies with small exposure and low volatility, strengthen the development of quantitative strategies and fixed income + strategies, and strengthen credit risk screening, and achieve a steady increase in profitability in a low-yield environment through strategy diversification and management refinement. The Company will continue to adhere to the business philosophy of “seller” fixed income with serving customers as the fundamental, and continue to expand and strengthen the capital intermediary business, with a view to provide customers with featured products and comprehensive demand solutions.

For equity derivatives business, the Company will continue to improve product supply and transaction services, gradually expand the scale of transaction services, and further enhance the comprehensive transaction service capabilities and product design capabilities of the Company.

(III) Financial Statements Analysis**1. Analysis on the Profitability of the Company during the Reporting Period**

During the Reporting Period, the recovery of the domestic economy was sound, and the overall market trading sentiment of domestic securities market was vibrant. Following the A Shares IPO in 2020, the Company successfully completed the non-public issuance of A Shares, resulting in continuous expansion of capital strength and continuous innovation of new products and services, the overall business layout has become more reasonable, diversified and stable, and the profitability has grown rapidly.

During the Reporting Period, the Group generated total revenue, net investment gains and other income of RMB4,231.27 million, representing a year-on-year increase of 57.76%. Net profit attributable to shareholders of the Company amounted to RMB888.64 million, representing a year-on-year increase of 51.16%. Earnings per share amounted to RMB0.36, representing a year-on-year increase of 28.57%. The weighted average returns on net assets amounted to 7.27%, representing a year-on-year increase of 0.86 percentage point.

2. Asset Structure and Asset Quality

As at the end of the Reporting Period, total assets of the Group amounted to RMB65,939.24 million, representing an increase of 42.66% as compared to RMB46,219.95 million as at the end of 2020. Total liabilities amounted to RMB49,558.17 million, representing an increase of 39.11% as compared to RMB35,625.78 million as at the end of 2020. Equity attributable to shareholders of the Company amounted to RMB16,381.07 million, representing an increase of 54.62% as compared to RMB10,594.17 million as at the end of 2020.

During the Reporting Period, the asset structure remained stable with sound asset quality and liquidity. As at the end of the Reporting Period, total assets of the Group comprised of: cash assets, which amounted to RMB14,168.96 million, representing 21.49% of the total assets, and primarily included cash and bank balances (including cash held for brokerage clients), clearing settlement funds and refundable deposits; margin financing assets, which amounted to RMB13,749.47 million, representing 20.85% of the total assets, and primarily included margin accounts receivable and financial assets held under resale agreements; financial investment assets, which amounted to RMB37,117.70 million, representing 56.29% of the total assets, and primarily included interests in associates and investment in financial assets; and operating assets including other property and equipment, which amounted to RMB903.10 million, representing 1.37% of the total assets, and primarily included property and equipment, and intangible assets. During the Reporting Period, the Group made corresponding impairment provision for margin accounts receivable, financial assets held under resale agreements, accounts receivable and other receivables, debt instruments at fair value through other comprehensive income. There was no evidence showing that other assets may be subject to significant impairment.

In light of market condition, the Company strengthened its liquidity management, expanded its business scale and prevented credit risk. As at the end of the Reporting Period, liabilities after deducting accounts payable to brokerage clients amounted to RMB38,375.59 million, representing a year-on-year increase of RMB12,077.01 million or 45.92%. The gearing ratio of the Group was 70.08%, representing a decrease of 1.20 percentage points from 71.28% as at the end of 2020 (Note: Gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)). Operating leverage ratio was 3.34 times, representing a decrease of 4.02% from 3.48 times as at the end of 2020 (Note: Operating leverage ratio = (total assets – accounts payable to brokerage clients)/equity attributable to shareholders of the Company).

3. *Financing Channels and Financing Capability*

Through equity financing and various types of financing methods including debt financing, the Company continued to supplement its working capital and constantly enhancing its capital strengths to ensure the liquidity security of the Company. During the Reporting Period, the Company raised funds a total of RMB5.09 billion through the non-public issuance of A Shares, and cumulatively added RMB14.555 billion through various debt financing instruments (excluding inter-bank borrowing transactions and issued floating-income type income certificates), and repaid the principal of matured debt financing of RMB10.075 billion cumulatively. The remaining amount of outstanding debt financing of the Company at the end of 2021 was RMB18.34 billion in total. The average interest rate level of new debt financing decreased compared with previous years. In addition, there was outstanding inter-bank credit lending of RMB 400 million, and the subsidiary in Hong Kong borrowed US\$6 million from overseas financial institutions.

4. Liquidity Management Information of the Company

The Company has always paid great attention to liquidity management by adhering to the principles of comprehensiveness, prudence and foreseeability and focusing on the organic integration of the security, liquidity and profitability of capital, so as to ensure the safety and control of the overall liquidity of the Company. The Asset and Liability Committee of the Company is responsible for the overall planning of asset and liability deployment and structure, and equipped with a sound management system and corresponding business processes for management. In light of the development of the market and industry and combined with the Company's strategic deployment and actual situation, asset and liability deployment are analysed multi-dimensionally with constant optimization of asset and liability deployment, ensuring that the scale and term structure of assets and liabilities meet business development while maintaining appropriate high-quality liquid assets. The Company has established sound liquidity risk management system to strengthen the monitoring and control of daily liquidity situation and liquidity risk, and keep abreast of the demand for and application of funds in a timely manner. It regularly submitted liquidity monitoring statement and analysis of changes. At the same time, the Company assessed its liquidity pressure under extreme conditions through liquidity risk stress tests, so as to ensure the liquidity monitoring indicators in every period continued to meet the regulatory requirements. It made liquidity contingency plans to prevent sudden liquidity risks.

During the Reporting Period, the overall liquidity risk of the Company was controllable and remained at a more secured level.

5. Cash Flows

As the Group's cash outflow generated from the operating activities and investing activities in the current year was more than the cash inflow from financing activities, the net increase in cash and cash equivalents was RMB-4,001.19 million.

Net cash flows from operating activities in 2021 was RMB-6,854.69 million, representing a year-on-year decrease of RMB1,483.85 million as compared with RMB-5,370.84 million for the corresponding period in 2020. Net cash flows from investing activities in 2021 was RMB-6,322.03 million, representing a year-on-year decrease of RMB4,989.38 million as compared with RMB-1,332.65 million for the corresponding period in 2020. Net cash flows from financing activities in 2021 was RMB9,175.54 million, representing a year-on-year increase of RMB38.63 million as compared with RMB9,136.91 million for the corresponding period in 2020. Net increase in cash and cash equivalents in 2021 was RMB-4,001.19 million, representing a year-on-year decrease of RMB6,434.61 million as compared with RMB2,433.42 million for the corresponding period of 2020.

6. Analysis of Financial Data

(1) Items under income statement

Summary of financial results

During the Reporting Period, the Group's profit before income tax amounted to RMB1,173.37 million, representing a year-on-year increase of 48.92%. The key financial results are as follows:

Unit: in RMB million

Items	2021	2020	Increase/ decrease	Growth rate year- on-year
Revenue				
Commission and fee income	1,676.44	1,107.42	569.02	51.38%
Interest income under effective interest method	1,157.63	891.16	266.47	29.90%
Net investment gains	1,393.65	678.86	714.79	105.29%
Other income	3.55	4.59	-1.04	-22.66%
Total revenue, net investment gains and other income	4,231.27	2,682.02	1,549.25	57.76%
Total expenses	3,059.60	1,905.09	1,154.51	60.60%
Profit before income tax	1,173.37	787.92	385.45	48.92%
Income tax expense	284.73	200.05	84.68	42.33%
Profit for the year	888.64	587.87	300.77	51.16%
Net profit attributable to shareholders of the Company	888.64	587.87	300.77	51.16%

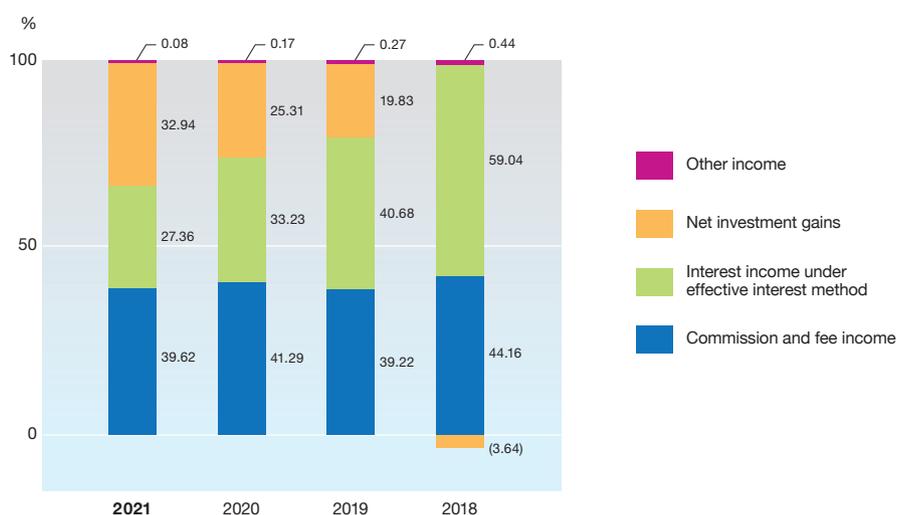
APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Revenue structure

During the Reporting Period, total revenue, net investment gains and other income of the Group amounted to RMB4,231.27 million, representing a year-on-year increase of 57.76%, among which, 39.62% was generated from commission and fee income, representing a year-on-year decrease of 1.67 percentage points; 32.94% was generated from net investment gains, representing a year-on-year increase of 7.63 percentage points; 27.36% was generated from interest income under effective interest method, representing a year-on-year decrease of 5.87 percentage points. The revenue structure of the Group in the past four years was as follows:

Percentage	2021	2020	2019	2018
Commission and fee income	39.62%	41.29%	39.22%	44.16%
Interest income under effective interest method	27.36%	33.23%	40.68%	59.04%
Net investment gains	32.94%	25.31%	19.83%	-3.64%
Other income	0.08%	0.17%	0.27%	0.44%
Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

The bar chart below shows the structure comparison:



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From the changes in revenue structure, the Company adhered to the prudent value investment strategy, closely followed market changes, proactively participated in business innovation, enriched trading varieties and optimized investment portfolios, and hence the proportion of net investment gains increased significantly. The Company enhanced customer asset introduction and made solid progress in product sales to deepen wealth management transformation, and as a result, the proportion of commission and fee income remained stable. Under the premise of strictly controlling risks, the Company vigorously enlarged the scale of margin financing business while orderly controlling the scale of stock pledge business, and its interest income continued to decrease.

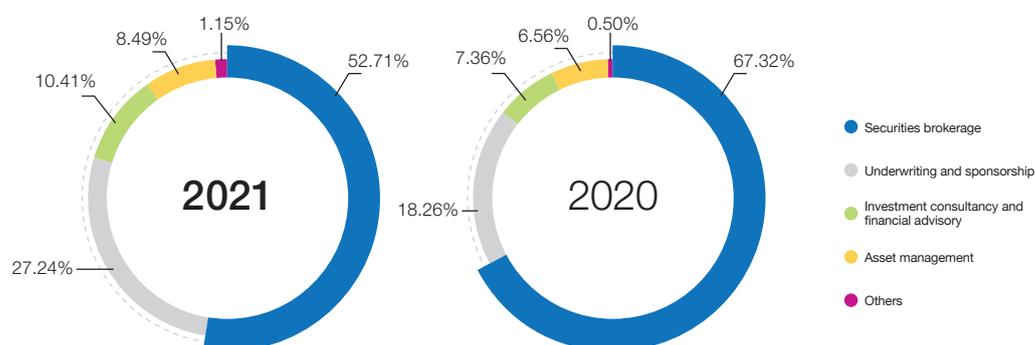
Commission and fee income

During the Reporting Period, the Group's commission and fee income consists of the followings:

Unit: in RMB million

Items	2021	2020	Increase/ decrease	Growth rate year-on- year
Commission and fee income				
Securities brokerage	883.57	745.46	138.11	18.53%
Underwriting and sponsorship	456.71	202.24	254.47	125.83%
Investment consultancy and financial advisory	174.58	81.51	93.07	114.18%
Asset management	142.25	72.68	69.57	95.72%
Others	19.33	5.53	13.80	249.55%
Total commission and fee income	<u>1,676.44</u>	<u>1,107.42</u>	<u>569.02</u>	<u>51.38%</u>
Commission and fee expenses	330.87	231.93	98.94	42.66%
Net commission and fee income	<u><u>1,345.57</u></u>	<u><u>875.49</u></u>	<u><u>470.08</u></u>	<u><u>53.69%</u></u>

The Group's commission and fee income consists of:



During the Reporting Period, commission and fee income of the Group amounted to RMB1,676.44 million, representing a year-on-year increase of 51.38%. Income from underwriting and sponsorship, investment consultancy and financial advisory as well as asset management increased significantly.

The investment banking equity and debt financing business went hand in hand, with an underwriting scale of RMB56.6 billion, representing a year-on-year increase of 76%. The business structure became more balanced, and underwriting and sponsorship income from investment banking business increased by RMB254.47 million, representing a year-on-year increase of 125.83%. Adhering to the basis of expansion of customer coverage and the core of value discovery and value realization, the Company promoted fund investment advisory business and listing business, and completed daily supervision work. Income from investment consultancy and financial advisory increased by RMB93.07 million, representing a year-on-year increase of 114.18%.

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In terms of asset management business, the Company continued to strengthen its active management capabilities with entrusted assets exceeded RMB100 billion, representing a year-on-year increase of 169%, and income from asset management increased by RMB69.57 million year-on-year, representing an increase of 95.72%.

In 2021, the securities market became more active, as a result, the transaction volume of stocks and funds increased by 25% year-on-year. The Company enhanced the introduction of client assets, and the market share of stocks and funds increased steadily, and the commission and fee income generated from securities brokerage business increased by RMB138.11 million, representing a year-on-year increase of 18.53%.

Interest income under effective interest method

During the Reporting Period, net interest income of the Group amounted to RMB215.75 million, representing a year-on-year decrease of 29.41%. The Group's interest income under effective interest method for 2021 consists of the following:

Unit: in RMB million				
Items	2021	2020	Increase/ decrease	Growth rate year-on-year
Interest income under effective interest method				
Interest income from bank deposits	265.18	275.40	-10.22	-3.71%
Interest income from financial assets held under resale agreements	142.42	169.00	-26.58	-15.73%
Interest income from margin financing	608.86	428.69	180.17	42.03%
Interest income from debt instruments at fair value through other comprehensive income	141.17	18.08	123.09	680.81%
Total interest income under effective interest method	<u>1,157.63</u>	<u>891.16</u>	<u>266.47</u>	<u>29.90%</u>
Interest expenses	941.88	585.53	356.35	60.86%
Net interest income	<u><u>215.75</u></u>	<u><u>305.63</u></u>	<u><u>-89.88</u></u>	<u><u>-29.41%</u></u>

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The Company seized market opportunities, actively adjusted trading strategies, innovated business models and enriched trading varieties, the interest income from debt instruments at fair value through other comprehensive income increased by RMB123.09 million, or 680.81% year-on-year;

The Company continuously improved its professionalism and customer service capabilities with customer needs as the core. The scale of margin financing increased constantly and interest income from margin financing increased by RMB180.17 million, or 42.03% year-on-year;

The Company carried out businesses prudently and steadily under the premise of strictly controlling and resolving business risks, and as a result, the interest income from financial assets held under resale agreements decreased by RMB26.58 million, or 15.73% year-on-year;

The Company fully supported the growth of business scale and expanded financing channels, the interest expenses increased by RMB356.35 million, or 60.86% year-on-year.

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Net investment gains

During the Reporting Period, the Company adhered to principles of value investment and effective risk control. The net investment gains of the Group amounted to RMB1,393.65 million, representing a year-on-year increase of 105.29%. The Group's net investment gains for 2021 consist of the following:

Unit: in RMB million

Items	2021	2020	Increase/ decrease	Growth rate year-on-year
Net realised gains from disposal of an associate	0.01	0.00	0.01	–
Realised gains from disposal of financial assets at fair value through profit or loss	232.29	183.61	48.68	26.51%
Realised losses from disposal of financial liabilities at fair value through profit or loss	–50.40	–6.04	–44.36	–
Realised gains/(losses) from disposal of financial assets at fair value through other comprehensive income	23.34	–3.05	26.39	–
Dividend income from equity instruments at fair value through other comprehensive income	161.42	0.00	161.42	–
Distribution to interest holders of consolidated SEs	–1.01	–44.37	43.36	–

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Items	2021	2020	Increase/ decrease	Growth rate year-on-year
Interest income from financial instruments at fair value through profit or loss	570.93	405.06	165.87	40.95%
Dividends from financial instruments at fair value through profit or loss	34.02	14.96	19.06	127.41%
Net realised gains from derivative financial instruments	243.54	41.41	202.13	488.12%
Unrealised fair value change of financial instruments at fair value through profit or loss				
– Financial assets at fair value through profit or loss	121.65	126.06	–4.41	–3.50%
– Derivative financial instruments	70.61	–43.22	113.83	–
– Financial liabilities at fair value through profit or loss	–12.74	4.44	–17.18	–
Total	<u>1,393.65</u>	<u>678.86</u>	<u>714.79</u>	<u>105.29%</u>

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Operating expenses

During the Reporting Period, operating expenses of the Group (excluding commission and fee expenses and interest expenses) amounted to RMB1,786.85 million, representing a year-on-year increase of 64.29%. The Group's operating expenses primarily consist of the following:

Unit: in RMB million				
Items	2021	2020	Increase/ decrease	Growth rate year-on-year
Operating expenses				
Staff costs	1,255.05	700.44	554.61	79.18%
Depreciation and amortization	174.06	159.79	14.27	8.93%
Other operating expenses	328.15	215.18	112.97	52.50%
Impairment losses under expected credit loss model, net of reversal	29.60	12.21	17.39	142.42%
Total	1,786.85	1,087.62	699.23	64.29%

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

The Company strengthened its risk management while expanding its business scale, the impairment losses under expected credit loss model, net of reversal of the Company was RMB29.60 million, details of which are as follows:

Unit: in RMB million

Items	2021	2020	Increase/ decrease	Growth rate year-on-year
Impairment losses under expected credit loss model, net of reversal				
Margin accounts receivable	5.26	1.57	3.69	235.03%
Financial assets held under resale agreements	-8.33	3.68	-12.01	-
Accounts receivable and other receivables	-0.03	1.84	-1.87	-
Debt instruments at fair value through other comprehensive income	<u>32.70</u>	<u>5.13</u>	<u>27.57</u>	<u>537.43%</u>
Total	<u><u>29.60</u></u>	<u><u>12.21</u></u>	<u><u>17.39</u></u>	<u><u>142.42%</u></u>

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

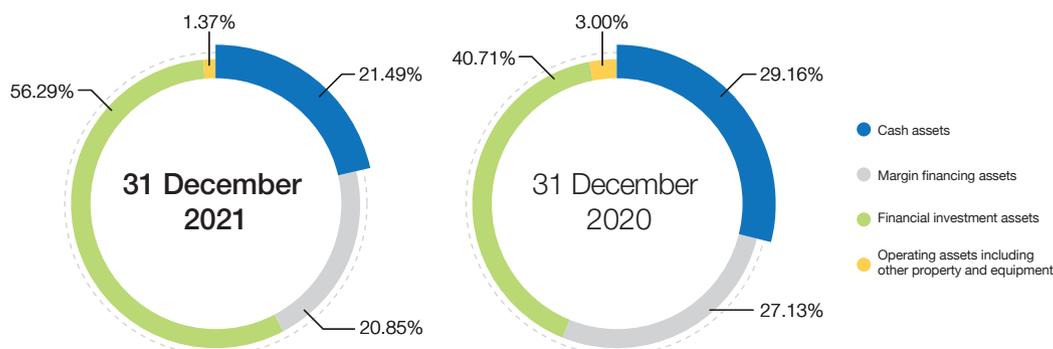
(2) Assets

As at the end of the Reporting Period, total assets of the Group amounted to RMB65,939.24 million, representing a year-on-year increase of 42.66%, among which, cash assets amounted to RMB14,168.96 million, representing a year-on-year increase of 5.12%, margin financing assets amounted to RMB13,749.47 million, representing a year-on-year increase of 9.64%, financial investment assets amounted to RMB37,117.70 million, representing a year-on-year increase of 97.27%, and operating assets including other property and equipment amounted to RMB903.10 million, representing a year-on-year decrease of 34.80%. Changes in the Group's assets items are as follows:

Unit: in RMB million

Items	31 December 2021	31 December 2020	Increase/ decrease	Growth rate year-on-year
Total assets				
Cash assets	14,168.96	13,478.63	690.33	5.12%
Margin financing assets	13,749.47	12,540.59	1,208.88	9.64%
Financial investment assets	37,117.70	18,815.68	18,302.02	97.27%
Operating assets including other property and equipment	903.10	1,385.06	-481.96	-34.80%
Total	65,939.24	46,219.95	19,719.29	42.66%

The composition of the Group's total assets:



APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Cash assets

As at the end of the Reporting Period, cash assets of the Group increased by RMB690.33 million or 5.12% year-on-year, representing 21.49% of the Group's total assets. The Group's cash assets consist of the following:

Unit: in RMB million

Items	31 December 2021	31 December 2020	Increase/ decrease	Growth rate year-on-year
Cash assets				
Cash and bank balances (including cash held for brokerage clients)	10,573.55	10,730.38	-156.83	-1.46%
Clearing settlement funds	3,268.12	2,511.61	756.51	30.12%
Refundable deposits	327.30	236.64	90.66	38.31%
Total	<u>14,168.96</u>	<u>13,478.63</u>	<u>690.33</u>	<u>5.12%</u>

Due to the robust activity of the securities market had increased in 2021, the Company strengthened the introduction of client assets, and the size of client deposits increased year-on-year.

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Margin financing assets

As at the end of the Reporting Period, margin financing assets of the Group increased by RMB1,208.88 million or 9.64% year-on-year, representing 20.85% of the Group's total assets. The Group's margin financing assets consist of the following:

Unit: in RMB million				
Items	31 December 2021	31 December 2020	Increase/ decrease	Growth rate year-on-year
Margin financing assets				
Margin accounts receivable	10,791.34	8,413.07	2,378.27	28.27%
Financial assets held under resale agreements	<u>2,958.13</u>	<u>4,127.52</u>	<u>-1,169.39</u>	<u>-28.33%</u>
Total	<u>13,749.47</u>	<u>12,540.59</u>	<u>1,208.88</u>	<u>9.64%</u>

The Company seized market opportunities and proactively promoted the growth of margin financing and securities lending business under the premise of controlling risks, and as a result, the margin accounts receivable increased by RMB2,378.27 million or 28.27% year-on-year.

The Company carried out businesses prudently under the premise of strictly controlling risks, and as a result, financial assets held under resale agreements decreased by RMB1,169.39 million or 28.33% year-on-year.

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Financial investment assets

As at the end of the Reporting Period, financial investment assets of the Group increased by RMB18,302.02 million or 97.27% year-on-year, representing 56.29% of the Group's total assets. The following table sets forth the composition of the Group's financial investment assets:

Unit: in RMB million				
Items	31 December 2021	31 December 2020	Increase/ decrease	Growth rate year-on-year
Financial investment assets				
Interests in associates	102.92	104.90	-1.98	-1.89%
Financial assets at fair value through profit or loss	27,710.09	16,955.09	10,755.00	63.43%
Equity instruments at fair value through other comprehensive income	2,579.20	0.00	2,579.20	-
Debt instruments at fair value through other comprehensive income	6,240.45	1,678.04	4,562.41	271.89%
Derivative financial assets	485.04	77.65	407.39	524.65%
Total	<u>37,117.70</u>	<u>18,815.68</u>	<u>18,302.02</u>	<u>97.27%</u>

The Company closely followed market trends, proactively participated in business innovation, enriched trading varieties and optimized portfolio structure and hence the financial investment assets achieved significant growth.

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Operating assets including other property and equipment

As at the end of the Reporting Period, operating assets including other property and equipment of the Group recorded a year-on-year decrease of RMB481.96 million or 34.80%, which accounted for 1.37% of the Group's total assets. The following table sets forth the composition of the Group's operating assets including other property and equipment as at the date indicated:

Unit: in RMB million

Items	31 December 2021	31 December 2020	Increase/ decrease	Growth rate year-on-year
Operating assets including other property and equipment				
Property and equipment	95.84	88.75	7.09	7.99%
Intangible assets	57.76	59.15	-1.39	-2.35%
Right-of-use assets	165.63	177.56	-11.93	-6.72%
Deferred income tax assets	24.55	36.96	-12.41	-33.58%
Other current assets and other non-current assets	<u>559.32</u>	<u>1,022.65</u>	<u>-463.33</u>	<u>-45.31%</u>
Total	<u>903.10</u>	<u>1,385.06</u>	<u>-481.96</u>	<u>-34.80%</u>

Other current assets and other non-current assets decreased by RMB463.33 million or 45.31% year-on-year due to the decrease of margin deposits of derivative contracts.

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

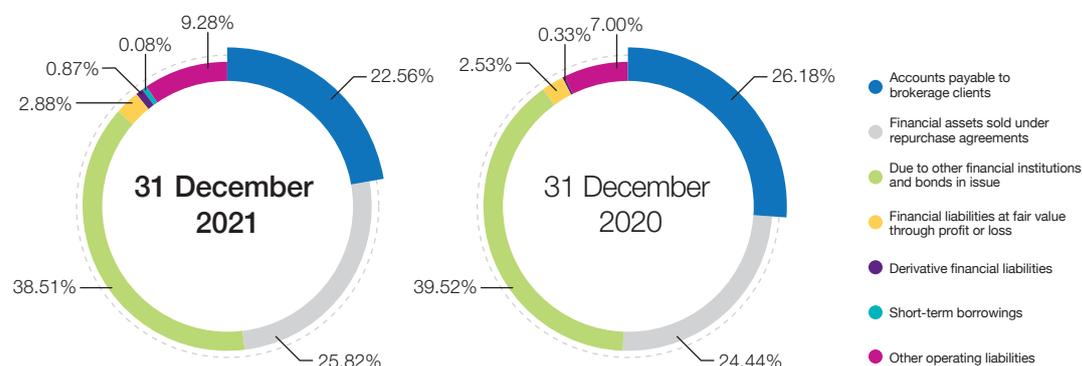
(3) Liabilities

As at the end of the Reporting Period, total liabilities of the Group amounted to RMB49,558.17 million, representing a year-on-year increase of RMB13,932.39 million or 39.11%, of which due to other financial institutions and bonds in issue amounted to RMB19,082.73 million, representing a year-on-year increase of 35.53%; financial assets sold under repurchase agreements amounted to RMB12,796.01 million, representing a year-on-year increase of 46.95%; accounts payable to brokerage clients amounted to RMB11,182.58 million, representing a year-on-year increase of 19.89%; other operating liabilities amounted to RMB4,598.10 million, representing a year-on-year increase of 84.28%. Changes in the Group's liabilities items are as follows:

Unit: in RMB million

Items	31 December 2021	31 December 2020	Increase/ decrease	Growth rate year-on-year
Liabilities				
Accounts payable to brokerage clients	11,182.58	9,327.20	1,855.38	19.89%
Financial assets sold under repurchase agreements	12,796.01	8,707.70	4,088.31	46.95%
Due to other financial institutions and bonds in issue	19,082.73	14,079.83	5,002.90	35.53%
Financial liabilities at fair value through profit or loss	1,429.71	899.28	530.43	58.98%
Derivative financial liabilities	430.77	116.58	314.19	269.51%
Short-term borrowings	38.27	0.00	38.27	–
Other operating liabilities	4,598.10	2,495.19	2,102.91	84.28%
Total	49,558.17	35,625.78	13,932.39	39.11%

The composition of the Group's total liabilities:



Financial liabilities at fair value through profit or loss

Unit: in RMB million

Items	31 December 2021	31 December 2020	Increase/ decrease	Growth rate year-on-year
Financial liabilities at fair value through profit or loss				
Interests of other holders in consolidated SEs	458.15	587.29	-129.14	-21.99%
Income certificates with variable interests	971.56	311.99	659.57	211.41%
Total	1,429.71	899.28	530.43	58.98%

The Company continued to innovate its business model and enriched trading varieties and hence the income certificates with variable interests increased by RMB659.57 million or 211.41% year-on-year.

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Due to other financial institutions and bonds in issue

Unit: in RMB million

Items	31 December 2021	31 December 2020	Increase/ decrease	Growth rate year-on-year
Due to other financial institutions and bonds in issue				
Due to other financial institutions	850.32	300.07	550.25	183.37%
Bonds in issue	<u>18,232.42</u>	<u>13,779.76</u>	<u>4,452.66</u>	<u>32.31%</u>
Total	<u>19,082.73</u>	<u>14,079.83</u>	<u>5,002.90</u>	<u>35.53%</u>

Due to other financial institutions and bonds in issue increased by RMB5,002.90 million or 35.53% year-on-year, which was attributable to the Company's expansion in its financing channels to fully support the growth of its business scale.

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Other operating liabilities

Unit: in RMB million

Items	31 December 2021	31 December 2020	Increase/ decrease	Growth rate year-on-year
Other operating liabilities				
Salaries, bonus, allowances and benefits payable	584.24	338.24	246.00	72.73%
Lease liabilities	166.79	175.64	-8.85	-5.04%
Deferred income tax liabilities	90.88	0.00	90.88	-
Other current liabilities and other non-current liabilities	<u>3,756.19</u>	<u>1,981.31</u>	<u>1,774.88</u>	<u>89.58%</u>
Total	<u>4,598.10</u>	<u>2,495.19</u>	<u>2,102.91</u>	<u>84.28%</u>

Salaries, bonus, allowances and benefits payable increased by RMB246.00 million or 72.73% year-on-year;

Other current liabilities and other non-current liabilities increased by RMB1,774.88 million or 89.58% year-on-year, mainly attributable to the development of OTC derivatives business and margin deposits of derivative contracts increased.

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

(4) Equity

As at the end of the Reporting Period, total equity of the Group amounted to RMB16,381.07 million, representing a year-on-year increase of 54.62%. The following table sets forth the composition of the Group's equity as at the date indicated:

Unit: in RMB million

Items	31 December 2021	31 December 2020	Increase/ decrease	Growth rate year-on-year
Share capital	2,831.77	2,378.12	453.65	19.08%
Share premium	8,189.05	3,659.71	4,529.34	123.76%
Reserves	2,476.72	2,061.63	415.09	20.13%
Retained earnings	<u>2,883.53</u>	<u>2,494.71</u>	<u>388.82</u>	<u>15.59%</u>
Total	<u><u>16,381.07</u></u>	<u><u>10,594.17</u></u>	<u><u>5,786.90</u></u>	<u><u>54.62%</u></u>

During the Reporting Period, the Company completed the non-public issuance of A shares, with a year-on-year increase of RMB4,982.99 million in the share capital and share premium.

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

(5) *Segment results*

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

We have five principal business lines: (i) brokerage and wealth management, (ii) investment banking, (iii) asset management and investment, (iv) credit transaction, and (v) proprietary trading. We also report financial results for these five business lines and divide these primary business lines into six business segments: (i) brokerage and wealth management, (ii) credit transaction, (iii) investment banking, (iv) proprietary trading, (v) asset management and investment; and (vi) other business. We report financial results of the business lines under these six business segments.

The following table sets forth our segment revenue, net investment gains and other income (including inter-segment revenue) for the years indicated:

	2021		2020	
	(in RMB million)	Percentage %	(in RMB million)	Percentage %
Brokerage and wealth management	1,156.77	27.34	938.97	35.01
Credit transaction	733.93	17.35	581.13	21.67
Investment banking	591.25	13.97	362.45	13.51
Proprietary trading	1,317.96	31.15	675.02	25.17
Asset management and investment	261.43	6.18	104.21	3.88
Other business	202.00	4.77	70.24	2.62
Eliminations	<u>-32.07</u>	<u>-0.76</u>	<u>-50.00</u>	<u>-1.86</u>
Total	<u><u>4,231.27</u></u>	<u><u>100.00</u></u>	<u><u>2,682.02</u></u>	<u><u>100.00</u></u>

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

The following table sets forth our segment expenses (including inter-segment expenses) for the years indicated:

	2021		2020	
	(in RMB	Percentage	(in RMB	Percentage
	million)	(%)	million)	(%)
Brokerage and wealth management	798.40	26.10	600.34	31.51
Credit transaction	437.31	14.29	354.00	18.58
Investment banking	457.70	14.96	256.47	13.46
Proprietary trading	657.35	21.48	253.77	13.32
Asset management and investment	146.51	4.79	54.45	2.86
Other business	575.75	18.82	394.30	20.70
Eliminations	<u>-13.42</u>	<u>-0.44</u>	<u>-8.24</u>	<u>-0.43</u>
Total	<u>3,059.60</u>	<u>100.00</u>	<u>1,905.09</u>	<u>100.00</u>

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

The following table sets forth our segment results (profit/(loss) before income tax) for the years indicated:

	2021		2020	
	(in RMB million)	Percentage (%)	(in RMB million)	Percentage (%)
Brokerage and wealth management	363.79	31.00	341.46	43.34
Credit transaction	296.62	25.28	227.13	28.83
Investment banking	132.08	11.26	108.79	13.81
Proprietary trading	660.07	56.26	421.27	53.46
Asset management and investment	114.92	9.79	50.01	6.34
Other business	-375.47	-32.00	-318.97	-40.48
Eliminations	-18.65	-1.59	-41.76	-5.30
Total	<u>1,173.37</u>	<u>100.00</u>	<u>787.92</u>	<u>100.00</u>

7. *Reasons for and Impact of Changes in Accounting Policies, Accounting Estimation or Correction of Significant Accounting Errors*

During the Reporting Period, there were no changes in accounting policies, accounting estimation and correction of significant accounting errors of the Company.

8. *Contingent Liabilities, Capital Commitments and Pledge of Capital*

There was no contingent liabilities, capital commitments or pledge of capital during the Reporting Period.

(IV) Changes in Branches and Subsidiaries of the Company and Their Impact on Results**1. Branches****(1) Establishment and Changes of Securities Branches****1 Newly-established Securities Branches**

During the Reporting Period, the Company established four new branches, namely Shantou Zhugang New Town Songshan Road Securities Branch (汕頭珠港新城嵩山路證券營業部), Shenzhen Tairan Nine Road Securities Branch (深圳泰然九路證券營業部), Shenzhen Yuehai Street Science and Technology Park Securities Branch (深圳粵海街道科技園證券營業部) and Shanghai Guangdong Road (上海廣東路證券營業部), respectively.

2 Relocation of Securities Branches

The Company constantly adjusted and optimized its branch network. During the Reporting Period, the relocations of Wuxi Luoshe Town Renmin South Road Securities Branch (無錫洛社鎮人民南路證券營業部), Shenzhen Yitian Road Securities Branch (深圳益田路證券營業部), Shanghai Tianlin East Road Securities Branch (上海田林東路證券營業部), Beijing Zhongguancun East Road Securities Branch (北京中關村東路證券營業部), Beijing Jinbao Street Securities Branch (北京金寶街證券營業部), Shanghai Hongqiao Road Securities Branch (上海虹橋路證券營業部), Nanjing Hexi Street Securities Branch (南京河西大街證券營業部) and Nanjing Lishui Shiyuan Road Securities Branch (南京溧水石燕路證券營業部) within the same city were completed.

3 De-registration of Securities Branches

During the Reporting Period, the Company de-registered five branches, namely Susong Fuyu West Road Securities Branch (宿松孚玉西路證券營業部), Guilin Binjiang Road Securities Branch (桂林濱江路證券營業部), Nanning Minzu Avenue Securities Branch (南寧民族大道證券營業部), Nanchang Beijing East Road Securities Branch (南昌北京東路證券營業部) and Changzhou North Main Street Securities Branch (常州北大街證券營業部), respectively.

(2) *Establishment and Changes of Branch Offices*

1 Establishment of Branch Offices

During the Reporting Period, the Company did not establish any new branch office.

2 Relocation of Branch Offices

The Company constantly adjusted and optimized its branch offices layout. During the Reporting Period, the relocations of Suzhou Branch Office, Beijing Branch Office, Shanghai Branch Office and Changzhou Branch Office within the same city were completed.

3 De-registration of Branch Offices

During the Reporting Period, the Company de-registered Subei Branch Office (蘇北分公司).

2. *Subsidiaries*

During the Reporting Period, there was no change in the subsidiaries of the Company.

3. *Impact on Results*

In 2021, the above matters had no material impact on the results of the Company.

(V) Major Investment and Financing Activities

1. Equity Financing

The Company completed the non-public Issuance of A shares to a total of 23 institutional investors (excluding any Connected Persons of the Company and none of the target subscribers who will become Substantial Shareholders of the Company upon completion of the subscription) on 15 October 2021, with the issuance of 453,654,168 Shares in total and the gross proceeds raised was RMB5.09 billion.

2. Debt Financing

In 2021, the cumulative additional credit debt financing amount of the Company (excluding inter-bank borrowing transactions and issued floating-income type income certificates) was RMB14.555 billion, and the cumulative principal repayment of debt financing matured amounted to RMB10.075 billion. The remaining principal amount of outstanding debt financing of the Company as at 31 December 2021 was RMB18.34 billion. In addition, there was an outstanding inter-bank credit borrowing of RMB0.4 billion and an outstanding borrowing of US\$6 million in respect of a wholly-owned subsidiary in Hong Kong.

The remaining amount of various outstanding credit indebtedness was as follows:

- (1). The new public issuance of corporate bonds to professional investors was RMB6.0 billion during the Reporting Period. The outstanding public issuance of corporate bonds to professional investors as at 31 December 2021 was RMB7.5 billion, the particulars of the remaining amounts were as follows:

Financing Projects	Amount (In RMB ten thousand)	Financing Date	Maturity Date	Term (Days)	Rate
Public issuance of	150,000	2020/4/15	2022/4/15	730	2.88%
corporate bonds	100,000	2021/3/15	2024/3/15	1,096	3.70%
to professional	150,000	2021/5/12	2024/5/12	1,096	3.59%
investors	150,000	2021/6/7	2023/6/7	730	3.27%
	100,000	2021/6/28	2024/6/28	1,096	3.65%
	100,000	2021/8/30	2024/8/30	1,096	3.29%

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

- (2). The new issuing amount of privately issued corporate bonds was RMB2.5 billion during the Reporting Period. The outstanding private issuance of corporate bonds as at 31 December 2021 were RMB5.8 billion, the particulars of the remaining amounts were as follows:

Financing Projects	Amount (In RMB ten thousand)	Financing Date	Maturity Date	Term (Days)	Rate
Private issuance of corporate bonds	80,000	2020/1/16	2023/1/16	1,096	4.13%
	150,000	2020/3/11	2023/3/11	1,095	3.60%
	100,000	2020/10/15	2022/10/15	730	4.07%
	100,000	2021/9/22	2023/9/22	730	3.40%
	150,000	2021/11/22	2024/11/22	1,096	3.50%

- (3). The private issuance of subordinated bonds, with the principal of RMB1.5 billion being repaid during the Reporting Period. The outstanding subordinated bonds as at 31 December 2021 were RMB2.5 billion, the particulars of the remaining amounts were as follows:

Financing Projects	Amount (In RMB ten thousand)	Financing Date	Maturity Date	Term (Days)	Rate
Private issuance of subordinated bonds	80,000	2019/3/27	2022/3/27	1,096	4.74%
	70,000	2020/3/5	2023/3/5	1,095	4.25%
	100,000	2020/11/26	2022/11/26	730	4.70%

- (4). The new public issuance of short-term corporate bonds to professional investors was RMB2.0 billion, with the principal of RMB1.0 billion being repaid during the Reporting Period. The remaining amount of the outstanding short-term corporate bonds as at 31 December 2021 was RMB2.0 billion, the particulars of the remaining amounts were as follows:

Financing Projects	Amount (In RMB ten thousand)	Financing Date	Maturity Date	Term (Days)	Rate
Public issuance of short-term corporate bonds to professional investors	100,000	2021/4/13	2022/2/16	309	3.10%
	100,000	2021/7/26	2022/6/30	339	2.75%

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- (5). The new issuance of inter-bank securities corporate short-term financing bonds was RMB1.0 billion during the Reporting Period, with the principal of RMB3.0 billion being repaid, there was no outstanding securities corporate short-term financing bonds as at 31 December 2021;
- (6). The new issuing amounts of fixed-income type income certificates were RMB1.555 billion during the Reporting Period, with the principal of RMB3.225 billion being repaid. The remaining amount of the outstanding fixed-income type income certificates as at 31 December 2021 were RMB90 million, the particulars of the remaining amount were as follows:

Financing Projects	Amount		Financing Date	Maturity Date	Term (Days)	Rate
	(In RMB ten thousand)					
Fixed-income type income certificates	4,000	2021/7/9	2022/1/9	185	3.00%	
	2,000	2021/8/20	2022/2/20	185	3.00%	
	3,000	2021/12/31	2022/3/2	62	2.70%	

- (7). The additional refinancing facilities were RMB1.5 billion during the Reporting Period, with the principal of RMB1.35 billion being repaid. The remaining amount of the outstanding refinancing facilities as at 31 December 2021 was RMB450 million, the particulars of the remaining amount were as follows:

Financing Projects	Amount		Financing Date	Maturity Date	Term (Days)	Rate
	(In RMB ten thousand)					
Refinancing	30,000	2021/12/28	2022/3/29	91	2.80%	
	15,000	2021/12/28	2022/3/29	91	2.80%	

3. Equity Investment

During the Reporting Period, the Company did not conduct any material equity investment.

(VI) Disposal of Material Assets, Acquisition, Replacement, Spin-off and Reorganization of Other Companies

During the Reporting Period, the Company did not carry out any disposal of material assets, acquisition, replacement, spin-off and reorganization of other companies.

II. DISCUSSION AND ANALYSIS OF THE BOARD ON THE FUTURE DEVELOPMENT OF THE COMPANY**(I) Industry layout and trend**

The global economy continued its recovery in 2021 but was still affected seriously by the uncertainty of the epidemic and the impact of global supply chain. Moving into 2022, the global recovery momentum has weakened, and is characterized by structural differentiation. According to the latest World Economic Outlook Report released by IMF, the global economic growth is forecast to grow by 4.4% in 2022, 0.5 percentage point lower than the previous forecast, and output of advanced economies is expected to resume to their pre-pandemic trend this year, but part of emerging markets and developing economies may take longer to recover. The differentiation in recovery had led to policy differentiation, and as inflation rises, the expectation of the FED to increase interest rates in 2022 was further clarified. The rate hikes imposed by the FED may have a great impact on global risk preference, monetary policies of various countries and global asset pricing.

Since the second half of 2021, affected by multiple factors such as real estate regulation and unpredictable epidemics, China's economy has experienced significant downward pressure. The Central Economic Working Conference pointed out clearly that "China's economic development is facing triple pressures of shrinking demand, supply shocks, and weakening expectations" in the short run, and the economic works in 2022 must be carried out "in a stable pace".

High-quality development is the main theme of the economic development of China in future. The Fifth Plenary Session of the 19th Central Committee of the Party proposed to "persistently focus on the development of the economy on the real economy, unwaveringly build China into a strong manufacturing powerhouse, a quality powerhouse, a cyber powerhouse and a digital China, promote the level of its industrial foundation and the modernization of the industrial chain and enhance the economic quality and efficiency and core competitiveness". Under this background, high-end manufacturing industries, led by semiconductor chips, bio-pharmaceuticals, artificial intelligence and other industries, will become the main driving forces for future economic development.

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

With the new economic concepts of China's economy replacing the old and the transformation of its development model, equity assets are expected to usher in a golden age. Residents' wealth deployment will be more targeted to the capital market, and the development trend of Pan-wealth management has been established. Against this background, the securities industry has also seen a new development trend. The main licensed businesses of securities companies have basically formed a consensus on transformation: from channel-type investment banks to industrial-type investment banks, using industrial thinking to promote corporate capital operations; from brokerage business to wealth management, to meet the growing needs of customers for investment and wealth inheritance; from channel asset management to active management, giving play to the function of value discovery; and from self-operating mode to transaction intermediary, to become a supplier of market liquidity and solutions.

From the perspective of the competitive layout of the securities industry, affected by the homogeneity of business models, the securities industry in China is currently relatively fragmented as compare to the more developed markets. In 2020, the total realized profits of the top 3 companies accounted for 25% of the entire industry, but industry concentration is increasing year by year. As the leading securities companies have strong capital strength, solid customer base, and professional manpower team, their relative competitive advantages are becoming more and more obvious. The entire industry layout has shown an oligarchic situation in which leading companies are becoming stronger and stronger, and competitive pressure for small and medium-sized securities companies may be further increased.

However, as a regional securities broker, the reform of the registration system is expected to bring more business opportunities. Under the registration system, the IPO review speed is accelerated, the expansion of capital market scale is boosted, and the investment banking business shows an overall growth trend. At the same time, it also brings more direct investment and follow-up investment business opportunities for securities companies. The registration system reform has brought more opportunities for small- and medium-sized emerging securities brokers. Since the implementation of the registration system, a large proportion of incremental projects have come from small- and medium-sized technology companies, and such projects are usually undertaken by small- and medium-sized securities brokers with regional characteristics. At the same time, the integration of the Yangtze River Delta has been escalated to a top national strategy, local securities brokers are expected to gain more business opportunities in participating in and serving the integration construction of the Yangtze River Delta.

(II) Corporate development strategy

Our future corporate strategic positioning is to focus on further serving the real economy and strive to become a leading customer-oriented investment bank that provides comprehensive financial solutions and the most important investment and financing arranger, transaction organizer, wealth manager and liquidity provider in local regional market and even the national market (in certain sectors), thus contributing to the economic and social development of Wuxi and Southern Jiangsu district.

(III) Business plans

In 2022, under the guidance of Xi Jinping’s Thought on Socialism with Chinese Characteristics for a New Era, the Company will continue to further integrate the core innovation-driven strategy and the leading strategy of city development through industry in Wuxi, and integrate the national strategy of “Integration of Yangtze River Delta Region”. Through following the key trend of “Peak Carbon Dioxide Emissions and Carbon Neutrality” and the new economic concepts of economic growth replacing the old, the Company will seize the opportunities of industrial reform and industry transformation, with a view to lift competitiveness and market position to new levels. The Company will speed up in providing remedies to its business weaknesses, improve its professional capabilities, and create its own characteristics in certain niche areas. Through continuous improvement of the middle-back end management and learning from the best practices both domestically and abroad, it will build a professional and efficient business support platform. The Company further deepen the market-oriented reform, establish and improve the systems, mechanisms and company culture that are conducive to the long-term development of the Company.

(IV) Capital needs

With the continuous and stable development of the Company’s various business scales, the overall financing needs have increased. During the Reporting Period, a total of RMB5.09 billion funds was raised through the non-public issuance of A Shares. Through debt financing (excluding inter-bank borrowing transactions and issuance of floating yield income certificates), the Company cumulatively obtained the principal amounts of RMB14.555 billion, and recorded a cumulative principal repayment of maturing debt financing of RMB10.075 billion, with a net increase of RMB4.48 billion in the balance of debt financing as compared with that of the end of the previous year. In future, the Company will continue to improve its overall capital deployment efficiency and keep on exploring new financing products and models and expand financing channels to ensure the capital needs of business development. It will also arrange the size and structure of liabilities scientifically, maintain a reasonable and sound leverage level and strengthen risk awareness to prevent liquidity risks and ensure liquidity security.

(V) Analysis of Competitiveness**1. Unique Regional Advantages**

Wuxi, Southern Jiangsu and the Yangtze River Delta region is one of the regions with the largest domestic economy capacity, most vibrant economy, highest quality of development, and largest number of listed companies and high-net-worth individuals. The total GDP of the Yangtze River Delta region accounts for nearly 25% of China, the total GDP of Jiangsu Province exceeds RMB10 trillion, and that of Wuxi exceeds RMB1 trillion. The customers and markets of securities companies are extremely broad. As the main birthplace of modern national industry with strong base for manufacturing industry, and one of the national innovation pilot cities and the national independent innovation demonstration cities in Southern Jiangsu, Wuxi has established its industrial clusters in strategic emerging industries such as integrated circuits, medicine and health, and the Internet of Things. Under the construction of a new domestic and international “dual-circulation” development layout, all these industries have good development opportunities. As a regional securities broker, the Company enjoys the natural advantage in serving regional enterprises. As an important strategic fulcrum for the integration of the Yangtze River Delta region, Wuxi has unique regional advantages due to its premier central location, dual-belt linkage and geographic cross-intersection. In the future, it has tremendous potential in connecting regional integration, provincial integration and Suzhou-Wuxi-Changzhou integration, and the Company will also play a more important role.

2. A+H Shares Listing in the PRC and in Hong Kong Improved Our Market Competition and Risk Resistance Capability

The Company’s H shares were listed on the Main Board of the HK Stock Exchange on 6 July 2015, and its A Shares were listed on the Main Board of the Shanghai Stock Exchange on 31 July 2020. The Company is the 13th company in the domestic securities industry with a dual listing status on both the A+H markets. Through the listing in both the A+H markets, the Company has effectively improved its capital strength, laid a solid foundation for business scale expansion and market risks resistance, significantly improved its brand influence and market competitiveness, and opened up the long-term financing channels in the two capital markets, which are beneficial to further introducing strategic investors and reducing the comprehensive financing costs of the Company in future.

3. Management Team with Extensive Industry Experience

The senior management team of the Company has extensive management experience, outstanding management abilities and forward-looking strategic thinking in securities and financial services industry. They are able to understand profoundly the development trend of the industry and the market, make accurate business judgment, and capture promptly business opportunities and adjust business strategies prudently and scientifically. In particular, the experience of the management team in the overseas and cross-border business sectors will help the Company accelerating the pace of international development and opening up new areas of business growth. Under the leadership of the team, the Company will build the industry-leading development philosophy and management processes according to the best market practices, and accelerate its development to become an investment bank with modern management mechanisms.

4. Sound and Highly Efficient Operation Management and Prudent Risk Control

For many years, the Company has abided to the business philosophy of steady development, facilitated the stable transformation and upgrading of its business models, optimized its revenue mix and profit source, and achieved years of profitability successively. Of the securities companies in the PRC, since its inception (from 1999 to date), the Company is one of the few securities companies with successive profitability. During the Reporting Period, the Company kept on improving its compliance management and risk management system to ensure the Company's standardized operation and stable development.

The Company strictly upholds its compliance baseline and earnestly implements the requirements of regulatory authorities. The Company continues to revise and improve its compliance management system, implement various control measures and enhance compliance assessment to ensure compliance management responsibilities are in place. By learning from the best practices in the industries, the Company also actively builds high-standard and high-quality internal credit evaluation systems and risk management systems to prevent and resolve business risks in a timely manner. At the same time, the Company strengthens the performance guarantee of compliance risk control personnel. The Company adheres to the principle of "risk measurable, controllable and tolerable" to carry out innovative business prudently, strictly limit the risk exposure of high-risk businesses and strengthen risk monitoring.

III. DETAILS OF MAJOR RISKS EXPOSED TO THE COMPANY'S OPERATION**1. Market Risk**

Market risk refers to the risk that may cause losses to the financial assets held by the Company resulting from the adverse changes in market prices. The categories mainly include equity price risk, interest rate risk, commodity price risk and exchange rate risk. The market risk of the Company mainly comes from domestic and overseas investment businesses such as equity investment business, fixed income business and equity derivatives business.

The Company has established a top-down market risk limit management system, which allocates the overall risk limit of the Company to different business departments and business lines. Business departments, with direct responsibility for market risks and as the frontline management personnel, dynamically manage the business exposure and limit indicators. The Risk Management Department independently conducts a comprehensive assessment, monitoring and management of the overall market risk of the Company, and reports the results to the management of the Company.

The Company conducts comprehensive monitoring on market risks by calculating profit and losses, exposure, basis points, duration, Greek letters and other indicators on a daily basis, and continuously improves the VAR and stress test measurement mechanisms, so as to monitor and analyze the potential losses of the Company.

2. Credit Risk

Credit risk refers to the risk that may cause losses due to the default of financiers, counterparties or issuers. The credit risk of the Company mainly arises from the following aspects: stock pledged repurchase transactions, margin financing and securities lending and other financing businesses; over-the-counter (“OTC”) derivative business, such as swaps, OTC option and forwards, credit derivatives, etc.; bond investment transactions (including bond-related transactions such as spot bonds transactions, bond repurchase transactions, bond forward transactions and bond lending business), in which bonds include but not limited to treasury bonds, local bonds, financial bonds, government-backed agency bonds, corporate bonds and non-financial enterprises debt financing instruments, corporate bonds, asset-backed securities, interbank certificates of deposit; non-standardized debt asset investment, etc.

The Company has assessed the credit ratings of counterparties or issuers through its internal credit rating system, measured its risk with methods such as stress test and sensitivity analysis, and managed credit risks by means of access and concentration. Meanwhile, the Company has established a credit risk management system to conduct monitoring and analysis in a timely manner, keep track of the changes in the credit risk qualifications of various businesses and transaction counterparties, carry out pre-warning and reporting, and adjust its credit limits in a timely manner.

3. Liquidity Risk

Liquidity risk refers to the risk that the Company is unable to obtain sufficient fund in time at reasonable costs for paying indebtedness when it falls due, performing other payment obligations and meeting the funding needs of normal business operation. The rapid development of various businesses of the Company exert higher requirements on liquidity.

To cope with and manage the liquidity risk effectively, the Company adopts the following measures: (1) manage funding source, financing arrangement and funds allocation in a highly efficient manner; (2) based on the business development plan, financial position and financing capacity of the Company, and also taking into account of the liquidity risk and other related risks involved in the operation process, reasonably determine the scale limit of each business; (3) conduct stress test when the utilization of funds has reached the limit, and take appropriate measures to ensure that the scale exposure for each business line falls within the safety range; (4) set up adequate liquidity reserve to ensure additional fund source will be provided in emergency circumstances.

4. Operational Risk

Operational risk refers to the risk of losses resulting from inadequate or problematic internal procedures, personnel and information technology systems, as well as external events. The Company continuously optimizes the internal control mechanism, carries out targeted identification and effectiveness assessment on operational risk, and standardizes business processes through new business assessment, business process rationalizing and system review to prevent risks from occurring. It also continuously collects and sorts out internal and external risk events to supplement operational risk event database. Furthermore, the Company constantly strengthens behavior adequacy and normative operation of staff from each position through various means, such as internal training, assessment and enhances the risk awareness of employees through the promotion of risk control culture. It also improves emergency risk management plan with regular drills to ensure the security of equipment, data and system, thereby preventing the operational risk caused by information system failure.

5. Compliance Risk

Compliance risk refers to the risk that the Company or its staff will be investigated for legal responsibility, taken regulatory measures, taken disciplinary actions and suffered property losses or commercial goodwill losses due to violation of laws, regulations and standards in operation management or practice.

The Compliance and Legal Department of the Company takes the lead in the management of compliance risk, and has established an effective and impeccable compliance risks management system and compliance management and organization system. At the same time, the Company exerts an effective and comprehensive control on compliance risks encountered by the Company in its business operation by means of compliance monitoring, compliance inspection, compliance investigation, compliance supervision and compliance training, etc.

6. Reputation Risk

Reputation risk refers to the risk of negative comments on the Company by investors, issuers, regulatory bodies, self-regulatory organizations, the public and the media due to the Company's operations or external events, and its employees' violation of integrity regulations, professional ethics, business norms, industrial standards and regulations and other related behaviors, thereby damaging corporate brand value which is detrimental to its normal operation and even affect market stability and social stability. According to the regulatory requirements, the Company has revised and improved the reputation risk management measures, the implementation rules for reputation risk emergency management and the implementation rules for media management, and conducted dynamic monitoring and management of its reputation risk through the public opinion monitoring system.

7. Exchange Rate Fluctuation Risks and any Related Hedging

The foreign currency assets and liabilities held by the Company are not material when compared to total assets and liabilities. In terms of the Company's revenue structure, the majority of the business transactions are settled in RMB, with only insignificant revenue from foreign currency transactions. The Company considers that their exchange rate fluctuation risk is immaterial.

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

IV. INFORMATION ABOUT STAFF AND REMUNERATION OF THE COMPANY AND MAJOR SUBSIDIARIES**(I) Staff**

Items	Number of Staff
Number of employees in parent company	1,819
Number of employees in major subsidiaries	450
Total number of employees	2,269
Number of retired employees whose parent company and major subsidiaries undertake the expenses	74

Professional Structure

Professional Category	Number of Professionals
Brokerage and wealth management business	1,259
Investment banking business	432
Assets management business	116
Proprietary trading business	10
Fixed income business	30
Equity derivatives business	21
Credit transactions business	16
Research	54
Institutional sales business	12
Operation, custody and liquidation	30
Risk control	17
Compliance, legal and audit	34
Information technology	127
Planning and finance	49
Administration	39
Others	23
Total	2,269

Education Background Category	Number of Staff (Headcount)
Doctoral Degree	17
Master's Degree	876
Bachelor's Degree	1,280
College Degree or below	96
Total	2,269

(II) Staff Remuneration

Focusing on the management of the MD rank system, the Company continues to optimize and improve the market-oriented promotion and remuneration management mechanism for employees. Under the MD system, the appointment and promotion, performance management, remuneration and benefits, and career development of the Company's employees are determined by their ranks, encouraging employees to continuously improve their core competencies. Staff remuneration comprises fixed salary, performance-based incentives as well as social security and welfare. The Company established a position-based wage system based on ranks. In combination with the market level, the salary standard is determined strictly according to the fixed salary range corresponding to the employee's rank. The principle of "position-based salary, salary changes for position changes" is strictly followed when making adjustment to staff's fixed salary. The performance-based award is set up to motivate staff to devote efforts and work results for the continuous improvement of the economic benefits of the Company. It is the award that is distributed after assessment based on department and staff duty performance requirements and their contributions made. The total annual bonus is drawn from the total profit at the ratio determined by the Board, and its distribution is based on performance and contribution. The Company established a comprehensive welfare protection system, provided employees with statutory social insurance and provident fund in strict compliance with the relevant provisions of state laws and regulations, supplemented by the enterprise group annuity insurance and mutual assistance for serious illness to provide employees with effective guarantee. The welfares of the Company also include paid holidays and regular physical examination.

(III) Development and Training

To facilitate the constant improvement of the comprehensive qualities of the Company's staff and adapt to the needs of innovative development of the industry and personnel training and development, the Company attaches great importance to staff trainings and keeps on improving and optimizing its staff training system. Based on the business development requirements every year, the Company accurately explores the training problems at the front and back ends and gathers departments training needs to develop and carry out annual training programme in an orderly manner, improve the effectiveness of training, and achieve mutual growth of staff and the Company.

In 2021, against the resurgence of the epidemic, the Company used the E-learning platform as an online learning carrier in the form of live video conferences and face-to-face trainings by region/small-scale, and through multi-channel and multi-form training organization methods, its continuously innovated training works to expand the dimensions of training. The Company organized online learning for new staffs, new staff training camps, and morning star (啟明星) training. For business backbones and managers, the Company organized navigation star (領航星) training and empowerment training for person in charge of branches. For each business line, the Company organized and carried out training on risk management, python, touring promotion training and other projects. For all staffs, the Company held 24 business lecture hall seminars to continuously connect with business promotion and staff learning needs, support its business, and empower staffs to grow.

During the Reporting Period, the Company carried out various methods of education trainings, such as face-to-face trainings, online study and external trainings, with a total of 53,698 employee-headcount who have participated in such trainings.

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

For the year ended 31 December 2022:

I. BOARD'S DISCUSSION AND ANALYSIS ON THE OPERATION OF THE COMPANY DURING THE REPORTING PERIOD

(I) Overall Operation of the Company

For the whole year of 2022, the Group achieved revenue, net investment gains and other income totaling RMB3.930 billion, representing a year-on-year decrease of 7.12%. Net profit attributable to shareholders of the Company of RMB767 million was achieved, representing a year-on-year decrease of 13.66%. As at 31 December 2022, total assets of the Group was RMB74.382 billion; and net assets attributable to shareholders of the Company was RMB16.761 billion and the weighted average returns on net assets was 4.62%.

The revenue generated from the brokerage and wealth management business was RMB1.048 billion, representing a year-on-year decrease of 9.37%; the revenue generated from the investment banking business was RMB526 million, representing a year-on-year decrease of 11.01%; the revenue generated from the asset management and investment business was RMB197 million, representing a year-on-year decrease of 24.73%; the revenue generated from the credit transaction business was RMB725 million, representing a year-on-year decrease of 1.25%; and the revenue generated from the proprietary trading business was RMB1.155 billion, representing a year-on-year decrease of 12.36%.

(II) Analysis of Principal Business**(I) Brokerage and Wealth Management Business***Market Environment*

In 2022, the overall market trading sentiment of domestic securities market declined as compared with the same period of last year. According to the information of the Shanghai and Shenzhen Stock Exchanges, the annual stocks and funds trading volume on the Shanghai and Shenzhen markets was RMB247.67 trillion, and the average daily turnover of stocks and funds was RMB1,023.433 billion, representing a year-on-year decrease of 9.99%.

Actions and Achievements

During the Reporting Period, the Company insisted on focusing on the needs of customers, continuously deepened the transformation of wealth management, and continued to improve business models and management model. By optimizing the asset allocation system and product system, the strategies of the fund investment advisory have been enriched, and the scale of business retention has been maintained at the forefront of the industry. The Company has established a customer service system with educating sellers and educating investors as its core, besides, the Company explored the online customer management and service models and built online investment and education platforms such as the “General Direction (大方向)” official account, with over 1 million users cumulatively. The Company accelerated the business layout in key regions with Zhejiang Branch Office officially commencing operation. It also continued to strengthen team building, and has realized the expansion of wealth planner team amidst under unfavorable trend, with a preliminary system of internal trainers established.

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

In 2022, the net income from agency sales of securities business of the Company was RMB426 million, representing a year-on-year decrease of 13.84%. The transaction volume from the agency sales of securities of the Company (shares and funds) was RMB2,424.602 billion with a market share of 0.49%, basically the same as 2021. As at the end of the Reporting Period, the total number of customers was 1,583,800, representing an increase of 14.30% as compared to the same period of last year.

Items	2022/ end of 2022	2021/ end of 2021	Year-on-year increase/ decrease
Trading volume of shares and funds (in RMB100 million)	24,246.02	27,230.58	-10.96%
Number of securities brokerage clients (in '0,000)	158.38	138.56	14.30%

During the Reporting Period, sales volume of financial products of the Company amounted to RMB58.155 billion, representing a year-on-year increase of 27.12%. Among which, sales volume of self-developed asset management products amounted to RMB45.670 billion, representing a year-on-year increase of 122.61%. Sales volume of third-party fund products amounted to RMB3.143 billion, representing a year-on-year decrease of 79.48%. Sales volume of third-party trust products amounted to RMB1.791 billion, representing a year-on-year decrease of 62.78%. Sales volume of other financial products amounted to RMB7.551 billion, representing a year-on-year increase of 47.96%.

During the Reporting Period, the fund investment advisory business of the Company maintained stable business development. As at the end of the Reporting Period, the total number of contracted accounts for fund investment advisory business of the Company was 240,300, with contracted asset size for fund investment advisory amounted to RMB6.880 billion.

Outlook for 2023

In 2023, the Company will continue to strengthen the scale and capacity building of its sales force, to lay a solid foundation for the growth of customers and business scale, to increase online layout, to innovate business models, and to improve online customer solicitation and online service capabilities. It will build a digital operation system and accelerate digital transformation, while at the same time, build a technology-enabled ecosystem through external cooperation. The Company will improve its customer service system for “Small and medium-sized Businesses, Large Customers”, and focus on asset deployment to push forward the formation of scale advantages in the deployment business based on the fund investment advisory business.

(II) Investment Banking Business

The Company engaged in the investment banking business through Hua Ying Securities, its wholly-owned subsidiary. Specifically, it mainly includes the equity financing business, bond financing business, financial advisory business and NEEQ business.

*1. Equity Financing Business***Market Environment**

In 2022, the overall pace of issuance in the primary market slowed down as compared with last year, and the size of the issuance of new shares decreased. However, with the constant reform of comprehensive registration system, and the development of Science and Technology Innovation Board, the Growth Enterprise Market, as well as Beijing Stock Exchange’s yet separate but complementary development, the ability of the multi-level capital market to serve the real economy were enhanced increasingly. According to the statistics from Wind, in 2022, 954 equity financing projects were implemented in the Shanghai and Shenzhen A Share markets, representing a decrease of 249 as compared with the same period of last year, with total financing amount of RMB1,553.691 billion, representing a year-on-year decrease of 15.62%. In particular, there were 416 IPOs issuance during the year, representing a year-on-year decrease of 104, with the financing amount of RMB522.334 billion, representing a year-on-year decrease of 13.37%. There were 538 refinancing issuance projects, representing a year-on-year decrease of 145, with the financing amount of RMB1,031.358 billion, representing a year-on-year decrease of 16.71%.

Actions and Achievements

In 2022, under the market situation where both the number of IPO issuance and the financing scale declined, Hua Ying Securities seized the historical opportunity of the reform of comprehensive registration system to continue to expand its equity business. During the year, 3 IPO projects were completed, and the underwriting amount increased by 2.5 times as compared with last year. There were also 4 projects with application received approval by CSRC, 2 projects with applications under review, and 13 tutoring projects.

Although the refinancing business was affected by the weakening market sentiment, however, Hua Ying Securities took the initiative to change its business strategy, anchored the varieties of convertible bonds, and successfully issued 1 convertible bond project of RMB2.8 billion. Also, there was 1 convertible bond and 1 private placement projects had obtained approval, and 1 convertible bond project with applications under review.

According to the ranking from Wind, the IPO underwriting amount of Hua Ying Securities ranked 30th in the market, and its refinancing underwriting amount ranked 19th in the market. During the Reporting Period, Hua Ying Securities won the Annual IPO Underwriting Rapid Progress Award (年度IPO承銷快速進步獎), the Emerging Investment Bank of 2022 (2022「新銳投行」) and the Jun Ding Award of the Main Board Financing Project (「主板融資項目」君鼎獎), and was highly recognized in the market.

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

The table below shows the details of equity underwriting and sponsorship business for the year:

Currency: RMB

Items	2022		2021	
	Underwriting amount (In 100 million)	Number of issuance (Unit)	Underwriting amount (In 100 million)	Number of issuance (Unit)
Initial public offering	24.00	3	6.83	2
Refinancing issuance	28.00	1	127.78	7
Sub-underwriting	0.00	3	0.00	3
Total	52.00	7	134.61	12

Outlook for 2023

In 2023, Hua Ying Securities will continue to expand its IPO business and strive to build it into a brand business of investment banking; further focus on the business model of “investment bank + investment” characteristic, make in-depth development of high-quality customers, and explore business opportunities. It will continue to strengthen the equity business of Wuxi base, and expand the IPO projects reserve in Wuxi. The company will also optimize the equity business structure and enhance the project reserve in the Science and Technology Innovation Board and attach importance to the market of Beijing Stock Exchange. Besides, it will actively promote the listing of “professionalized, refined, specialized and novelty” high-quality enterprises, strengthen comprehensive financial services for existing customers, and effectively serve the development of the real economy.

2. *Bond Financing Business*

Market Environment

In 2022, the domestic bond market issued a total of RMB61.9 trillion of various bonds, basically the same as last year. In particular, the inter-bank bond market issued bonds of RMB56.0 trillion, representing a year-on-year increase of 5.4%, and the exchange market issued bonds of RMB5.8 trillion. In 2022, RMB9.6 trillion of treasury bonds, RMB7.4 trillion of local government bonds, RMB9.8 trillion of financial bonds, RMB13.8 trillion of corporate credit bonds, RMB334.54 billion of credit asset-backed securities and RMB20.5 trillion of interbank certificates of deposit were issued.

Actions and Achievements

In 2022, Hua Ying Securities actively implemented innovation in its bond business, and completed projects of the first digital economy corporate bond in the entire market and the first innovation and entrepreneurship bond and exchangeable bond. It continuously enriched bonds varieties and broadened the service chain. At the same time, Hua Ying Securities actively implemented the national strategy, increased efforts in the development of green bonds and rural revitalization bonds, and actively responded to the national policy of supporting bond financing of private enterprises. It completed 6 bond issuance projects targeted at private enterprises, providing financial support for the financing of the private enterprises.

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

During the Reporting Period, Hua Ying Securities completed a total of 99 bond projects, 27 government bond sub-underwriting projects, with a total underwriting amount of RMB39.392 billion. In addition, it had 40 bond projects which had already obtained approvals and were pending issuance, and 35 bond projects under review, with a pending issuance amount exceeded RMB100 billion.

The table below shows the details of bond underwriting business for the year:

Currency: RMB

Items	2022		2021	
	Amount of underwriting (In 100 million)	Number of issuances (Unit)	Amount of underwriting (In 100 million)	Number of issuances (Unit)
Enterprise bonds	13.00	2	13.20	4
Corporate bonds	348.98	92	383.56	79
Financial bonds	2.00	1	10.00	1
Exchangeable bonds	14.97	4	0.00	0
Local government bonds	14.97	27	21.12	55
Others	0.00	0	3.50	2
Total	393.92	126	431.38	141

Note: The above bond projects include lead underwriting, joint lead underwriting and sub-underwriting.

Outlook for 2023

In 2023, Hua Ying Securities will continue to increase the reserve of bond projects and enhance the professional ability of bond services. It will continue to improve the strengths of bond underwriting business in Wuxi, and further expand the share of bond market in Wuxi. It will strengthen the maintenance of investment institutions, expand bond sales network, and enhance bond sales capabilities. Besides, It will increase bond innovation projects which focused on national strategic varieties, and enhance service features.

3. *Financial Advisory Business*

Market Environment

According to the statistics from Wind, the number of announced transactions in China's mergers and acquisitions and restructuring market (excluding overseas mergers and acquisitions) in 2022 was 9,155, with a transaction value of RMB2,499.784 billion, representing a year-on-year decrease of 13.19%. The number of completed transactions was 4,092, with a transaction value of RMB560.144 billion, representing a year-on-year decrease of 57.14%.

Actions and Achievements

In 2022, the mergers and acquisitions market of A-share was still sluggish, but the mergers and acquisitions for the purpose of industrial integration was gradually recovering. Hua Ying Securities provided high-quality financial advisory services to high-quality customers by matching customer resources and strengthening business synergy. During the year, 53 financial advisory projects (excluding NEEQ) were completed, and the number of projects increased by 10.42% year-on-year.

Outlook for 2023

In 2023, Hua Ying Securities will adhere to customer-focused measures and do a good job in core customer service. It will promote the development of mergers and acquisitions and restructuring business by the refinancing business and comprehensive financial business. It will conduct in-depth industry research and analysis to identify business opportunities for mergers and acquisitions, and insist on serving the real economy to further improve the comprehensive service capabilities of mergers and acquisitions.

4. *NEEQ Business*

Market Environment

As at the end of 2022, the number of enterprises listed on NEEQ was 6,580, representing a year-on-year decrease of 352, with a total market capitalization of RMB2,118.144 billion, representing a year-on-year decrease of 7.28%. The total funds raised on the NEEQ market during the year amounted to RMB23.228 billion, representing a year-on-year decrease of 10.55%. As at the end of the Reporting Period, the NEEQ component index closed at 959.97, representing a year-on-year decrease of 15.66%. The NEEQ market-making index closed at 1,222.31, representing a year-on-year decrease of 16.03%.

Actions and Achievements

In 2022, the NEEQ business of Hua Ying Securities continued to operate on the basis of expanding client coverage with value identification and actualization as the core, propelled listing business and completed daily supervision work. At the same time, it placed great emphasis on quality control and effective guard against business risks. During the year, Hua Ying Securities completed 5 recommended NEEQ listing projects, 5 issuance projects, and 1 mergers and acquisitions and restructuring project, and ongoing supervision for 88 enterprises.

Outlook for 2023

In 2023, Hua Ying Securities will continue to improve the business management system and market development system of NEEQ with value identification and actualization as the core, drive the development of other relevant business and provide quality NEEQ integrated services for customers.

(III) Asset Management and Investment Business***1. Asset Management*****Market Environment**

Since the official implementation of the “new asset management regulations” in 2022, the asset management industry gradually entered a new stage of stable development by comprehensively improving active management capabilities and customer service capabilities, and deepening net worth transformation. With the implementation of the favorable regulatory policy that “securities companies can apply for another public offering licence besides participating in no more than two fund companies and be controlling shareholder of only one of them (一參一控一牌)”, securities companies have accelerated the layout of asset management subsidiaries, actively applied for the qualification of public offering fund management business, and sped up the public offering transformation. At the same time, the pilot programme of public offering REITs was further promoted. Digitalized reformation accelerated business upgrades and ecological remodeling, and product innovation continued to show its vibrancy. According to the data from SAC, as of the end of December 2022, total size of assets under entrusted management in the securities companies reached RMB9.76 trillion, representing a year-on-year decrease of 10.29%.

Actions and Achievements

In 2022, the Company seized the new development opportunities of wealth management transformation in terms of its asset management business, adhered to professional values, and focused on customer needs to create and strengthen investment and research capabilities with industry competitiveness. It built products system covering the entire life cycle and matched different risk preferences, which met the continuously diversified and in-depth wealth management needs of investors through professional asset deployment and diversified strategy output, and formed a good brand effect in the industry and among the clients with various products striking a balance between excellent performance and scale expansion.

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

As of the end of the Reporting Period, the Company managed a total of 275 asset management schemes, and the entrusted funds of the asset management business amounted to RMB102.048 billion, basically the same as last year. Among which, 4 were public offered funds (including large-scale fund collections) products, with an asset size of RMB7.206 billion; 71 were Collective Asset Management Schemes, with an asset size of RMB11.678 billion; 160 were Single Asset Management Schemes, with an asset size of RMB54.657 billion; 40 were Specialized Asset Management Schemes, with an asset size of RMB28.507 billion.

The table below shows the details of size of asset management and operating income:

Category	Size of asset management (In RMB100 million)		Operating income (In RMB ten thousand by SAC standards)	
	End of 2022	End of 2021	2022	2021
	Public Offered Funds (including large-scale fund collections)	72.06	19.48	2,485.10
Collective Asset Management Scheme	116.78	110.88	5,489.98	4,069.74
Single Asset Management Scheme	546.57	522.57	4,643.34	5,564.11
Specialized Asset Management Scheme	285.07	371.19	5,887.06	4,059.75
Total	1,020.48	1,024.12	18,505.48	14,604.86

Outlook for 2023

In 2023, the Company will continue to adhere to professional values in terms of its asset management business, fulfill social responsibilities, and serve the real economy. Under the new market environment, the Company will continue to improve both internally and externally, perform well in dynamic asset deployment, and further consolidate the active management capabilities in five major segments including fixed income, fixed income+, FOF deployment, equity and derivatives and ABS. It will continue to improve customer development capabilities and comprehensive financial service standards to develop the characteristics of its own wealth management. In addition, the Company will prepare the setting up of its asset management subsidiaries, attach importance to the development of supporting service capabilities of the middle-end and back-end offices, propel the construction of business digitalization, and coordinate the systemization of system platforms such as compliance and internal control, institutional services, investment and research integration to improve professional operation capabilities.

2. *Private Equity Investment Business*

The Company is engaged in private equity investment business through the equity investment fund under its wholly-owned subsidiary, Guolian Capital.

Market Environment

In 2022, the market of domestic private equity investment funds generally showed a continuous growth trend. Driven by large state-owned funds guided by policies and infrastructure investment funds, the total amount of proceeds of domestic equity investment funds increased year-on-year. The underlying system of the equity investment market has been continuously improved, and regulatory authorities have successively issued regulatory rules and guidelines to further promote the standardized development of the private equity industry. Benefiting from the continuous implementation of the reform of the comprehensive registration system, the exit of equity investment fund projects has shown a steady and positive trend, and the private equity investment market will usher in new historical opportunities.

Actions and Achievements

During the Reporting Period, Guolian Capital continued to optimize its business structure system, continued to strengthen industry research, and enhanced the in-depth deployment of key sectors. It continued to explore high-quality projects in the industry, and continuously make sufficient reserve of investment business projects. With continuously enhancing the cooperation with listed companies and industry groups, it achieved leap-forward growth in management scale expansion. As of the end of the Reporting Period, Guolian Capital had 15 subsisting filing funds, with a subsisting management scale of RMB4.778 billion, including 5 new fund products with a scale of RMB1.512 billion in 2022. During the Reporting Period, Guolian Capital increased the investment in emerging industries such as new energy and semiconductors, with total investment amounted to RMB894 million.

Outlook for 2023

In 2023, Guolian Capital will continue to improve its investment and research capabilities, further explore key industries, further expand its management scale, enhance its market reputation, and build its core competitive advantages. It will consolidate the achievements in organizational construction, implement the requirements on compliance and risk control management, and improve the post-investment management system. Besides, Guolian Capital will strengthen the coordination of departments, further explore post-investment value-added service capabilities, and rely on its full business chain advantages to create a comprehensive and three-dimensional capital asset service system.

(IV) Credit Transaction Business

1. Margin Financing and Securities Lending

Market Environment

In 2022, the balance of margin financing and securities lending in the overall market has decreased as compared with last year. As of the end of the Reporting Period, the total balance of margin financing and securities lending in the overall market amounted to RMB1,540.392 billion, of which the balance of margin financing was RMB1,444.511 billion and the balance of securities lending was RMB95.881 billion, representing a decrease of 15.93% as compared with the total balance of margin financing and securities lending of RMB1,832.191 billion at the end of December 2021.

Actions and Achievements

During the Reporting Period, the Company strengthened the business training and service support for branches through a combination of offline and online models, and realized a closed-loop securities lending business chain through enhancing internal coordination to provide better services to high-net-worth clients. It also promoted the development of its securities pool to meet the securities lending needs of high-net-worth clients. The Company further optimized business processes to enhance customer experience. It also emphasized the risk control management through accelerating the construction of intelligent risk models for guaranteed securities and underlying securities, strengthened pre-warning risk alert and measures, and provided basic protection for the security of the funds of customers and companies to avoid the occurrence of risk events.

As at the end of the Reporting Period, the total number of credit accounts of clients was 25,400, representing a year-on-year increase of 4.68%. The total credit amount of margin financing and securities lending of clients was RMB69.709 billion, representing a year-on-year increase of 5.03%. The closing balance of margin financing and securities lending was RMB8.964 billion, representing a year-on-year decrease of 13.85%. Interest income from margin financing and securities lending was RMB568 million, representing a year-on-year decrease of 7.42%.

Outlook for 2023

In 2023, the Company will further optimize the support system of the margin financing and securities lending business, improve the customer classification system, and provide customers with more targeted business services and supports by offering differentiated services. At the same time, the Company will put efforts to solve the bottleneck in the expansion of retail customers in the margin financing and securities lending business and further improve the professional service systems and capacity building for institutional customers.

2. Stock Pledged Repurchase

Market Environment

Currently, the stock pledged repurchase business of Shanghai Stock Exchange and Shenzhen Stock Exchange are running smoothly, and the market size is basically the same as that of the previous year. Regulatory authorities continue to promote the prevention of stock pledged risks. Stock risk are basically under control, however, the overall interest rate for stock pledge in the market has declined significantly. Currently, the new stock pledged repurchase business concentrate on high-quality companies with better profitability. However, the formation of stock pledged business risks is affected by a variety of factors and the prevention and resolution of stock pledged risks will take a long period of time and is complicated. The credit risk management still needs to be further strengthened for self-funded stock pledged business, and operating risks of individual stocks shall be prevented especially.

Actions and Achievements

During the Reporting Period, the Company further clarified the development strategies of the stock pledged repurchase business according to market conditions, and prudently conducted its business under the premise of stringent control and solving business risks. The risk project scale of stock pledged business of the Company was orderly reduced, and the risks were significantly resolved, with no newly increased risk for four consecutive years. The equity incentive financing-oriented option exercise business for listed companies were carried out smoothly, with steady growth in business scale, and this variety of financing instrument had become the main source of funds for the equity incentives and options of listed companies.

As of the end of the Reporting Period, the principal balance of stock pledged repurchase business of the Company was RMB3.857 billion, representing an increase of 1.10% as compared with RMB3.815 billion as at the end of 2021, of which, the balance of investment (on-balance sheet) stock pledged repurchase business was RMB2.167 billion, with an average performance guarantee ratio of 275.84%. The balance of management (off-balance sheet) stock pledged repurchase business was RMB1.690 billion, with an average performance guarantee ratio of 239.89%.

Outlook for 2023

In 2023, the Company will continue to strengthen the credit risk assessment system and model construction of stock pledge projects. Also, the Company will strengthen the market analysis and project research of financing-oriented option exercise business, and on the basis of the traditional model of its original self-funded stock pledge business, customize comprehensive investment and financing programs, and expand multi-dimensional service business by comprehensively focusing on actual needs of customers such as the substantial shareholders and senior management of listed companies.

(V) Proprietary Trading Business*Market Environment*

In 2022, the stock market encountered two more apparent adjustments at the beginning of the year and in the third quarter, and the SSE Composite Index hit a new low since February 2021 due to various factors such as the international geopolitical conflicts, the rise in commodity prices pushed up prices, and the continued sharp rate hikes imposed by the FED. For the year, the SSE Composite Index and the SZSE Component Index fell by 15.13% and 25.85%, respectively.

In 2022, China's economic development is facing "triple pressures" of shrinking demand, supply shocks, and weakening expectations, and the monetary policy continued to be loosened, with the central bank lowering the MLF rate twice by a total of 20BP, and the same as the deposit reserve ratio by a total of 0.5 percentage point and the 1-year LPR also by a total of 15BP, and the 5-year LPR on three occasions by a total of 35BP. Meanwhile, as the persistent effects of the real estate policy, the emerged effectiveness of various policies to stabilize industry and expand demand was also accelerated in the fourth quarter. Against the above-mentioned economic and policy background, the bond yields first fell and then rose in 2022, with the 10-year treasury bond yields fluctuating in a narrow range of no more than 40BP throughout the year. The credit categories fluctuated greatly throughout the year, with the overall downward trend from January to October. However, the market adjusted sharply after November with the yields of credit categories rising rapidly. Taking the 1-year AA+ medium-term notes as an example, the year-end valuation closed at 3.01%, representing an increase of 14BP from the beginning of the year and an increase of 85BP from the low point of the year.

Actions and Achievements

For equity proprietary trading business, the Company has all along been taking absolute return as its target and implementing its principle of value investment, adhered to the tactical arrangement of defence + counterattack, adopted fundamental research as starting point, focused on undervalued industries and companies or those that had good growth potential, and developed the business steadily while taking risks and returns into consideration. In 2022, the equity proprietary trading business maintained a relatively low position scale and seized some opportunities in the biomedical and new energy sectors through beforehand layout planning and in-depth exploration, withstanding the adverse market impact and significantly outperforming the CSI 300 index for the year in terms of the yield rate.

For fixed income business, the Company constantly improved and optimized its business layout, enriched its investment strategies and strictly controlled credit risks to achieve better investment returns on one hand, and while on the other hand, increased its investment in capital intermediary business, strengthened the construction of over-the-counter business channels to promote in-depth business development in customer services. Along with its business development, the trading volume of corporate bonds also continued to grow, and the Company was awarded as the 2022 “Outstanding Bond Dealer” in the bond market of the Shanghai Stock Exchange and won the X-Bargain series of awards from the Foreign Exchange Trading Center on many occasions, thus increasing its market influence.

For equity derivatives business, the Company is committed to meeting the individual investment needs of customers, and providing professional services to institutional clients in specific sectors, with its business system covering OTC derivatives sales and trading services, quantitative investment business and market-making business. It saw a steady growth in the nominal principal of OTC options and return swaps as well as the number of clients in 2022. According to the operating income information of securities companies that based on counter-party transactions between counters and institutional clients released by SAC in 2022, the Company ranked 10th in the industry.

Outlook for 2023

For equity proprietary trading business, the Company will continue to reinforce the investment and research system construction, strengthen market research and judgment, strengthen fundamental research, and develop stock investment business steadily. Although the domestic A-share market still faces certain challenges in 2023, however, it can be optimistically seen that the continuous loosening of macroeconomic policies will continue to provide better liquidity for the market, the gradual recovery of the domestic economy will lead to a rebound in market expectations, and the global interest rate hike process will temporarily come to an end or change direction, all these factors will support the market in a relatively optimistic situation. In 2023, the equity investment business of the Company will continue to focus on the layout of medium and long-term opportunities and further select growing individual stocks, supplement with strategic investment models such as private placement and convertible bonds, while flexibly using position adjustments, futures hedging and other methods to achieve a balance between risks and returns, and carry out stock investment business steadily.

For fixed income business, the Company will continue to adhere to the business philosophy of prudent investment and customer demand as the core, constantly improve its investment and research capabilities, actively promote the development of hedging strategies with low risk exposure and low volatility on the basis of good research and judgment on general trend, strengthen credit risk screening and stringently control credit risk exposure. It will also continuously improve customer service capabilities, promote the implementation of new business qualifications, and strive to provide diversified and customized services to customers.

For equity derivatives business, the Company will continue to promote diversification of client asset deployment, insist on creating top-notch products and services in niche areas, and build a diversified quantitative portfolio and quantitative private equity ecosystem in a bid to provide liquidity to the exchange market and form an exchange product ecosystem. In future, the Company will actively strive to obtain various trading licences such as market making of stock options and market making of listed securities, continuously improve the production capacity and quotation capability of various trading instruments and products, as well as strengthen the construction of sales system and product deployment, and continuously improve business governance.

(III) Financial Statements Analysis**1. Analysis on the Profitability of the Company during the Reporting Period**

During the Reporting Period, due to the factors including continuous interest rate hikes by the FED, and geopolitical conflicts, economic growth was slower than expectation, the securities market weakened under pressure and market activities declined, which resulted in the expecting profitability of securities companies to be affected significantly. The Company has withstood such pressure, maintained its strategic focus, operated steadily and strictly adhered to the bottom line of compliance and risk control, whereby it continuously innovated new products and services, and the overall business layout has become more reasonable, diversified and stable.

During the Reporting Period, the Group generated total revenue, net investment gains and other income of RMB3,930.13 million, representing a year-on-year decrease of 7.12%. Net profit attributable to shareholders of the Company amounted to RMB767.29 million, representing a year-on-year decrease of 13.66%. Earnings per share amounted to RMB0.27, representing a year-on-year decrease of 25%. The weighted average returns on net assets amounted to 4.62%, representing a year-on-year decrease of 2.65 percentage points.

2. Asset Structure and Asset Quality

As at the end of the Reporting Period, total assets of the Group amounted to RMB74,382.00 million, representing an increase of 12.80% as compared to RMB65,939.24 million as at the end of 2021. Total liabilities amounted to RMB57,621.44 million, representing an increase of 16.27% as compared to RMB49,558.17 million as at the end of 2021. Equity attributable to shareholders of the Company amounted to RMB16,760.55 million, representing an increase of 2.32% as compared to RMB16,381.07 million as at the end of 2021.

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

During the Reporting Period, the asset structure remained stable with sound asset quality and liquidity. As at the end of the Reporting Period, total assets of the Group comprised of: cash assets, which amounted to RMB13,619.76 million, representing 18.31% of the total assets, and primarily included cash and bank balances (including cash held for brokerage clients), clearing settlement funds and refundable deposits; margin financing assets, which amounted to RMB12,079.49 million, representing 16.24% of the total assets, and primarily included margin accounts receivable and financial assets held under resale agreements; financial investment assets, which amounted to RMB44,802.01 million, representing 60.23% of the total assets, and primarily included interests in associates and investment in financial assets; and operating assets including other property and equipment, which amounted to RMB3,880.74 million, representing 5.22% of the total assets, and primarily included property and equipment, and intangible assets. During the Reporting Period, the Group made corresponding impairment provision for margin accounts receivable, financial assets held under resale agreements, accounts receivable and other receivables, debt instruments at fair value through other comprehensive income. There was no evidence showing that other assets may be subject to significant impairment.

In light of market condition, the Company strengthened its liquidity management, expanded its business scale and prevented credit risk. As at the end of the Reporting Period, liabilities after deducting accounts payable to brokerage clients amounted to RMB46,824.16 million, representing a year-on-year increase of RMB8,448.57 million or 22.02%. The gearing ratio of the Group was 73.64%, representing an increase of 3.56 percentage points from 70.08% as at the end of 2021 (Note: Gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)). Operating leverage ratio was 3.79 times, representing an increase of 13.47% from 3.34 times as at the end of 2021 (Note: Operating leverage ratio = (total assets – accounts payable to brokerage clients)/equity attributable to shareholders of the Company).

3. Financing Channels and Financing Capability

Through equity financing and various types of financing methods including debt financing, the Company continued to supplement its working capital and constantly enhancing its capital strengths to ensure the liquidity security of the Company. During the Reporting Period, the Company cumulatively added RMB12.264 billion through various debt financing instruments (excluding inter-bank borrowing transactions and issued floating-income type income certificates), and repaid the principal of matured debt financing of RMB10.349 billion cumulatively. The remaining amount of outstanding debt financing of the Company at the end of 2022 was RMB20.255 billion in total. The average interest rate level of new debt financing decreased compared with previous years. In addition, there was outstanding inter-bank credit lending of RMB450 million.

4. Liquidity Management Information of the Company

The Company has always paid great attention to liquidity management by adhering to the principles of comprehensiveness, prudence and foreseeability and focusing on the organic integration of the security, liquidity and profitability of capital, so as to ensure the safety and control of the overall liquidity of the Company. The Asset and Liability Committee of the Company is responsible for the overall planning of asset and liability deployment and structure, and equipped with a sound management system and corresponding business processes for management. In light of the development of the market and industry and combined with the Company's strategic deployment and actual situation, asset and liability deployment are analysed multi-dimensionally with constant optimization of asset and liability deployment, ensuring that the scale and term structure of assets and liabilities meet business development while maintaining appropriate high-quality liquid assets. The Company has established sound liquidity risk management system to strengthen the monitoring and control of daily liquidity situation and liquidity risk, and keep abreast of the demand for and application of funds in a timely manner. It regularly submitted liquidity monitoring statement and analysis of changes. At the same time, the Company assessed its liquidity pressure under extreme conditions through liquidity risk stress tests, so as to ensure the liquidity monitoring indicators in every period continued to meet the regulatory requirements. It made liquidity contingency plans to prevent sudden liquidity risks.

During the Reporting Period, the overall liquidity risk of the Company was controllable and remained at a more secured level.

5. Cash Flows

As the Group's cash inflow generated from the operating activities and financing activities in the current year was more than the cash outflow from investing activities, the net increase in cash and cash equivalents was RMB1,325.54 million.

Net cash flows from operating activities in 2022 was RMB1,954.60 million, representing a year-on-year increase of RMB8,809.29 million as compared with RMB-6,854.69 million for the corresponding period in 2021. Net cash flows from investing activities in 2022 was RMB-2,163.85 million, representing a year-on-year increase of RMB4,158.18 million as compared with RMB-6,322.03 million for the corresponding period in 2021. Net cash flows from financing activities in 2022 was RMB1,534.79 million, representing a year-on-year decrease of RMB7,640.75 million as compared with RMB9,175.54 million for the corresponding period in 2021. Net increase in cash and cash equivalents in 2022 was RMB1,325.54 million, representing a year-on-year increase of RMB5,326.73 million as compared with RMB-4,001.19 million for the corresponding period of 2021.

6. Analysis of Financial Data

(1) Items under income statement

Summary of financial results

During the Reporting Period, the Group's profit before income tax amounted to RMB965.43 million, representing a year-on-year decrease of 17.72%. The key financial results are as follows:

Unit: in RMB million

Items	2022	2021	Increase/ decrease	Growth rate year-on-year
Revenue				
Commission and fee income	1,559.94	1,676.44	-116.50	-6.95%
Interest income under effective interest method	1,208.54	1,157.63	50.91	4.40%
Net investment gains	1,158.72	1,393.65	-234.93	-16.86%
Other income	2.93	3.55	-0.62	-17.46%
Total revenue, net investment gains and other income	3,930.13	4,231.27	-301.14	-7.12%
Total expenses	3,010.25	3,059.60	-49.35	-1.61%
Profit before income tax	965.43	1,173.37	-207.94	-17.72%
Income tax expense	198.15	284.73	-86.58	-30.41%
Profit for the year	767.29	888.64	-121.35	-13.66%
Net profit attributable to shareholders of the Company	767.29	888.64	-121.35	-13.66%

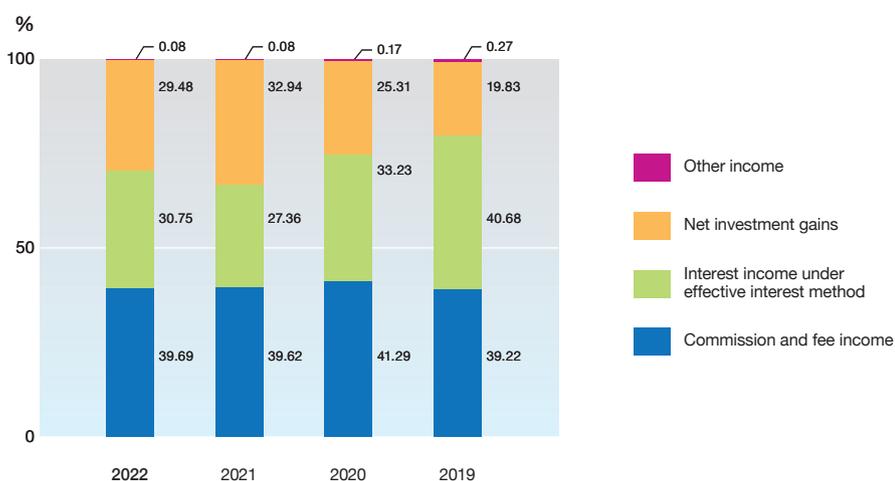
APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Revenue structure

During the Reporting Period, total revenue, net investment gains and other income of the Group amounted to RMB3,930.13 million, representing a year-on-year decrease of 7.12%, among which, 39.69% was generated from commission and fee income, representing a year-on-year increase of 0.07 percentage point; 30.75% was generated from interest income under effective interest method, representing a year-on-year increase of 3.39 percentage points; 29.48% was generated from net investment gains, representing a year-on-year decrease of 3.46 percentage points. The revenue structure of the Group in the past four years was as follows:

Percentage	2022	2021	2020	2019
Commission and fee income	39.69%	39.62%	41.29%	39.22%
Interest income under effective interest method	30.75%	27.36%	33.23%	40.68%
Net investment gains	29.48%	32.94%	25.31%	19.83%
Other income	0.08%	0.08%	0.17%	0.27%
Total	100.00%	100.00%	100.00%	100.00%

The bar chart below shows the structure comparison:



APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Facing the complicated and acute market environment, the Company has implemented in-depth strategic transformation and market-oriented reform, maintained a steady and rapid development trend, whereby the overall business layout has become more reasonable, diversified and stable.

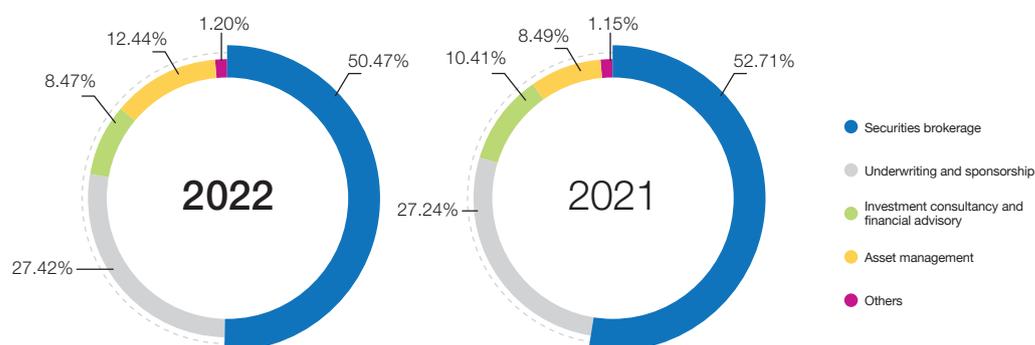
Commission and fee income

During the Reporting Period, the Group's commission and fee income consists of the followings:

Unit: in RMB million

Items	2022	2021	Increase/ decrease	Growth rate year-on-year
Commission and fee income				
Securities brokerage	787.26	883.57	-96.31	-10.90%
Underwriting and sponsorship	427.77	456.71	-28.94	-6.34%
Investment consultancy and financial advisory	132.20	174.58	-42.38	-24.28%
Asset management	194.02	142.25	51.77	36.39%
Others	18.69	19.33	-0.64	-3.31%
Total commission and fee income	<u>1,559.94</u>	<u>1,676.44</u>	<u>-116.50</u>	<u>-6.95%</u>
Commission and fee expenses	262.39	330.87	-68.48	-20.70%
Net commission and fee income	<u><u>1,297.55</u></u>	<u><u>1,345.57</u></u>	<u><u>-48.02</u></u>	<u><u>-3.57%</u></u>

The Group's commission and fee income consists of:



During the Reporting Period, commission and fee income of the Group amounted to RMB1,559.94 million, representing a year-on-year decrease of 6.95%. Income from asset management increased under unfavorable trend.

While maintaining the asset management scale of RMB100 billion, the Company accelerated its “transformation from quantity to quality”, pushing the scale under active management increased significantly. The scale of large-scale public offering products exceeded RMB7 billion, and income from the asset management business increased by RMB51.77 million or 36.39% year-on-year.

The investment banking equity business made a breakthrough, with 3 IPO projects completed, and the underwriting amount increased by 2.5 times as compared with last year. The situation of “weak stocks and strong debts” has been effectively reversed, and the business structure has become more balanced. Due to intensified market competition, the underwriting and sponsorship income from investment banking business decreased by RMB28.94 million or 6.34% year-on-year. Adhering to the basis of expansion of customer coverage and the core of value discovery and value realization, the Company promoted fund investment advisory business and listing business, and completed daily supervision work. Income from investment consultancy and financial advisory decreased by RMB42.38 million or 24.28% year-on-year.

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In 2022, the securities market became inactive. As a result, the transaction volume of stocks and funds decreased by 10% year-on-year, and the commission and fee income generated from securities brokerage business decreased by RMB96.31 million or 10.90% year-on-year.

Interest income under effective interest method

During the Reporting Period, net interest income of the Group amounted to RMB120.69 million, representing a year-on-year decrease of 44.06%. The Group's interest income under effective interest method for 2022 consists of the following:

	Unit: in RMB million			
Items	2022	2021	Increase/ decrease	Growth rate year-on-year
Interest income under effective interest method				
Interest income from bank deposits	296.46	265.18	31.28	11.80%
Interest income from financial assets held under resale agreements	147.62	142.42	5.20	3.65%
Interest income from margin financing	579.34	608.86	-29.52	-4.85%
Interest income from debt instruments at fair value through other comprehensive income	185.11	141.17	43.94	31.13%
Total interest income under effective interest method	1,208.54	1,157.63	50.91	4.40%
Interest expenses	1,087.85	941.88	145.97	15.50%
Net interest income	120.69	215.75	-95.06	-44.06%

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The Company strictly controlled credit risk, enriched trading varieties and actively adjusted trading strategies. As a result, the interest income from debt instruments at fair value through other comprehensive income increased by RMB43.94 million or 31.13% year-on-year.

In 2022, the average daily scale of margin financing and securities lending in the entire market decreased by 8% year-on-year. The Company continuously improved its professionalism and customer service capabilities with customer needs as the core. As a result, the average daily scale of margin financing and securities lending decreased by 6% year-on-year, the market share of margin financing and securities lending increased, and interest income from margin financing decreased by RMB29.52 million or 4.85% year-on-year.

The Company fully supported the growth of business scale and expanded financing channels, the interest expenses increased by RMB145.97 million or 15.50% year-on-year.

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Net investment gains

During the Reporting Period, the Company adhered to principles of value investment and effective risk control. The net investment gains of the Group amounted to RMB1,158.72 million, representing a year-on-year decrease of 16.86%. The Group's net investment gains for 2022 consist of the following:

Unit: in RMB million				
Items	2022	2021	Increase/ decrease	Growth rate year-on-year
Net realised gains				
from disposal of an associate	0.00	0.01	-0.01	-100.00%
Realised gains from disposal of financial assets at fair value through profit or loss	503.53	232.29	271.24	116.77%
Realised losses from disposal of financial liabilities at fair value through profit or loss	-60.95	-50.40	-10.55	-
Realised gains from disposal of financial assets at fair value through other comprehensive income	51.22	23.34	27.88	119.45%
Dividend income from equity instruments at fair value through other comprehensive income	278.99	161.42	117.57	72.83%
Distribution to interest holders of consolidated SEs	-4.58	-1.01	-3.57	-

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Items	2022	2021	Increase/ decrease	Growth rate year-on-year
Interest income from financial assets at fair value through profit or loss	658.63	570.93	87.70	15.36%
Dividends from financial assets at fair value through profit or loss	35.81	34.02	1.79	5.26%
Net realised (losses)/ gains from derivative financial instruments	-724.11	243.54	-967.65	-
Unrealised fair value change of financial instruments at fair value through profit or loss				
– Financial assets at fair value through profit or loss	100.68	121.65	-20.97	-17.24%
– Derivative financial instruments	229.76	70.61	159.15	225.39%
– Financial liabilities at fair value through profit or loss	89.74	-12.74	102.48	-
Total	<u>1,158.72</u>	<u>1,393.65</u>	<u>-234.93</u>	<u>-16.86%</u>

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Operating expenses

During the Reporting Period, operating expenses of the Group (excluding commission and fee expenses and interest expenses) amounted to RMB1,660.00 million, representing a year-on-year decrease of 7.10%. The Group's operating expenses primarily consist of the following:

Unit: in RMB million				
Items	2022	2021	Increase/ decrease	Growth rate year-on-year
Operating expenses				
Staff costs	1,105.45	1,255.05	-149.60	-11.92%
Depreciation and amortization	191.99	174.06	17.93	10.30%
Other operating expenses	359.91	328.15	31.76	9.68%
Impairment losses under expected credit loss model, net of reversal	2.66	29.60	-26.94	-91.01%
Total	<u>1,660.00</u>	<u>1,786.85</u>	<u>-126.85</u>	<u>-7.10%</u>

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

The Company strengthened its risk management while expanding its business scale, the impairment losses under expected credit loss model, net of reversal of the Company was RMB2.66 million, details of which are as follows:

Unit: in RMB million

Items	2022	2021	Increase/ decrease	Growth rate year-on-year
Impairment losses under expected credit loss model, net of reversal				
Margin accounts receivable	2.38	5.26	-2.88	-54.75%
Financial assets held under resale agreements	-7.19	-8.33	1.14	-
Accounts receivable and other receivables	0.01	-0.03	0.04	-
Debt instruments at fair value through other comprehensive income	7.46	32.70	-25.24	-77.19%
Total	2.66	29.60	-26.94	-91.01%

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

(2) Assets

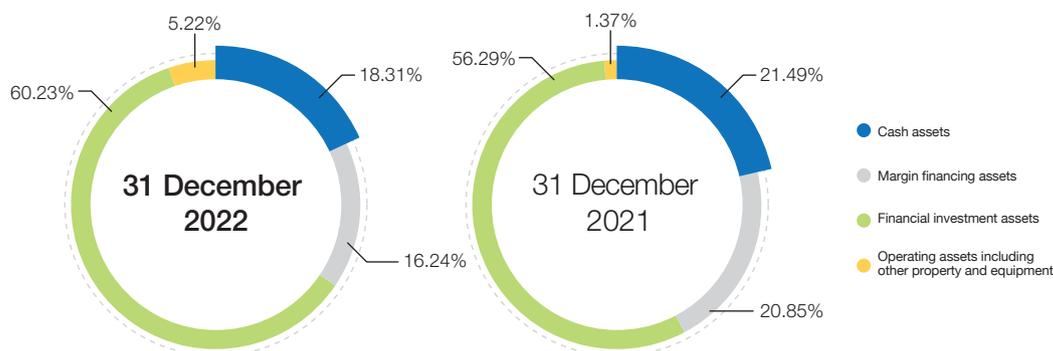
As at the end of the Reporting Period, total assets of the Group amounted to RMB74,382.00 million, representing an increase of 12.80% as compared with the end of 2021, among which, cash assets amounted to RMB13,619.76 million, representing a decrease of 3.88% as compared with the end of 2021, margin financing assets amounted to RMB12,079.49 million, representing a decrease of 12.15% as compared with the end of 2021, financial investment assets amounted to RMB44,802.01 million, representing an increase of 20.70% as compared with the end of 2021, and operating assets including other property and equipment amounted to RMB3,880.74 million, representing an increase of 329.71% as compared with the end of 2021. Changes in the Group's assets items are as follows:

Unit: in RMB million

Items	31 December 2022	31 December 2021	Increase/ decrease	Growth rate as compared with the end of previous year
Total assets				
Cash assets	13,619.76	14,168.96	-549.20	-3.88%
Margin financing assets	12,079.49	13,749.47	-1,669.98	-12.15%
Financial investment assets	44,802.01	37,117.70	7,684.31	20.70%
Operating assets including other property and equipment	<u>3,880.74</u>	<u>903.10</u>	<u>2,977.64</u>	<u>329.71%</u>
Total	<u><u>74,382.00</u></u>	<u><u>65,939.24</u></u>	<u><u>8,442.76</u></u>	<u><u>12.80%</u></u>

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

The composition of the Group' total assets:



Cash assets

As at the end of the Reporting Period, cash assets of the Group decreased by RMB549.20 million or 3.88% as compared with the end of 2021, representing 18.31% of the Group's total assets. The Group's cash assets consist of the following:

Unit: in RMB million

Items	31 December 2022	31 December 2021	Increase/ decrease	Growth rate as compared with the end of previous year
Cash assets				
Cash and bank balances (including cash held for brokerage clients)	10,032.79	10,573.55	-540.76	-5.11%
Clearing settlement funds	2,994.74	3,268.12	-273.38	-8.37%
Refundable deposits	592.23	327.30	264.93	80.94%
Total	13,619.76	14,168.96	-549.20	-3.88%

Since the securities market became inactive in 2022, the size of client deposits decreased as compared with the end of 2021.

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Margin financing assets

As at the end of the Reporting Period, margin financing assets of the Group decreased by RMB1,669.98 million or 12.15% as compared with the end of 2021, representing 16.24% of the Group's total assets. The Group's margin financing assets consist of the following:

Unit: in RMB million

Items	31 December 2022	31 December 2021	Increase/ decrease	Growth rate as compared with the end of previous year
Margin financing assets				
Margin accounts				
receivable	8,815.67	10,791.34	-1,975.67	-18.31%
Financial assets				
held under resale agreements	<u>3,263.82</u>	<u>2,958.13</u>	<u>305.69</u>	<u>10.33%</u>
Total	<u>12,079.49</u>	<u>13,749.47</u>	<u>-1,669.98</u>	<u>-12.15%</u>

As a result of the decline in the average daily scale of margin financing and securities lending in the market, the Company's margin accounts receivable decreased by RMB1,975.67 million or 18.31% as compared with the end of 2021.

The Company seized the market opportunity, and the scale of bond pledge repurchase business increased. As a result, financial assets held under resale agreements increased by RMB305.69 million or 10.33% as compared with the end of 2021.

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Financial investment assets

As at the end of the Reporting Period, financial investment assets of the Group increased by RMB7,684.31 million or 20.70% as compared with the end of 2021, representing 60.23% of the Group's total assets. The following table sets forth the composition of the Group's financial investment assets:

Unit: in RMB million

Items	31 December 2022	31 December 2021	Increase/ decrease	Growth rate as compared with the end of previous year
Financial investment assets				
Interests in associates	96.81	102.92	-6.11	-5.94%
Financial assets at fair value through profit or loss	32,435.84	27,710.09	4,725.75	17.05%
Equity instruments at fair value through other comprehensive income	2,926.19	2,579.20	346.99	13.45%
Debt instruments at fair value through other comprehensive income	8,363.29	6,240.45	2,122.84	34.02%
Derivative financial assets	979.88	485.04	494.84	102.02%
Total	44,802.01	37,117.70	7,684.31	20.70%

Through adhering to the principle of value investment, the Company closely followed the market trends and strictly controlled risk exposures to constantly expand the capital intermediary business and enrich trading varieties, and achieved significant growth in financial investment assets by actively exploring differentiated and diversified trading opportunities.

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Operating assets including other property and equipment

As at the end of the Reporting Period, operating assets including other property and equipment of the Group increased by RMB2,977.64 million or 329.71% as compared with the end of 2021, representing 5.22% of the Group's total assets. The following table sets forth the composition of the Group's operating assets including other property and equipment as at the dates indicated:

Unit: in RMB million

Items	31 December 2022	31 December 2021	Increase/ decrease	Growth rate as compared with the end of previous year
Operating assets including other property and equipment				
Property and equipment	81.44	95.84	-14.40	-15.03%
Intangible assets	65.61	57.76	7.85	13.59%
Right-of-use assets	155.92	165.63	-9.71	-5.86%
Construction in progress	2.44	0.00	2.44	-
Deferred income tax assets	21.59	24.55	-2.96	-12.06%
Other current assets and other non-current assets	<u>3,553.75</u>	<u>559.32</u>	<u>2,994.43</u>	<u>535.37%</u>
Total	<u>3,880.74</u>	<u>903.10</u>	<u>2,977.64</u>	<u>329.71%</u>

The Company actively created quality structured products and expanded its OTC derivatives business. As a result, other current assets and other non-current assets increased by RMB2,994.43 million or 535.37% as compared with the end of 2021.

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

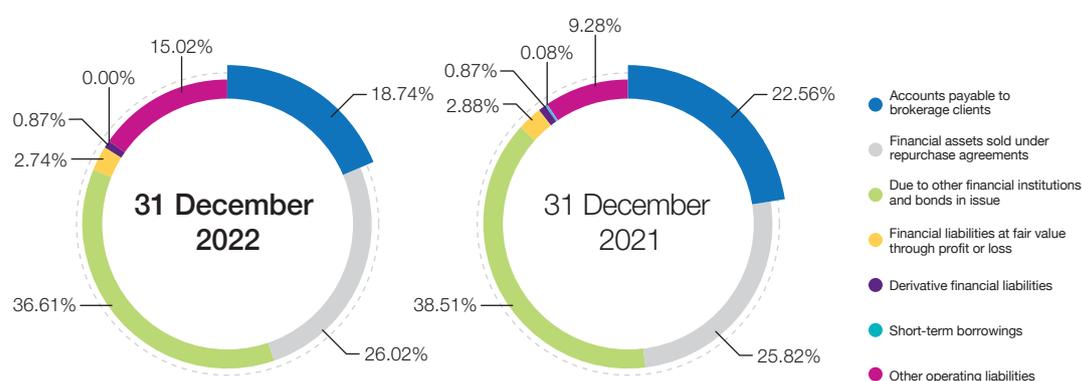
(3) Liabilities

As at the end of the Reporting Period, total liabilities of the Group amounted to RMB57,621.44 million, representing an increase of RMB8,063.27 million or 16.27% as compared with the end of 2021, of which due to other financial institutions and bonds in issue amounted to RMB21,094.51 million, representing an increase of 10.54% as compared with the end of 2021; financial assets sold under repurchase agreements amounted to RMB14,992.68 million, representing an increase of 17.17% as compared with the end of 2021; accounts payable to brokerage clients amounted to RMB10,797.28 million, representing a decrease of 3.45% as compared with the end of 2021; other operating liabilities amounted to RMB8,656.91 million, representing an increase of 88.27% as compared with the end of 2021. Changes in the Group's liabilities items are as follows:

Unit: in RMB million

Items	31 December 2022	31 December 2021	Increase/ decrease	Growth rate as compared with the end of previous year
Liabilities				
Accounts payable to brokerage clients	10,797.28	11,182.58	-385.30	-3.45%
Financial assets sold under repurchase agreements	14,992.68	12,796.01	2,196.67	17.17%
Due to other financial institutions and bonds in issue	21,094.51	19,082.73	2,011.78	10.54%
Financial liabilities at fair value through profit or loss	1,578.98	1,429.71	149.27	10.44%
Derivative financial liabilities	501.08	430.77	70.31	16.32%
Short-term borrowings	0.00	38.27	-38.27	-100.00%
Other operating liabilities	8,656.91	4,598.10	4,058.81	88.27%
Total	57,621.44	49,558.17	8,063.27	16.27%

The composition of the Group's total liabilities:



Financial liabilities at fair value through profit or loss

Unit: in RMB million

Items	31 December 2022	31 December 2021	Increase/ decrease	Growth rate as compared with the end of previous year
Financial liabilities at fair value through profit or loss				
Interests of other holders in consolidated SEs	48.86	458.15	-409.29	-89.34%
Income certificates with variable interests	1,530.12	971.56	558.56	57.49%
Total	1,578.98	1,429.71	149.27	10.44%

The Company further expanded its customer coverage. As a result, the income certificates with variable interests increased by RMB558.56 million or 57.49% as compared with the end of 2021.

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Due to other financial institutions and bonds in issue

Unit: in RMB million

Items	31 December 2022	31 December 2021	Increase/ decrease	Growth rate as compared with the end of previous year
Due to other financial institutions and bonds in issue				
Due to other financial institutions	900.22	850.32	49.90	5.87%
Bonds in issue	<u>20,194.29</u>	<u>18,232.42</u>	<u>1,961.87</u>	<u>10.76%</u>
Total	<u><u>21,094.51</u></u>	<u><u>19,082.73</u></u>	<u><u>2,011.78</u></u>	<u><u>10.54%</u></u>

The Company expanded its financing channels to fully support the growth of its business scale. As a result, due to other financial institutions and bonds in issue increased by RMB2,011.78 million or 10.54% as compared with the end of 2021.

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Other operating liabilities

Unit: in RMB million

Items	31 December 2022	31 December 2021	Increase/ decrease	Growth rate as compared with the end of previous year
Other operating liabilities				
Salaries, bonus, allowances and benefits payable	440.29	584.24	-143.95	-24.64%
Lease liabilities	160.18	166.79	-6.61	-3.96%
Deferred income tax liabilities	201.17	90.88	110.29	121.36%
Other current liabilities and other non-current liabilities	<u>7,855.27</u>	<u>3,756.19</u>	<u>4,099.08</u>	<u>109.13%</u>
Total	<u>8,656.91</u>	<u>4,598.10</u>	<u>4,058.81</u>	<u>88.27%</u>

The Company linked the performance with results. As a result, salaries, bonus, allowances and benefits payable decreased by RMB143.95 million or 24.64% as compared with the end of 2021.

The Company steadily developed the OTC derivatives business and increased margin deposits of derivative contracts, hence other current liabilities and other non-current liabilities increased by RMB4,099.08 million or 109.13% as compared with the end of 2021.

During the Reporting Period, the Company and its subsidiaries did not record any guarantees, mortgages or other major off-balance-sheet items that may affect the Company's financial position and operating results.

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

(4) *Equity*

As at the end of the Reporting Period, total equity of the Group amounted to RMB16,760.55 million, representing an increase of 2.32% as compared with the end of 2021. The following table sets forth the composition of the Group's equity as at the dates indicated:

Unit: in RMB million

Items	31 December	31 December	Increase/ decrease	Growth rate as compared with the end of previous year
	2022	2021		
Share capital	2,831.77	2,831.77	0.00	0.00%
Share premium	8,189.05	8,189.05	0.00	0.00%
Reserves	2,532.68	2,476.72	55.96	2.26%
Retained earnings	<u>3,207.06</u>	<u>2,883.53</u>	<u>323.53</u>	<u>11.22%</u>
Total	<u><u>16,760.55</u></u>	<u><u>16,381.07</u></u>	<u><u>379.48</u></u>	<u><u>2.32%</u></u>

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

(5) Segment results

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

We have five principal business lines: (i) brokerage and wealth management, (ii) investment banking, (iii) asset management and investment, (iv) credit transaction, and (v) proprietary trading. We also report financial results for these five business lines and divide these primary business lines into six business segments: (i) brokerage and wealth management, (ii) credit transaction, (iii) investment banking, (iv) proprietary trading, (v) asset management and investment, and (vi) other business. We report financial results of the business lines under these six business segments.

The following table sets forth our segment revenue, net investment gains and other income (including inter-segment revenue) for the years indicated:

	2022		2021	
	(in RMB million)	Percentage (%)	(in RMB million)	Percentage (%)
Brokerage and wealth management	1,048.37	26.67	1,156.77	27.34
Credit transaction	724.78	18.44	733.93	17.35
Investment banking	526.14	13.39	591.25	13.97
Proprietary trading	1,155.05	29.39	1,317.96	31.15
Asset management and investment	196.78	5.01	261.43	6.18
Other business	295.41	7.52	202.00	4.77
Eliminations	-16.41	-0.42	-32.07	-0.76
Total	<u>3,930.13</u>	<u>100.00</u>	<u>4,231.27</u>	<u>100.00</u>

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

The following table sets forth our segment expenses (including inter-segment expenses) for the years indicated:

	2022		2021	
	(in RMB million)	Percentage (%)	(in RMB million)	Percentage (%)
Brokerage and wealth management	845.47	28.08	798.40	26.10
Credit transaction	425.56	14.14	437.31	14.29
Investment banking	403.29	13.40	457.70	14.96
Proprietary trading	625.53	20.78	657.35	21.48
Asset management and investment	104.49	3.47	146.51	4.79
Other business	606.87	20.16	575.75	18.82
Eliminations	-0.95	-0.03	-13.42	-0.44
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Total	<u>3,010.25</u>	<u>100.00</u>	<u>3,059.60</u>	<u>100.00</u>

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

The following table sets forth our segment results (profit/(loss) before income tax) for the years indicated:

	2022		2021	
	(in RMB	Percentage	(in RMB	Percentage
	million)	(%)	million)	(%)
Brokerage and wealth management	207.05	21.45	363.79	31.00
Credit transaction	299.22	30.99	296.62	25.28
Investment banking	123.76	12.82	132.08	11.26
Proprietary trading	529.88	54.88	660.07	56.26
Asset management and investment	92.31	9.56	114.92	9.79
Other business	-271.33	-28.10	-375.47	-32.00
Eliminations	-15.46	-1.60	-18.65	-1.59
	<u>-15.46</u>	<u>-1.60</u>	<u>-18.65</u>	<u>-1.59</u>
Total	<u>965.43</u>	<u>100.00</u>	<u>1,173.37</u>	<u>100.00</u>

(IV) Changes in Branches and Subsidiaries and Their Impact on Results**1. Branches***(1) Establishment and Changes of Securities Branches***1 Newly-established Securities Branches**

During the Reporting Period, the Company established two new branches, namely Suzhou Nantiancheng Road Securities Branch (蘇州南天成路證券營業部) and Suzhou Zhongshan South Road Securities Branch (蘇州中山南路證券營業部), respectively.

2 Relocation of Securities Branches

The Company constantly adjusted and optimized its branch network. During the Reporting Period, the relocations of Changshu Haiyu North Road Securities Branch (常熟海虞北路證券營業部), Wuxi Xinwu District Xiangjiang Road Securities Branch (無錫新吳區湘江路證券營業部), Nanjing Software Avenue Securities Branch (南京軟件大道證券營業部), Wuxi Dongting Middle Road Securities Branch (無錫東亭中路證券營業部), Dalian Xinghai Square Securities Branch (大連星海廣場證券營業部), Wuxi Shuofang Town Tongxiang Road Securities Branch (無錫碩放鎮通祥路證券營業部), Wuxi Hudai Town Renmin East Road Securities Branch (無錫胡埭鎮人民東路證券營業部), Kunshan Qianjin East Road Securities Branch (昆山前進東路證券營業部), Shanghai Feihong Road Securities Branch (上海飛虹路證券營業部), Taizhou Gulou North Road Securities Branch (泰州鼓樓北路證券營業部), Yixing Dingshu Town Zisha Road Securities Branch (宜興丁蜀鎮紫砂路證券營業部) and Beijing Guangqu Road Securities Branch (北京廣渠路證券營業部) within the same city were completed.

3 De-registration of Securities Branches

During the Reporting Period, the Company de-registered three branches, namely Yixing Guangming West Road Securities Branch (宜興光明西路證券營業部), Yixing Heqiao Town Xiheng Street Securities Branch (宜興和橋鎮西橫街證券營業部) and Wuxi Mashan Meiliang Road Securities Branch (無錫馬山梅梁路證券營業部), respectively.

(2) *Establishment and Changes of Branch Offices*

1 Establishment of Branch Offices

During the Reporting Period, the Company established two new branch offices, namely Hainan Branch Office (海南分公司) and Zhejiang Branch Office (浙江分公司).

2 Relocation of Branch Offices

The Company constantly adjusted and optimized its branch offices layout. During the Reporting Period, the relocations of Zhejiang Branch Office (浙江分公司) and Hubei Branch Office (湖北分公司) within the same city were completed.

3 De-registration of Branch Offices

During the Reporting Period, the Company did not de-register any branch office.

2. *Subsidiaries*

During the Reporting Period, there was no change in the subsidiaries of the Company.

3. *Impact on Results*

In 2022, the above matters had no material impact on the results of the Company.

(V) Major Investment and Financing Activities**1. Equity Financing**

The Company convened the twenty-eighth meeting of the fourth session of the Board, the first extraordinary general meeting and the shareholders class meeting for the year 2022 on 28 September 2022 and 20 October 2022, respectively, which considered and approved the relevant resolutions on the non-public issuance of A shares. The Company received the administrative licence acceptance form from CSRC on 30 November 2022 and completed the response feedback of the application documents on 19 January 2023. On 17 February 2023, CSRC officially promulgated the rules of the system relating to the full implementation of the registration system for share issuance. The Company convened the fifth meeting of the fifth session of the Board and the second extraordinary general meeting for the year 2023 on 21 February 2023 and 17 March 2023, respectively, which considered and approved the Resolution on the Argumentative Analysis Report regarding the Issuance of A Shares Proposal to Specific Subscribers by the Company (《關於公司向特定對象發行A股股票方案的論證分析報告的議案》). A notice of acceptance was received from Shanghai Stock Exchange on 2 March 2023. Currently, the Company is actively moving forward the process of issuance of A shares to specific subscribers.

2. Debt Financing

In 2022, the cumulative additional credit debt financing amount of the Company (excluding inter-bank borrowing transactions and issued floating-income type income certificates) was RMB12.264 billion, and the cumulative principal repayment of debt financing matured amounted to RMB10.349 billion. The remaining principal amount of outstanding debt financing of the Company as at 31 December 2022 was RMB20.255 billion. In addition, there was an outstanding inter-bank credit borrowing of RMB450 million.

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

The remaining amount of various outstanding credit indebtedness was as follows:

- (1). The new public issuance of corporate bonds to professional investors was RMB4.1 billion during the Reporting Period, with the principal of RMB1.5 billion being repaid. The outstanding public issuance of corporate bonds to professional investors as at 31 December 2022 was RMB10.1 billion, the particulars of the remaining amounts were as follows:

Financing Projects	Amount		Maturity Date	Term (Days)
	(In RMB ten thousand)	Financing Date		
Public issuance of corporate bonds to professional investors	100,000	2021/3/15	2024/3/15	1,096
	150,000	2021/5/12	2024/5/12	1,096
	150,000	2021/6/7	2023/6/7	730
	100,000	2021/6/28	2024/6/28	1,096
	100,000	2021/8/30	2024/8/30	1,096
	100,000	2022/3/23	2027/3/23	1,826
	100,000	2022/4/28	2027/4/28	1,826
	110,000	2022/6/7	2025/6/7	1,096
	100,000	2022/11/11	2025/11/11	1,096

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

- (2). The new private issuance of corporate bonds was RMB1.0 billion during the Reporting Period, with the principal of RMB1.0 billion being repaid. The outstanding private issuance of corporate bonds as at 31 December 2022 were RMB5.8 billion, the particulars of the remaining amounts were as follows:

Financing Projects	Amount		Maturity Date	Term (Days)
	(In RMB ten thousand)	Financing Date		
Private issuance of corporate bonds	80,000	2020/1/16	2023/1/16	1,096
	150,000	2020/3/11	2023/3/11	1,095
	100,000	2021/9/22	2023/9/22	730
	150,000	2021/11/22	2024/11/22	1,096
	100,000	2022/1/24	2025/1/24	1,096

- (3). The principal of private issuance of subordinated bonds of RMB1.8 billion was repaid during the Reporting Period. The outstanding private issuance of subordinated bonds as at 31 December 2022 were RMB0.7 billion, the particulars of the remaining amounts were as follows:

Financing Projects	Amount		Maturity Date	Term (Days)
	(In RMB ten thousand)	Financing Date		
Private issuance of subordinated bonds	70,000	2020/3/5	2023/3/5	1,095

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

- (4). The new public issuance of subordinated bonds was RMB2.5 billion during the Reporting Period. The remaining amount of the outstanding public issuance of subordinated bonds as at 31 December 2022 was RMB2.5 billion, the particulars of the remaining amounts were as follows:

Financing Projects	Amount		Maturity Date	Term (Days)
	(In RMB ten thousand)	Financing Date		
Public issuance of	100,000	2022/2/24	2025/2/24	1,096
subordinated bonds	150,000	2022/8/11	2025/8/11	1,096

- (5). The principal of public issuance of short-term corporate bonds of RMB2.0 billion was repaid during the Reporting Period, with the remaining amount of nil.
- (6). The new issuing amounts of fixed-income type income certificates were RMB2.864 billion during the Reporting Period, with the principal of RMB2.249 billion being repaid. The remaining amount of the outstanding fixed-income type income certificates as at 31 December 2022 were RMB705 million, the particulars of the remaining amount were as follows:

Financing Projects	Amount		Maturity Date	Term (Days)
	(In RMB ten thousand)	Financing Date		
Income certificates - fixed-income type	2,500	2022/11/4	2023/1/3	61
	2,000	2022/12/27	2023/4/10	105
	20,000	2022/12/28	2023/5/5	128
	20,000	2022/12/28	2023/5/5	128
	20,000	2022/12/29	2023/4/12	104
	3,000	2022/12/29	2023/4/24	117
	1,000	2022/12/29	2023/4/10	103
	2,000	2022/12/29	2023/4/10	103

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

- (7). The additional refinancing were RMB1.8 billion during the Reporting Period, with the principal of RMB1.8 billion being repaid. The remaining amount of the outstanding refinancing as at 31 December 2022 was RMB450 million, the particulars of the remaining amount were as follows:

Financing Projects	Amount		Maturity Date	Term (Days)
	(In RMB ten thousand)	Financing Date		
Refinancing	15,000	2022/12/27	2023/6/27	182
	30,000	2022/12/27	2023/6/27	182

3. Equity Investment

During the Reporting Period, the Company did not conduct any material equity investment.

(VI) Disposal of Material Assets, Acquisition, Replacement, Spin-off and Reorganization of Other Companies

During the Reporting Period, the Company did not carry out any disposal of material assets, acquisition, replacement, spin-off and reorganization of other companies.

II. DISCUSSION AND ANALYSIS OF THE BOARD ON THE FUTURE DEVELOPMENT OF THE COMPANY**(I) Industry layout and trend**

In 2022, the global economy was under pressure due to FED interest rate hikes and also the geopolitical conflicts. As we enter 2023, the global economy may still face greater challenges and the impact on global financial markets will be felt after the FED's rapid interest rate hikes. According to the IMF data, the global economy growth rate is 2.7% in 2023, down 0.5 percentage point from 2022, with the developed economies growing at 1.1%, down 1.3 percentage points from 2022, which is the key drag for economic decline. The emerging and developing countries are relatively resilient, with a growth forecast of 3.7%, remaining the same from 2022. Among the major countries, only China and a few or individual countries are expected to grow at a higher rate than in 2022. The GDP growth rate of China's economy is expected to reach 5.1% this year (the growth target set by the Two Sessions (NPC and CPPCC) is 5%), which is 2 percentage points higher than that in 2022.

In 2022, China's economic growth was severely challenged by multiple factors such as the deterioration of real estate credit crisis and international geopolitical conflicts, hence economic growth continued to decline. Looking ahead into 2023, with the slowdown of FED interest rate hikes and the introduction of a series of policies such as "Three Arrows (三支箭)" of the real estate sector, the factors suppressing the economy are expected to ease off. The Central Economic Working Conference pointed out clearly that "China's economy remains resilient with great potential and sufficient vitality, and the economic operation is expected to rebound in general next year, so we should have confidence in putting into efforts for economic success."

The report of the 20th National Congress embarked a new journey of Chinese-style modernization. The report of the 20th National Congress of the Communist Party of China affirmed that "China will move faster to boost its strengths in manufacturing, product quality, aerospace, transportation, cyberspace, and digital development". In this context, artificial intelligence, biotechnology, new energy, new materials, high-end equipment, green environment, digital economy and other industries will become the main driving force of future economic development.

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

With the change of China's economy from high-speed development to high-quality development, equity assets are expected to usher in a golden age. Against the background of "houses are for accommodation and not for speculation" and more transparent and open for wealth management products, residents' wealth is expected to accelerate the transfer to equity assets. At the same time, the securities industry has also seen a new development momentum. The main licensed businesses of securities companies have basically formed a consensus on transformation: from channel-type investment banking to industrial-type investment banking, using industrial thinking to promote corporate capital operations; from brokerage business to wealth management, to meet the growing needs of customers for investment and wealth inheritance; from channel asset management to active management, giving play to the function of value discovery; and from self-operating mode to transaction intermediary, to become a supplier of market liquidity and solutions.

From the perspective of the competitive layout of the securities industry, affected by the homogeneity of business models, the securities industry in China is currently relatively fragmented as compared to the more developed markets. Currently, there are 140 domestic securities companies. In the first three quarters of 2022, the top 10 listed securities companies increased their proportion of operating income to 65% from 50% in the same period last year, and the proportion of net profit attributable to the parent company went up to 72% from 55%, hence industry concentration rose up again. However, from an international comparative perspective, there are less than 10 mainstream all-purpose investment banks in the U.S. market, and the top three leading securities companies in Japan account for more than half of the industry's profits. Thus, the securities industry in the PRC is still relatively fragmented with strong homogeneity, and it is still the trend to increase concentration in the future. As the leading securities companies have strong capital strength, solid customer base, and professional manpower team, their relative competitive advantages are becoming more and more obvious. The entire industry layout has shown an oligarchic situation in which leading companies are becoming stronger and stronger, and competitive pressure for small and medium-sized securities companies may be further increased.

However, as a regional securities broker, the reform of the registration system is expected to bring more business opportunities. Under the registration system, the IPO review speed is accelerated, the expansion of capital market scale is boosted, and the investment banking business shows an overall growth trend. At the same time, it also brings more direct investment and follow-up investment business opportunities for securities companies. The registration system reform has brought more opportunities for small- and medium-sized emerging securities brokers. Since the implementation of the registration system, a large proportion of incremental projects have come from small- and medium-sized technology companies, and such projects are usually undertaken by small- and medium-sized securities brokers with regional characteristics. At the same time, the integration of the Yangtze River Delta has been escalated to a top national strategy, local securities brokers are expected to gain more business opportunities in participating in and serving the integration construction of the Yangtze River Delta.

(II) Corporate development strategy

Our future corporate strategic positioning is to focus on further serving the real economy and strive to become a leading customer-oriented investment bank that provides comprehensive financial solutions and the most important investment and financing arranger, transaction organizer, wealth manager and liquidity provider in local regional market and even the national market (in certain sectors), thus contributing to the economic and social development of Wuxi and Southern Jiangsu district.

(III) Business plans

In 2023, under the guidance of Xi Jinping's Thought on Socialism with China Characteristics for a New Era, the Company will thoroughly study and implement the essence of the 20th National Congress of the Communist Party of China, implement the latest requirements for building a modern capital market with China characteristics, accurately study the macroeconomic and capital market situation both domestically and abroad, strive to effectively grasp business opportunities and avoid significant market and credit risks, so as to promote the Company's development to a new stage. The Company will gradually shift its development focus from "shoring up of weakness" to "forging of strengths", and strive to develop differentiated advantages in certain niche markets and businesses while continuing to expand its capital and business scale. The Company will adhere to the strategic direction of pan-wealth management transformation, constantly improve the core competitiveness of the main businesses and the service capability of the middle-back end management, and develop the brand as a securities company with emerging and growing wealth management characteristics. It will also pay attention to possible opportunities for external development.

(IV) Capital needs

During the Reporting Period, the Company's various businesses continued to develop steadily, and the overall interest payment cost showed a downward trend. In future, the Company will continue to improve its overall capital deployment efficiency and keep on exploring new financing products and models and expand financing channels to ensure the capital needs of business development. It will also arrange the size and structure of liabilities scientifically, maintain a reasonable and sound leverage level and strengthen risk awareness to prevent liquidity risks and ensure liquidity security.

(V) Analysis of competitiveness**1. Unique Regional Advantages**

Wuxi, Southern Jiangsu and the Yangtze River Delta region are among the regions with the largest domestic economy capacity, most vibrant economy, highest quality of development, and largest number of listed companies and high-net-worth individuals. The total GDP of the Yangtze River Delta region accounts for nearly 25% of China, the total GDP of Jiangsu Province exceeds RMB10 trillion, and that of Wuxi exceeds RMB1 trillion. The customers and markets of securities companies are extremely broad. As the main birthplace of modern national industry with strong base for manufacturing industry, and one of the national innovation pilot cities and the national independent innovation demonstration cities in Southern Jiangsu, Wuxi has established its industrial clusters in strategic emerging industries such as integrated circuits, medicine and health, and the Internet of Things. Under the construction of a new domestic and international “dual-circulation” development layout, all these industries have good development opportunities. As a regional securities broker, the Company enjoys the natural advantage in serving regional enterprises. As an important strategic fulcrum for the integration of the Yangtze River Delta region, Wuxi has unique regional advantages due to its premier central location, dual-belt linkage and geographic cross-intersection. In the future, it has tremendous potential in connecting regional integration, provincial integration and Suzhou-Wuxi-Changzhou integration, and the Company will also play a more important role.

2. A+H Shares Listing in the PRC and in Hong Kong Improved Our Market Competition and Risk Resistance Capability

The Company’s H shares were listed on the Main Board of the HK Stock Exchange on 6 July 2015, and its A Shares were listed on the Main Board of the Shanghai Stock Exchange on 31 July 2020. The Company is the 13th company in the domestic securities industry with a dual listing status on both the A+H markets. Through the listing in both the A+H markets, the Company has effectively improved its capital strength, laid a solid foundation for business scale expansion and market risks resistance, significantly improved its brand influence and market competitiveness, and opened up the long-term financing channels in the two capital markets, which are beneficial to further introducing strategic investors and reducing the comprehensive financing costs of the Company in future.

3. *Management Team with Extensive Industry Experience*

The senior management team of the Company has extensive management experience, outstanding management abilities and forward-looking strategic thinking in securities and financial services industry. They are able to understand profoundly the development trend of the industry and the market, make accurate business judgment, and capture promptly business opportunities and adjust business strategies prudently and scientifically. In particular, the experience of the management team in the overseas and cross-border business sectors will help the Company accelerating the pace of international development and opening up new areas of business growth. Under the leadership of the team, the Company will build the industry-leading development philosophy and management processes according to the best market practices, and accelerate its development to become an investment bank with modern management mechanisms.

4. *Sound and Highly Efficient Operation Management and Prudent Risk Control*

For many years, the Company has abided to the business philosophy of steady development, facilitated the stable transformation and upgrading of its business models, optimized its revenue mix and profit source, and achieved years of profitability successively. Of the securities companies in the PRC, since its inception (from 1999 to date), the Company is one of the few securities companies with successive profitability. During the Reporting Period, the Company kept on improving its compliance management and risk management system to ensure the Company's standardized operation and stable development.

The Company strictly upholds its compliance baseline and earnestly implements the requirements of regulatory authorities. The Company continues to revise and improve its compliance management system, implement various control measures and enhance compliance assessment to ensure compliance management responsibilities are in place. By learning from the best practices in the industries, the Company also actively builds high-standard and high-quality internal credit evaluation systems and risk management systems to prevent and resolve business risks in a timely manner. At the same time, the Company strengthens the performance guarantee of compliance risk control personnel. The Company adheres to the principle of "risk measurable, controllable and tolerable" to carry out innovative business prudently, strictly limit the risk exposure of high-risk businesses and strengthen risk monitoring.

III. DETAILS OF MAJOR RISKS EXPOSED TO THE COMPANY'S OPERATION**1. Market Risk**

Market risk refers to the risk that may cause losses to the financial assets held by the Company resulting from the adverse changes in market prices, which mainly include equity price risk, interest rate risk, commodity price risk and exchange rate risk. The market risk of the Company mainly comes from domestic and overseas financial market businesses such as equity investment business, fixed income business and equity derivatives business.

The Company has established a top-down market risk limit management system, which allocates the overall risk limit of the Company to different business departments and business lines. Business departments, with direct responsibility for market risks and as the frontline management personnel, dynamically manage the business exposure and limit indicators. The Risk Management Department independently conducts a comprehensive assessment, monitoring and management of the overall market risk of the Company, and reports the results to the management of the Company.

The Company conducts comprehensive monitoring on market risks by calculating profit and losses, exposure, basis points, duration, Greek letters and other indicators on a daily basis, and continuously improves the VAR and stress test measurement mechanisms, so as to monitor and analyze the potential losses of the Company.

2. Credit Risk

Credit risk refers to the risk that may cause losses due to the default of financiers, counterparties or issuers. The credit risk of the Company mainly arises from the following aspects: stock pledged repurchase transactions, margin financing and securities lending and other financing businesses; over-the-counter (“OTC”) derivative business, such as swaps, OTC option, forwards and credit derivatives; bond investment transactions (including bond-related transactions such as spot bonds transactions, bond repurchase transactions, bond forward transactions and bond lending business), in which bonds include but not limited to treasury bonds, local bonds, financial bonds, government-backed agency bonds, corporate bonds and non-financial enterprises debt financing instruments, corporate bonds, asset-backed securities, interbank certificates of deposit; non-standardized debt asset investment, etc.

The Company has assessed the credit ratings of counterparties or issuers through its internal credit rating system, measured its risk with methods such as stress test and sensitivity analysis, and managed credit risks by means of access and concentration. Meanwhile, the Company has established a credit risk management system to conduct monitoring and analysis in a timely manner, keep track of the changes in the credit risk qualifications of various businesses and transaction counterparties, carry out pre-warning and reporting, and adjust its credit limits in a timely manner.

3. Liquidity Risk

Liquidity risk refers to the risk that the Company is unable to obtain sufficient fund in time at reasonable costs for paying indebtedness when it falls due, performing other payment obligations and meeting the funding needs of normal business operation. The rapid development of various businesses of the Company exert higher requirements on liquidity.

The Company establishes a daily position management and regular liquidity analysis mechanism to dynamically manage the scale of capital usage of each business, and formulates corresponding financing plans to improve the daily control mechanism of liquidity risk by improving liquidity contingency plans and stress tests. The Company implements liquidity risk limit management and sets liquidity risk limits to monitor their implementation based on factors such as business scale, nature, liquidity risk appetite and market conditions. In addition, the Company has also established a liquidity reserve asset management system to meet potential capital needs by holding sufficient high-quality liquid assets that can be readily realized.

4. Operational Risk

Operational risk refers to the risk of losses resulting from inadequate or problematic internal procedures, personnel and information technology systems, as well as external events.

The Company continuously optimizes the internal control mechanism, carries out targeted identification and effectiveness assessment on operational risk, and standardizes business processes through continuous business assessment, business process rationalizing and system review to prevent risks from occurring. It also continuously collects and sorts out internal and external risk events to supplement operational risk event database. Furthermore, the Company constantly strengthens behavior adequacy and normative operation of staff from each position through various means, such as internal training, assessment and enhances the risk awareness of employees through the promotion of risk control culture. It also improves emergency risk management plan with regular drills to ensure the security of equipment, data and system, thereby preventing the operational risk caused by information system failure.

5. Compliance Risk

Compliance risk refers to the risk that the Company or its staff will be investigated for legal responsibility, taken regulatory measures, taken disciplinary actions and suffered property losses or commercial goodwill losses due to violation of laws, regulations and standards in operation management or practice.

The Company has established an effective and impeccable compliance risks management system and compliance management and organization system. At the same time, the Company exerts an effective and comprehensive control on compliance risks encountered by the Company in its business operation by means of compliance monitoring, compliance inspection, compliance investigation, compliance supervision and compliance training, etc.

6. Reputation Risk

Reputation risk refers to the risk of negative comments on the Company by investors, issuers, regulatory authorities, self-regulatory organizations, the public and the media due to the Company's operations or external events, and its employees' violation of integrity regulations, professional ethics, business norms, industrial standards and regulations and other related behaviors, thereby damaging corporate brand value which is detrimental to its normal operation and even affect market stability and social stability.

The Company strengthens the concept of preventing and controlling reputation risk is the responsibility of every staff, forms an effective segregation of duties, establishes and improves the internal restraint mechanism, public opinion monitoring mechanism, emergency response mechanism, and external information release mechanism, reinforces daily public opinion analysis, and improves the risk prevention and control prospectively and pertinently, and takes multiple measures to enhance the prevention awareness and management standard of reputation risk.

7. Exchange Rate Fluctuation Risks and any Related Hedging

The foreign currency assets and liabilities held by the Company are not material when compared to total assets and liabilities. In terms of the Company's revenue structure, the majority of the business transactions are settled in RMB, with only insignificant revenue from foreign currency transactions. The Company considers that their exchange rate fluctuation risk is immaterial.

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

IV. INFORMATION ABOUT STAFF AND REMUNERATION OF THE COMPANY AND MAJOR SUBSIDIARIES**(I) Staff**

Items	Number of Staff
Number of employees in parent company	2,219
Number of employees in major subsidiaries	474
Total number of employees	2,693
Number of retired employees whose parent company and major subsidiaries undertake the expenses	87

Professional Structure

Professional Category	Number of Professionals
Brokerage and wealth management business	1,559
Investment banking business	454
Assets management business	128
Proprietary trading business	11
Fixed income business	44
Equity derivatives business	28
Credit transactions business	17
Research	100
Institutional sales business	22
Operation, custody and liquidation	31
Risk control	21
Compliance, legal and audit	32
Information technology	133
Planning and finance	49
Administration	41
Others	23
Total	2,693

Education Background

Education Background Category	Number of Staff (Headcount)
Doctoral Degree	24
Master's Degree	1,032
Bachelor's Degree	1,532
College Degree and below	105
Total	2,693

(II) Staff Remuneration

Implementing the MD rank system, the Company continues to optimize and improve the market-oriented promotion and remuneration management mechanism for employees. Under the MD system, the appointment and promotion, performance management, remuneration and benefits, and career development of the Company's employees are determined by their ranks, encouraging employees to continuously improve their core competencies. Staff remuneration comprises fixed salary, annual bonus, social security and welfare as well as allowances. Through market research and benchmarking, the Company has established a salary system that matches the Company's industry position and actual operation, and strictly determined salaries according to the fixed salary range corresponding to the employee's rank. The Company has established a mechanism for normal adjustment of staff's salaries, and subject to maintaining the stable operating results, the Company will ensure normal salary increases for staffs according to the operating rules for rank adjustment. The annual bonus is set up to motivate staff to devote efforts and work results for the continuous improvement of the economic benefits of the Company. It is the award that is distributed after assessment based on department and staff duty performance requirements and their contributions made. The Company's management determines the total amount of annual bonus actually implemented in the current period within the amount approved by the Board, taking into account the current performance, the competitive market environment and the stage of development of the Company. The distribution of annual bonus is based on performance and contribution.

(III) Development and Training

To facilitate the constant improvement of the comprehensive qualities of the Company's staff and adapt to the needs of innovative development of the industry and personnel training and development, the Company attaches great importance to staff trainings and keeps on improving and optimizing its staff training system. Based on the business development requirements every year, the Company accurately explores the training problems at the front and back ends and gathers departments training needs to develop and carry out annual training programme in an orderly manner, improve the effectiveness of training, and achieve mutual growth of staff and the Company.

In 2022, the Company used the E-learning platform as an online learning carrier in the form of live video conferences and face-to-face trainings by region/small-scale, and through multi-channel and multi-form training organization methods, its continuously innovated training works to expand the dimensions of training. For new staffs, the Company organized online learning programmes for new staffs, new staff training camps, and morning star (啟明星) training. For business backbones and managers, the Company organized potential star (潛力星), energy star (能量星) training and management capability enhancement training for Team Leader. For each business line, the Company organized compliance management series training and business lecture hall seminars.

During the Reporting Period, the Company carried out various methods of education trainings, such as face-to-face trainings, online study and external trainings, with a total of 34,194 employee-headcount who have participated in such trainings.

V. INFORMATION ABOUT THE COMPANY'S SHARE INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVE MEASURES AND THEIR IMPACTS

In order to establish and improve the benefit sharing mechanism between employees and the Company, enhance the cohesion among employees and competitiveness of the Company, and attract and retain talents, so as to promote the long-term, sustainable and healthy development of the Company and maximize the benefits of the Company, its Shareholders and employees as a whole, the Company has implemented the employee stock ownership plan for the year 2022.

The Company convened the twenty-fifth meeting of the fourth session of the Board and the general meeting for the year 2021 on 29 April 2022 and 10 June 2022, respectively, which considered and approved the Resolution on the Employee Stock Ownership Plan of Guolian Securities Co., Ltd. for the Year 2022 (Draft) and its Summary (《關於國聯證券股份有限公司2022年度員工持股計劃(草案)及其摘要的議案》) and the Resolution on Proposing at the General Meeting to Authorize the Board of Directors with Full Discretion to Handle the Matters related to the Employee Stock Ownership Plan of the Company for the Year 2022 (《關於提請股東大會授權董事會全權辦理公司2022年度員工持股計劃相關事宜的議案》).

In June 2022, the Company completed the fundraising for the subscription of the employee stock ownership plan of the Company for the year 2022, with the actual number of participants of 342. The participants included Directors, supervisors, senior management, employees at VP level and above and other core backbone personnel of the Company or its controlling subsidiaries. The total subscription amount was RMB68,110,000 and the number of subject shares associated with the employee stock ownership plan units held by any individual holder shall not, in aggregate, exceed 0.1% of the Company's total share capital.

The term of the employee stock ownership plan shall be 5 years with effect from the date of consideration and approval by the general meeting of the Company.

On 12 July 2022, the Company convened the first meeting of holders of the employee stock ownership plan for the year 2022, which considered and approved the Resolution on Review of the Rules for the Meeting of Holders of the Employee Stock Ownership Plan of Guolian Securities Co., Ltd. for the Year 2022 (《關於審議國聯證券股份有限公司2022年度員工持股計劃持有人會議規則的議案》), Resolution on Election of Members of the Management Committee for the Employee Stock Ownership Plan of Guolian Securities Co., Ltd. for the Year 2022 (《關於選舉國聯證券股份有限公司2022年度員工持股計劃管理委員會委員的議案》) and Resolution on Authorization of the Management Committee of the Employee Stock Ownership Plan of Guolian Securities Co., Ltd. to Deal with Matters in Relation to this Employee Stock Ownership Plan (《關於授權國聯證券股份有限公司員工持股計劃管理委員會辦理本次員工持股計劃相關事宜的議案》).

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

As of 22 December 2022, the employee stock ownership plan of the Company completed the purchase and registration of the subject shares, and purchased a total of 18,260,000 H shares of the Company in the secondary market, accounting for approximately 0.6448% of the total share capital of the Company. The total consideration was HK\$73,759,900 (excluding transaction fees), and the remaining funds will be used for liquidity purpose. The lock-up period of the target shares purchased under the employee stock ownership plan of the Company shall be 12 months effective from the date on which the Company announces that the latest purchased subject shares are transferred and registered, being from 23 December 2022 to 22 December 2023.

As of 31 December 2022, the details of the shares calculated based on the employee stock ownership plan units are as follows:

Name/category of holders	Number of shares held
Ge Xiaobo	1,340,478
Xu Faliang	134,047
Wu Lingyun	53,619
Zhou Min	13,404
The five highest paid individuals in 2022 in aggregate (one of whom is a Director of the Company)	2,080,422
Other employees in aggregate	<u>15,978,508</u>

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

For the year ended 31 December 2023:

I. THE BOARD'S DISCUSSION AND ANALYSIS ON THE OPERATION OF THE COMPANY DURING THE REPORTING PERIOD

(I) Overall Operation of the Company

For the whole year of 2023, the Group achieved revenue, net investment gains and other income totaling RMB4.386 billion, representing a year-on-year increase of 11.59%. Net profit attributable to shareholders of the Company of RMB671 million was achieved, representing a year-on-year decrease of 12.51%. As at 31 December 2023, total assets of the Group was RMB87.129 billion, and net assets attributable to shareholders of the Company was RMB17.769 billion and the weighted average returns on net assets was 3.89%.

The revenue generated from the brokerage and wealth management business was RMB969 million, representing a year-on-year decrease of 7.57%; the revenue generated from the investment banking business was RMB543 million, representing a year-on-year increase of 3.25%; the revenue generated from the asset management and investment business was RMB470 million, representing a year-on-year increase of 139.06%; the revenue generated from the credit transaction business was RMB718 million, representing a year-on-year decrease of 0.88%; and the revenue generated from the proprietary trading business was RMB1.374 billion, representing a year-on-year increase of 18.96%.

(II) Analysis of Principal Business**(I) Brokerage and Wealth Management Business***Market Environment*

In 2023, the overall market trading sentiment of the domestic securities market declined as compared with the same period of last year. According to the information of the Shanghai, Shenzhen and Beijing Stock Exchanges, the yearly stocks and funds trading volume of the Shanghai, Shenzhen and Beijing markets was RMB240.72 trillion, with an average daily turnover of stocks and funds of RMB994.711 billion, representing a year-on-year decrease of 2.88%.

Actions and Achievements

During the Reporting Period, the Company completed a new round of structural adjustments, established the Wealth Management Committee, optimised the refined service regime and management system with the hierarchical classification of customers and employees, and initially established an organisational system in line with the development of the wealth management business through focusing on the core elements of wealth management and corporate strategic layout.

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

The Company continued to facilitate the wealth management transformation from the buyers' perspective, further solidifying its customer base and optimising its customer structure, with newly added customers of 150,600, bringing a cumulative total of 1,736,400 customers during the Reporting Period, a year-on-year growth of 9.64%. The Company established and improved the "Good Doctor of the Way to Wealth (大方向好醫生)" service system to develop its online customer solicitation and service capabilities, and improved its online service matrix through new media platforms such as the "Way to Wealth (大方向)" official account, accumulating over 1.44 million user fans, and delivering 2,680 contents with a cumulative readership of 30.37 million across all platforms during the Reporting Period.

Taking fund investment advisory as the key, the Company continued to enhance the experience and sense of gain of contracted customers of investment advisory. As of the end of the Reporting Period, the total number of contracted customers of fund investment advisory was 300,200, representing a year-on-year growth of 24.93%, and the asset size of authorised accounts was RMB6.594 billion, unchanged year-on-year. At the same time, the Company continued to upgrade its fund investment advisory ToB business model, expanded channel coverage and facilitated the consolidation of channel business, launching 7 new channels and cumulatively launching 30 channels during the Reporting Period.

In terms of sales of financial products, the Company steered the concept of product sales towards deployment-based sales by intensifying the retention assessment. During the Reporting Period, the sales scale of the Company's financial products (excluding "Xianjintianli (現金添利)", the cash management product) amounted to RMB18.403 billion, representing a year-on-year decrease of 14.76%, while the retention of financial products at the end of the period amounted to RMB19.330 billion, representing a year-on-year increase of 8.16%.

Outlook for 2024

In 2024, the Company will endeavour to promote a total and partial commission business model focusing on asset deployment to realise a buyer's investment advisory service model with different customer categories and demands. The Company will facilitate the development of an asset deployment regime from the buyers' perspective, enhance its research on global vision and multi-asset deployment, and promote the creation of multi-strategy investment tools to effectively connect our corporate deployment capabilities with frontline employees. The Company will enhance the coverage of Internet and banking channels and improve the Good Doctor service system to form a business model integrating online service for customer acquisition and transformation of offline services. The Company will also advance channel business integration and deepen the vertical integration of corporate wealth management to achieve in-depth coverage of its customer base and business scale growth.

(II) Investment Banking Business

The Company is engaged in the investment banking business through Hua Ying Securities, its wholly-owned subsidiary. Specifically, it mainly includes the equity financing business, bond financing business and financial advisory business.

1. Equity Financing Business**Market Environment**

At the beginning of 2023, the comprehensive registration system reform was duly implemented, which on one hand improved the direct financing system and brought about the incremental potential for the investment banking business of securities companies. On the other hand, it also required securities companies to further fulfill their duties and endeavour to enhance the comprehensive service capability of investment banking. On 27 August, since the regulatory authorities put forward the counter-cyclical adjustment of the primary and secondary markets, the pace of the A-share equity financing scale slowed down, but the rise of the Beijing Stock Exchange brought new impetus to the securities companies' investment banking. According to the statistics from Wind, there were 818 equity financing projects in the entire market in 2023, representing a year-on-year decrease of 165, with a total financing amount of RMB1,134.430 billion, representing a year-on-year decrease of 32.80%.

Actions and Achievements

In 2023, under the market situation where the number and scale of equity financing issuances were declining, Hua Ying Securities proactively overcame the adverse market impact and focused on the business of the Beijing Stock Exchange, completing 6 equity projects with a total underwriting amount of RMB3.956 billion, realising the full coverage of the stock exchanges in Shanghai, Shenzhen and Beijing for its equity business, and ranking 21st in terms of the number of IPO sponsors, and 12th and 15th in terms of number and amount of underwriting on the Beijing Stock Exchange, respectively.

During the Reporting Period, Hua Ying Securities completed 4 IPO projects, namely Minami Shares (天鍵股份), Haidaer (海達爾), Bescient (碧興物聯) and Keqiang Shares (科強股份), with a total underwriting amount of RMB2.368 billion. In addition, it also obtained 1 project that had already obtained approvals and pending issuance, 1 project with application that passed the review, 3 projects under review and 17 tutoring projects, thus achieving a virtuous circle in the IPO business. In terms of refinancing business, it completed 2 projects, namely General Science and Chunqiu Electronic, with a total underwriting amount of RMB1.588 billion. It also had 1 project that had already obtained approvals and pending issuance, 4 projects under review.

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

The table below shows the details of equity underwriting and sponsorship business in 2023:

Currency: RMB

Items	2023		2022	
	Underwriting amount (In 100 million)	Number of issuances (Unit)	Underwriting amount (In 100 million)	Number of issuances (Unit)
Initial public offering	23.68	4	24.00	3
Refinancing issuance	15.88	2	28.00	1
Others	0.00	0	0.00	3
Total	39.56	6	52.00	7

Note: The above equity projects include lead underwriting, joint lead underwriting and sub-underwriting.

Outlook for 2024

In 2024, Hua Ying Securities will place the IPO of the Beijing Stock Exchange as its key business direction. By accelerating the progress of the existing projects to be reported, and sorting and recalibrating the existing projects, Hua Ying Securities will continue to increase the project reserve of the Beijing Stock Exchange, and focus on developing a batch of high-quality and featured projects to further consolidate and enhance its industry ranking. At the same time, the company will give full play to its comprehensive financial synergies, broaden its business path through the business model featuring the “investment banking +” characteristics, provide financial services along the entire value chain for corporate customers, and create a “high-quality and featured” investment banking.

2. Bond Financing Business

Market Environment

In 2023, domestic bond issuance continued to grow under the dual progress of unified bond market regulation and comprehensive registration system reform. According to the data released by the People's Bank of China, a total of RMB65.62 trillion of various bonds were issued in the bond market in 2023, representing a year-on-year growth of 6.79%, including RMB33.46 trillion of financial bonds, RMB12.89 trillion of credit bonds and RMB19.27 trillion of other types of bonds.

Actions and Achievements

In 2023, Hua Ying Securities maintained an upward momentum in its bond business, focused on products and sought new breakthroughs under stringent risk control, and endeavoured to support the development of the real economy by leveraging its expertise in bond product financing, accounting for only two out of the first batch of 34 enterprise bonds registered with the CSRC, thus further enhancing its brand influence. During the Reporting Period, Hua Ying Securities completed a total of 135 bond underwriting projects and 19 government bond sub-underwriting projects, with a total underwriting amount of RMB51.581 billion, representing a year-on-year increase in the number and scale of underwriting by 22.22% and 30.94%, respectively. It had 40 bond projects that had already obtained approvals and were pending issuance, and 32 bond projects under review, with a pending issuance amount exceeding RMB100 billion.

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The table below shows the details of the bonds underwriting business in 2023:

Currency: RMB

Items	2023		2022	
	Underwriting amount (In 100 million)	Number of issuances (Unit)	Underwriting amount (In 100 million)	Number of issuances (Unit)
Enterprise bonds	15.70	3	13.00	2
Corporate bonds	492.71	131	348.98	92
Financial bonds	0.00	0	2.00	1
Exchangeable bonds	0.00	0	14.97	4
Local government bonds	7.40	19	14.97	27
Others	0.00	1	0.00	0
Total	515.81	154	393.92	126

Note: The above bond projects include lead underwriting, joint lead underwriting and sub-underwriting.

Outlook for 2024

In 2024, Hua Ying Securities will continue to improve its bond professional service quality and enhance the financial innovation capability of the bond business. It will fortify the strengths of the bond underwriting business in Wuxi, and further expand its market share. It will strengthen the maintenance of investment institutions, expand the bond sales network, and enhance bond sales capabilities. Besides, it will explore the business of developing high-quality bond projects in conjunction with serving the national and regional development strategies to facilitate financial services to the real economy.

3. *Financial Advisory Business*

Market Environment

According to the statistics from Wind, the number of announced transactions in China's mergers and acquisitions and restructuring market (excluding overseas mergers and acquisitions) in 2023 was 8,960, down by 604 transactions year-on-year, with a transaction value of RMB1,982.651 billion, representing a year-on-year decrease of 23.74%. The number of completed transactions was 3,870, down by 1,181 transactions year-on-year, with a transaction value of RMB566.275 billion, representing a year-on-year decrease of 51.81%.

Actions and Achievements

Hua Ying Securities provided high-quality financial advisory services to premier customers by matching customer resources and strengthening business synergy. During the Reporting Period, Hua Ying Securities completed 157 financial advisory projects, including 6 recommended NEEQ listing projects, 5 private placement projects, and ongoing supervision for 92 enterprises on the NEEQ.

Outlook for 2024

In 2024, Hua Ying Securities will adhere to customer-focused measures, diversify its business layout, and perform a good job in providing financial advisory services to its customers. It will conduct in-depth industry research and analysis to seize business opportunities for mergers and acquisitions and restructuring and commit to serving the real economy to further improve the comprehensive service capabilities of financial advisory.

(III) Asset Management and Investment Business***1. Securities Asset Management Business*****Market Environment**

In 2023, with deepening financial reforms and a new regulatory framework of “the People’s Bank of China, the National Financial Regulatory Administration, and the China Securities Regulatory Commission (一行一局一會)”, the financial regimes and systems kept on improving and accelerated the high-quality development of the asset management industry in terms of refinement and standardisation. It became an inevitable trend for the development of the asset management business of securities companies to enhance their active management capability and revert to the essence of the asset management business. Various assets management institutions accelerated the development of multi-level product systems and asset allocation capabilities, established differentiated business models and core competitiveness. According to the statistics from the Asset Management Association of China, as of the end of the fourth quarter of 2023, the total amount of asset management business of fund management companies and their subsidiaries, securities companies and their subsidiaries, futures companies and their subsidiaries, and private equity fund management institutions amounted to RMB67.06 trillion, among which, the amount of private equity asset management business of securities companies and their subsidiaries amounted to RMB5.93 trillion.

Actions and Achievements

In 2023, the Company seized the development opportunities of wealth management transformation in terms of its asset management business, adhered to customer-focused measures and continued to optimise its product innovation capability, investment research capability and overall risk management capability, so as to develop a differentiated business model and core competitiveness. The Company’s results of key products remained at the forefront of the market, ranking in the top 10% of pure bonds with fixed-income products, the top 40% of products with options, the top 30% of the overall results, and the 9th in the industry in terms of the scale of new issuance of ABS. In September 2023, the Company received the approval for the establishment of asset management subsidiary.

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As of the end of the Reporting Period, the Company managed a total of 300 asset management schemes, and the entrusted funds of the asset management business amounted to RMB117.293 billion, representing a year-on-year growth of 14.94%. During the Reporting Period, operating income amounted to RMB189,766,900 was recorded, representing a year-on-year increase of 2.55%. Among these, 4 were public-offered funds (including large-scale fund collections) products, with an asset size of RMB8.773 billion; 84 were Collective Asset Management Schemes, with an asset size of RMB20.957 billion; 146 were Single Asset Management Schemes, with an asset size of RMB49.154 billion; 66 were Specialized Asset Management Schemes, with an asset size of RMB38.408 billion.

Categories	Size of asset management (In RMB100 million)		Operating income (In RMB ten thousand by SAC standards)	
	End of 2023	End of 2022	2023	2022
	Public-offered funds (including large-scale fund collections)	87.73	72.06	3,636.90
Collective Asset Management Scheme	209.57	116.78	5,290.62	5,489.98
Single Asset Management Scheme	491.54	546.57	4,338.62	4,643.34
Specialized Asset Management Scheme	384.08	285.07	5,710.55	5,887.06
Total	1,172.93	1,020.48	18,976.69	18,505.48

Outlook for 2024

In 2024, the Company will continue to adhere to professional values in terms of its asset management business, improve both internally and externally, perform well in dynamic asset deployment, keep abreast of the industry's cutting-edge trends, cover five major segments including fixed income, fixed income+, FOF deployment, equity and derivatives and ABS, strengthen its product supply capacity, enrich its product strategies, continue to raise the standard of its comprehensive financial services, and develop its own characteristics in wealth management. It will strengthen the integration of business intelligence and provide customers with multi-level, all-round and high-quality asset management services. At the same time, it will accelerate the operation of its asset management subsidiary, and coordinate the establishment of its compliance, risk management and talent teams to enhance its professional operation capability.

2. Public-offered Fund Management Business

To make up for the shortfall of the public-offered fund licence, grasp the strategic industry development opportunities, deepen the transformation of wealth management, and improve the ability of comprehensive financial services, the Company acquired 75.5% equity interests in ZhongRong Fund during the Reporting Period. On 1 August, ZhongRong Fund was renamed as Guolian Fund, embarking on a new journey of development.

Market Environment

In 2023, with the official implementation of kick-starting the fee rate reform of public-offered funds, the implementation of the optimisation standards for the securities trading model of public-offered funds, as well as the launch of variable categories of innovative funds, such as hybrid valuation method bond funds and floating fee rate products, investors were provided with richer deployment tools, which also provided firm support for consolidating the foundation and opening up new visions, as well as fostering the stable development of the industry. As of the end of 2023, the total management scale of public-offered funds reached RMB27.6 trillion, with the total management scale of the industry and the number of products hitting new highs. Amidst the steady growth in the scale of the industry, public-offered funds have also experienced numerous structural changes. In particular, due to the continuous market turbulence and weak profit-making effect, the equity fund issuance market experienced sluggishness, with the share of newly issued funds hitting a record low in the past five years. In contrast, the ETF market experienced explosive growth, with its scale exceeding 2 trillion, which has become an important milestone in the capital market.

Actions and Achievements

In 2023, starting from the 10th anniversary of the establishment of Guolian Fund, it insisted on focusing on serving customers and oriented towards creating long-term value returns for customers and continued to facilitate the high-quality development of various businesses by reshaping and refining the investment and research regime, establishing a balanced development of the sales and service system, and establishing a product spectrum that continues to satisfy the increasingly segmented needs of customers for wealth management. As of the end of 2023, the total asset management scale of Guolian Fund was RMB148.767 billion, of which, the non-monetary public-offered funds management scale was RMB101.573 billion, exceeding RMB100 billion and ranking 44th in the industry, climbing up by 2 places from 2022, with 85 public-offered funds under management. According to the data of China Galaxy Securities Fund Research Center, Guolian Fund ranked 14th among 107 fund companies in terms of active stock management ability in the past three years; ranked 22nd among 99 fund companies in terms of active stock management ability in the past four years; ranked 51st among 107 fund companies in terms of active bond management ability in the past three years; and ranked 25th among 93 fund companies in terms of active bond management ability in the past four years.

Outlook for 2024

In 2024, with the implementation of a series of policies to stabilise the economy and boost development, and under the continuous impetus of various optimisation measures for the high-quality development of the public-offered fund industry, Guolian Fund will fully leverage its own business and professional advantages and continue to enhance its core competitiveness in investment and research and the standard of customer service by meeting customers' needs for wealth management, firmly adhere to the concept of long-term value investment, strictly abide by the bottom line of compliance, and actively perform the mission of inclusive finance and its social responsibility to promote the high-quality development of the business.

3. *Private Equity Investment Business*

The Company is engaged in the equity investment business through the equity investment fund under Guolian Capital, its wholly-owned subsidiary.

Market Environment

In 2023, with the promulgation of the first administrative regulations for the private investment fund industry and the successive implementation of a series of supporting rules, the investment pace of the market slowed down amidst the slowdown in global economic growth, the investment style gradually became more and more rational, and the fund-raising market vibrancy was restricted, with the investment market as a whole moderately declining. In terms of fund providers, government-guided funds remained the main fund provider, while market-oriented institutions were relatively more conservative and cautious. In terms of investment areas, the electronic information industry continued its leading role in 2023, topping the list in terms of both the volume and scale of investments. According to the statistics from CVSource, the number of new funds in the private equity market in 2023 was 8,322, representing a year-on-year decrease of 4.67%, and the subscription size of newly established funds was US\$614.06 billion, representing a year-on-year decrease of 9.36%.

Actions and Achievements

In 2023, Guolian Capital continued to enhance its industry research and intensified its in-depth deployment in key areas. Through market-oriented channels and collaboration with internal and external parties, it endeavoured to explore high-quality project resources and expanded its business scope. It commenced incremental equity investment business through the establishment of new funds. At the same time, it adjusted its investment strategies based on the latest developments in the capital market and industry frontiers. During the Reporting Period, Guolian Capital put greater efforts into the deployment of new investment sectors such as medical devices, integrated circuits and intelligent manufacturing, and established five new funds such as Guolian Shuoying (國聯碩盈) and Guolian Tongda (國聯通達), with newly added management scale of RMB1.272 billion. As of the end of the Reporting Period, Guolian Capital had 20 subsisting filing funds, with a subsisting management scale of RMB6.150 billion and a cumulative investment of RMB1.974 billion.

Outlook for 2024

In 2024, Guolian Capital will continue to reinforce its cooperation with government-guided funds and market-oriented professional organisations, and expand deeper and multi-dimensional investment and financing cooperation with local governments and market-oriented organisations targeting industry leadership and will also strengthen the synergy of domestic and overseas business. It will continue leveraging its strengths in professional investment judgment to expand multi-level cooperation with listed companies through establishing funds and investing in industrial sectors. It will also gather the advantageous resources of all parties and invest mainly in the principal business and industrial chain of listed companies to magnify the industrial leadership of listed companies and the brand influence of Guolian Capital.

(IV) Credit Transaction Business***1. Margin Financing and Securities Lending Business*****Market Environment**

In 2023, affected by the downturn of the A-share market, the margin financing and securities lending business encountered many policy adjustments. After the implementation of new policies on the margin financing and securities lending business in September, the overall scale of A-share margin financing and securities lending showed an upward trend. As of the end of the Reporting Period, the average daily balance of margin financing and securities lending in the entire market amounted to RMB1,602.579 billion, representing a year-on-year decrease of 0.96%.

Actions and Achievements

During the Reporting Period, the Company kept abreast of market and policy changes and optimised its business segments and service system to enhance customers' investment experience. It continued to improve the construction of its marketing system to fully tap into customers' needs and further enhance its business competitiveness. It made in-depth efforts to cultivate high-net-worth customers and professional investors, and accurately implemented promotional plans for its margin financing and securities lending business by focusing on the differentiated and customized needs of customers. It also effectively consolidated internal and external resources, expanded securities sourcing channels, and proactively tapped into the potential of customers with specific needs. Further, it emphasized risk management and control through accelerating the development of the tiered management system of guaranteed securities and strengthening prior risk warnings.

As at the end of the Reporting Period, the total number of credit accounts of the Company was 27,000, representing a year-on-year increase of 6.30%. The total credit amount of margin financing and securities lending was RMB74.213 billion, representing a year-on-year increase of 6.46%. The average daily balance of the margin financing and securities lending was RMB10.231 billion, representing a year-on-year increase of 10.72%. The average daily market share in terms of business scale was 6.384‰, representing a year-on-year increase of 11.79%. Interest income from the margin financing and securities lending business amounted to RMB606 million, representing a year-on-year growth of 6.69%. Both the period-end balance of the margin financing and securities lending and period-end market share of the business scale reached a record high for the Company during the year.

Outlook for 2024

In 2024, the Company will adhere to its customer-centric approach, and build a regional, multi-level and differentiated target customer group system to continuously enrich its service model. It will focus on research and breakthroughs in private equity customers, and enhance internal and external cooperation to further optimize its customer structure. In addition, it will strengthen the cultivation of specialists in its branches on the margin financing and securities lending business, and implement specialists to provide regular services at fixed locations. Further, it will explore potential customer groups intensively, and implement precise and comprehensive development strategies for each customer group. The Company will also continue to improve the risk prevention and control system to enhance the risk management and prevention ability.

2. *Stock Pledged Repurchase Business*

Market Environment

With the steady progress of the reform of the comprehensive registration system and the further standardisation of shareholding reduction, the overall business scale of the market declined slightly. Currently, the interest rates of major securities companies for stock pledges show a downward trend, and the stock-pledged business in the market is dominated by stock business. The polarisation is more obvious, and the new businesses mainly concentrate on high-quality companies with better profitability.

Actions and Achievements

During the Reporting Period, the Company conducted business according to market conditions and under the premise of strictly controlling business risks, and the strategy of focusing on stock replacement in the stock pledged repurchase business was in line with the overall market trend. As of the end of the Reporting Period, the principal balance of stock pledged repurchase business of the Company was RMB2.394 billion, representing a year-on-year decrease of 37.93%. Of which, the balance of investment (on-balance sheet) stock pledged repurchase business was RMB1.329 billion, representing a year-on-year decrease of 38.67%, with an average performance guarantee ratio of 315.55%. The balance of management (off-balance sheet) stock pledged repurchase business was RMB1.065 billion, representing a year-on-year decrease of 36.98%, with an average performance guarantee ratio of 195.70%.

Outlook for 2024

In 2024, the Company will continue to adopt the principle of conservation in the development of the stock pledged repurchase business, and will continue to strengthen risk management to promote its stable development. It will carefully select quality projects to cautiously develop incremental business, strengthen internal business linkages, and further enhance the breadth and depth of business cooperation in response to the diversified needs of our customers.

(V) Proprietary Trading Business*Market Environment*

In 2023, China's economy faced numerous challenges through its recovery and development, such as insufficient effective demand, structural overcapacity, weak social expectations, and many hidden risks. In this regard, monetary policy continued to exert its force, and the combination of policies on finance, capital market, and real estate market also intensified their execution since the third quarter. Against this backdrop, from January to April, the A-share market continued its rebound since the end of last year, with a more pronounced industry differentiation, in which AI-related industries and low-valued state-owned enterprises continued to gain the attention of market capital with a significantly increasing rate. After May, the market as a whole showed a fluctuating downward trend, with a marked increase in pressure for adjustment due to the continuous interest rate hikes of the US dollar, the weaker-than-expected recovery in the domestic economy, and the continuous weakening of the RMB exchange rate. Meanwhile, the bond market was generally bullish in 2023, with yields in the first seven months below the general trend and volatility increased after August. Against the backdrop of the bond package, yields on credit products showed a fluctuating downward trend, and credit spreads continued to narrow down. Taking the entire year for consideration, the yield on 10-year treasury bonds declined from 2.84% at the beginning of the year to 2.56% at the end of the year, down 28BP, while the yield on 1-year AA+ medium-term notes declined from 3.01% at the beginning of the year to 2.63% at the end of the year, 38BP lower.

Actions and Achievements

For equity proprietary trading business, the Company has all along been taking absolute return as its target and focused on undervalued industries and companies or those that had good growth potential to carry out its businesses steadily while taking risks and returns into consideration. In 2023, the equity proprietary trading business continued to adhere to the defence strategy and counter-attack and strengthened its anticipation of macro trends under the weak market environment, and made timely position adjustments. Simultaneously, it strengthened its grasp of market opportunities at different stages, and fully captured the opportunities of the market rebound in the first half year to realize excess returns, with the yield significantly outperforming the CSI 300 index.

For fixed-income business, the Company adheres to the concept of fixed-income business of sellers with steady investment and focusing on clients' needs as its core, and has formed a multi-category and multi-strategy regime in its investment and trading business, while its capital intermediary business has continued to make breakthroughs in terms of channel construction and product creation. The Company actively participated in the development of innovative businesses in the market, with continuous growth in business transaction volume. During the Reporting Period, the Company was recognised as one of the “2023 Top 100 Institutions for Bond Market Trading on the Shanghai Stock Exchange (2023年上交所債券市場交易百強機構)”, and the “Market Influential Institution of the Year (年度市場影響力機構)” and the “Market Innovative Business Institution (市場創新業務機構)” in the interbank local currency market in 2023, with market influence increasing constantly.

For equity derivatives business, the Company continued to deepen product innovation, enrich application scenarios, proactively seek market opportunities, optimize position structure, and take various measures to control risks. The proprietary trading business, based on its remarkable resources, operated steadily and achieved stable investment returns through professional and refined model optimization. The over-the-counter derivatives business effectively met the diversified investment and hedging needs of customers. Leveraging the continuous optimization of the long-short position swap trading function, the number of customers interacted has gradually increased.

Outlook for 2024

For the equity proprietary trading business, the Company will continue to strengthen fundamental research, enhance the construction of its investment research and risk control system, and strengthen market research and judgment to develop a stock investment business steadily. In 2024, although the domestic A-share market is still facing certain pressure, however, opportunities will outweigh challenges. Although the economic recovery process is slow, it is still pushing forward, and even though the interest rate of the US dollar is high, it is expected to decline. The market will gradually return to matching valuations with fundamentals in the future. In 2024, the equity investment business of the Company will focus on the layout of medium and long-term opportunities and further select growing individual stocks, supplementing with strategic investment models such as private placement and convertible bonds, while flexibly using position adjustments, futures hedging and other methods to achieve a balance between risks and returns, and carry out stock investment business steadily.

For fixed-income business, the Company will continue to adhere to the concept of fixed-income business of sellers, continue to push forward the application for new business qualifications, enhance customer service capability, and expand and strengthen the customer demand-oriented business. It will continue to enhance its investment research capability, strictly control the exposure to credit risk, and constantly enhance its profitability and profit stability. In addition, it will continue to enhance the market-making quoting capability of inter-bank market makers, and proactively provide liquidity to the market. It will continue to increase the investment in quantitative trading by taking the market-making business as an opportunity, focusing on strengthening the introduction of quantitative trading personnel, system development and strategy development capability, and striving to open up a new profit model which integrates trading with the valuation of customers' quantitative businesses.

For equity derivatives business, while preventing and controlling position risks, on one hand, the Company will strengthen the construction of its investment research capabilities and enhance the diversification of its strategies, strive to provide liquidity to the exchange market and form an exchange product ecosystem, and continue to facilitate the qualification for market-making business in stock options and the application for licences in other subsectors. On the other hand, it will continue to improve its product supply and trading services, enhance sales system construction and product layout, and push forward the digitalization of its operations with the creation of a service platform to meet the actual needs of the global asset deployment of its customers and its industrial upgrading.

(III) Financial Statements Analysis***1. Analysis on the Profitability of the Company during the Reporting Period***

During the Reporting Period, the global economy was under pressure due to the FED's continuous interest rate hikes and also geopolitical conflicts. The domestic economy recovered in twists and turns, and overall pressure was relatively high. The capital market showed a trend of strong bonds and weak shares, with market vibrancy declining. Faced with the downward pressure in the market, the Company seized the opportunity to vigorously implement the “forging of strengths (鑄長板)” of business and strategic mergers and acquisitions, operated steadily and strictly adhered to the bottom line of compliance and risk control, whereby it continuously innovated new products and services, and the overall business layout has become more reasonable, diversified and stable.

During the Reporting Period, the Group generated total revenue, net investment gains and other income of RMB4,385.57 million, representing a year-on-year increase of 11.59%. Net profit attributable to shareholders of the Company amounted to RMB671.32 million, representing a year-on-year decrease of 12.51%. Earnings per share amounted to RMB0.24, representing a year-on-year decrease of 11.11%. The weighted average returns on net assets amounted to 3.89%, representing a year-on-year decrease of 0.73 percentage point.

2. Asset Structure and Asset Quality

As at the end of the Reporting Period, total assets of the Group amounted to RMB87,128.87 million, representing an increase of 17.14% as compared to RMB74,382.00 million as at the end of 2022. Total liabilities amounted to RMB69,005.32 million, representing an increase of 19.76% as compared to RMB57,621.44 million as at the end of 2022. Equity attributable to shareholders of the Company amounted to RMB17,768.69 million, representing an increase of 6.01% as compared to RMB16,760.55 million as at the end of 2022.

During the Reporting Period, the asset structure remained stable with sound asset quality and liquidity. As at the end of the Reporting Period, total assets of the Group comprised of: cash assets, which amounted to RMB14,261.06 million, representing 16.37% of the total assets, and primarily included cash and bank balances (including cash held for brokerage clients), clearing settlement funds and refundable deposits; margin financing assets, which amounted to RMB15,433.58 million, representing 17.71% of the total assets, and primarily included margin accounts receivable and financial assets held under resale agreements; financial investment assets, which amounted to RMB51,534.02 million, representing 59.15% of the total assets, and primarily included interests in an associate and a joint venture and investment in financial assets; and operating assets including other property and equipment, which amounted to RMB5,900.21 million, representing 6.77% of the total assets, and primarily included property and equipment, right-of-use assets, intangible assets and goodwill. During the Reporting Period, the Group performed impairment assessment on margin accounts receivable, financial assets held under resale agreements, debt instruments at fair value through other comprehensive income, accounts receivable and other receivables using the expected credit loss model. There was no evidence showing that the assets of the Group may be subject to significant impairment.

In light of market condition, the Company strengthened its liquidity management, expanded its business scale and prevented credit risk. As at the end of the Reporting Period, liabilities after deducting accounts payable to brokerage clients amounted to RMB59,959.22 million, representing a year-on-year increase of RMB13,135.06 million or 28.05%. The gearing ratio of the Group was 76.79%, representing an increase of 3.15 percentage points from 73.64% as at the end of 2022 (Note: Gearing ratio = (total liabilities – accounts payable to brokerage clients)/(total assets – accounts payable to brokerage clients)). Operating leverage ratio was 4.39 times, representing an increase of 15.83% from 3.79 times as at the end of 2022 (Note: Operating leverage ratio = (total assets – accounts payable to brokerage clients)/equity attributable to shareholders of the Company).

3. Financing Channels and Financing Capability

Through equity financing and various types of financing methods including debt financing, the Company continued to supplement its working capital and constantly enhancing its capital strengths to ensure the liquidity security of the Company. During the Reporting Period, the Company cumulatively added RMB17.856 billion through various debt financing instruments (excluding inter-bank borrowing transactions and issued floating-income type income certificates), and repaid the principal of matured debt financing of RMB13.236 billion cumulatively. The remaining amount of outstanding debt financing of the Company at the end of 2023 was RMB24.875 billion in total. The average interest rate level of new debt financing decreased compared with previous years. In addition, there was outstanding inter-bank credit lending of RMB5.313 billion.

4. Liquidity Management Information of the Company

The Company has always paid great attention to liquidity management by adhering to the principles of comprehensiveness, prudence and foreseeability and focusing on the organic integration of the security, liquidity and profitability of capital, so as to ensure the safety and control of the overall liquidity of the Company. The Asset and Liability Committee of the Company is responsible for the overall planning of asset and liability deployment and structure, and equipped with a sound management system and corresponding business processes for management. In light of the development of the market and industry and combined with the Company's strategic deployment and actual situation, asset and liability deployment are analysed multi-dimensionally with constant optimization of asset and liability deployment, ensuring that the scale and term structure of assets and liabilities meet business development while maintaining appropriate high-quality liquid assets. The Company has established sound liquidity risk management system to strengthen the monitoring and control of daily liquidity situation and liquidity risk, and keep abreast of the demand for and application of funds in a timely manner. It regularly submitted liquidity monitoring statement and analysis of changes. At the same time, the Company assessed its liquidity pressure under extreme conditions through liquidity risk stress tests, so as to ensure the liquidity monitoring indicators in every period continued to meet the regulatory requirements. It made liquidity contingency plans to prevent sudden liquidity risks.

During the Reporting Period, the overall liquidity risk of the Company was controllable and remained at a more secured level.

5. Cash Flows

As the Group's cash inflow generated from the operating activities and financing activities in the current year was more than the cash outflow from investing activities, the net increase in cash and cash equivalents was RMB3,595.72 million.

Net cash flows from operating activities in 2023 was RMB779.79 million, representing a year-on-year decrease of RMB1,174.81 million as compared with RMB1,954.60 million for the corresponding period in 2022. Net cash flows from investing activities in 2023 was RMB-904.82 million, representing a year-on-year increase of RMB1,259.03 million as compared with RMB-2,163.85 million for the corresponding period in 2022. Net cash flows from financing activities in 2023 was RMB3,720.75 million, representing a year-on-year increase of RMB2,185.96 million as compared with RMB1,534.79 million for the corresponding period in 2022. Net increase in cash and cash equivalents in 2023 was RMB3,595.72 million, representing a year-on-year increase of RMB2,270.18 million as compared with RMB1,325.54 million for the corresponding period of 2022.

6. Analysis of Financial Data

(1) Items under income statement

Summary of financial results

During the Reporting Period, the Group's profit before income tax amounted to RMB825.42 million, representing a year-on-year decrease of 14.50%. The key financial results are as follows:

Unit: in RMB million

Items	2023	2022	Increase/ decrease	Growth rate year-on-year
Revenue				
Commission and fee income	1,805.29	1,559.94	245.35	15.73%
Interest income under effective interest method	1,330.28	1,208.54	121.74	10.07%
Net investment gains	1,243.46	1,158.72	84.74	7.31%
Other income	6.54	2.93	3.61	123.21%
Total revenue, net investment gains and other income	4,385.57	3,930.13	455.44	11.59%
Total expenses	3,643.60	3,010.25	633.35	21.04%
Profit before income tax	825.42	965.43	-140.01	-14.50%
Income tax expense	150.87	198.15	-47.28	-23.86%
Profit for the year	674.55	767.29	-92.74	-12.09%
Net profit attributable to shareholders of the Company	671.32	767.29	-95.97	-12.51%

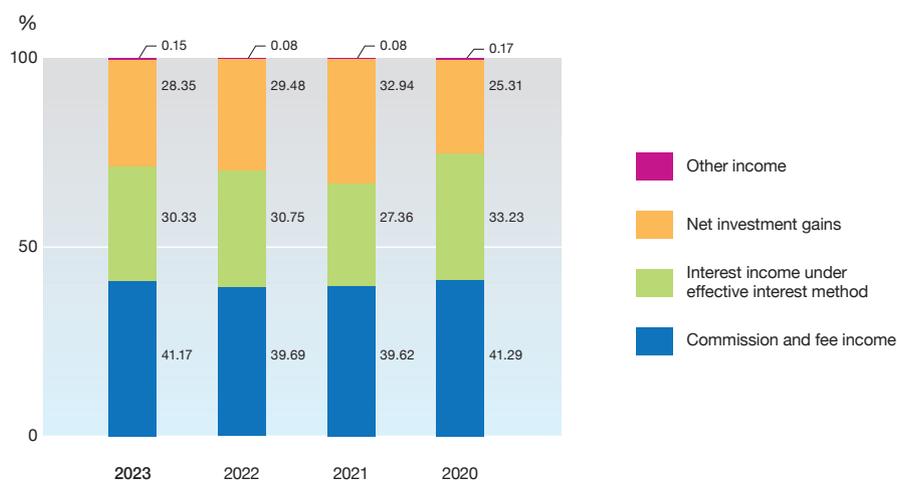
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Revenue structure

During the Reporting Period, total revenue, net investment gains and other income of the Group amounted to RMB4,385.57 million, representing a year-on-year increase of 11.59%, among which, 41.17% was generated from commission and fee income, representing a year-on-year increase of 1.48 percentage points; 30.33% was generated from interest income under effective interest method, representing a year-on-year decrease of 0.42 percentage point; 28.35% was generated from net investment gains, representing a year-on-year decrease of 1.13 percentage points. The revenue structure of the Group in the past four years is as follows:

Percentage	2023	2022	2021	2020
Commission and fee income	41.17%	39.69%	39.62%	41.29%
Interest income under effective interest method	30.33%	30.75%	27.36%	33.23%
Net investment gains	28.35%	29.48%	32.94%	25.31%
Other income	0.15%	0.08%	0.08%	0.17%
Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

The bar chart below shows the structure comparison:



APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Facing the complicated and acute market environment, the Company vigorously implemented the “forging of strengths (鑄長板)” of business and strategic mergers and acquisitions, maintained a steady and rapid development trend, whereby the overall business layout has become more reasonable, diversified and stable.

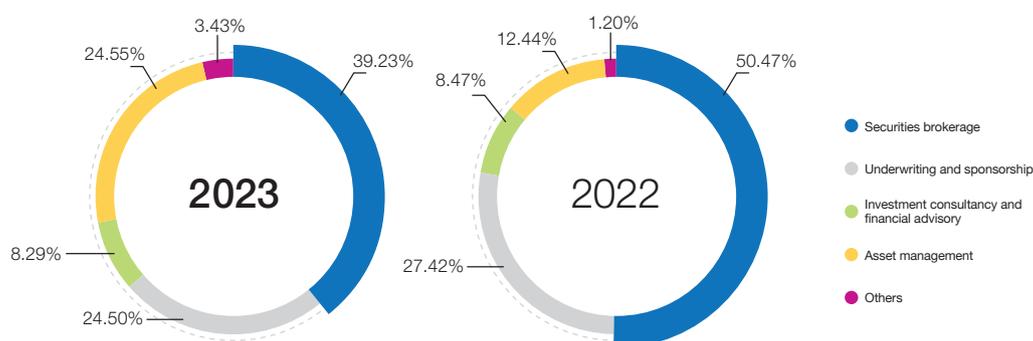
Commission and fee income

During the Reporting Period, the composition of the Group’s commission and fee income was as follows:

Unit: in RMB million

Items	2023	2022	Increase/ decrease	Growth rate year-on-year
Commission and fee income				
Securities brokerage	708.27	787.26	-78.99	-10.03%
Underwriting and sponsorship	442.21	427.77	14.44	3.38%
Investment consultancy and financial advisory	149.70	132.20	17.50	13.24%
Asset management	443.13	194.02	249.11	128.39%
Others	61.98	18.69	43.29	231.62%
Total commission and fee income	<u>1,805.29</u>	<u>1,559.94</u>	<u>245.35</u>	<u>15.73%</u>
Commission and fee expenses	251.12	262.39	-11.27	-4.30%
Net commission and fee income	<u><u>1,554.17</u></u>	<u><u>1,297.55</u></u>	<u><u>256.62</u></u>	<u><u>19.78%</u></u>

The Group's commission and fee income consists of:



During the Reporting Period, commission and fee income of the Group amounted to RMB1,805.29 million, representing a year-on-year increase of 15.73%, with significant growth in income from asset management.

The Company grasped the strategic industry development opportunities and successfully acquired the 75.50% equity interests in ZhongRong Fund (Note: On 1 August 2023, upon the approval of Shenzhen Administration of Market Regulation, the name of ZhongRong Fund Management Company Limited was changed to “Guolian Fund Management Company Limited”), quickly acquired a mature public-offered fund licence, further improved its product and service system and effectively enhanced its comprehensive financial service capability, with income from the asset management business increased by RMB249.11 million or 128.39% year-on-year.

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Under the market situation where the number and scale of equity financing issues were declining, the Company seized the opportunities presented by the Beijing Stock Exchange for its equity business, completing 6 equity projects. The bond business continued to expand, with the number, scale and income of underwriting hitting a new record high, and the underwriting and sponsorship income from investment banking business increased by RMB14.44 million or 3.38% year-on-year. The Company adhered to customer-focused measures and continued to upgrade its fund investment advisory business model, strengthened business synergies, and provided quality financial advisory services, with income from investment consultancy and financial advisory increasing by RMB17.50 million or 13.24% year-on-year.

In 2023, the securities market became inactive, the average daily turnover of stocks and funds of the Shanghai, Shenzhen and Beijing markets for the year declined year-on-year, and the commission and fee income generated from securities brokerage business decreased by RMB78.99 million or 10.03% year-on-year.

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Interest income under effective interest method

During the Reporting Period, net interest income of the Group amounted to RMB81.46 million, representing a year-on-year decrease of 32.50%. The composition of the Group's interest income under effective interest method for 2023 was as follows:

Unit: in RMB million				
Items	2023	2022	Increase/ decrease	Growth rate year-on-year
Interest income under effective interest method				
Interest income from bank deposits	331.43	296.46	34.97	11.80%
Interest income from financial assets held under resale agreements	181.45	147.62	33.83	22.92%
Interest income from margin financing	557.85	579.34	-21.49	-3.71%
Interest income from debt instruments at fair value through other comprehensive income	259.54	185.11	74.43	40.21%
Total interest income under effective interest method	1,330.28	1,208.54	121.74	10.07%
Interest expenses	1,248.82	1,087.85	160.97	14.80%
Net interest income	81.46	120.69	-39.23	-32.50%

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

The Company strictly controlled credit risk and adhered to the philosophy of prudent investment, whereby the interest income from debt instruments at fair value through other comprehensive income increased by RMB74.43 million or 40.21% year-on-year.

The Company seized market opportunities and significantly increased the scale of bond pledged repurchase, whereby the interest income from financial assets held under resale agreements increased by RMB33.83 million or 22.92% year-on-year.

The Company gave full support to business development and the expansion of financing channels, whereby the interest expenses increased by RMB160.97 million or 14.80% year-on-year.

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Net investment gains

During the Reporting Period, the net investment gains of the Group amounted to RMB1,243.46 million, representing a year-on-year increase of 7.31%. The composition of the Group's net investment gains for 2023 was as follows:

Unit: in RMB million				
Items	2023	2022	Increase/ decrease	Growth rate year-on-year
Realised gains from disposal of financial assets at fair value through profit or loss	357.28	503.53	-146.25	-29.04%
Realised losses from disposal of financial liabilities at fair value through profit or loss	-0.31	-60.95	60.64	-
Realised gains from disposal of financial assets at fair value through other comprehensive income	10.06	51.22	-41.16	-80.36%
Dividend income from equity instruments at fair value through other comprehensive income	308.54	278.99	29.55	10.59%
Distribution to interest holders of consolidated SEs	0.01	-4.58	4.59	-
Interest income from financial assets at fair value through profit or loss	704.22	658.63	45.59	6.92%

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Items	2023	2022	Increase/ decrease	Growth rate year-on-year
Dividends from financial assets at fair value through profit or loss	66.44	35.81	30.63	85.53%
Net realised losses from derivative financial instruments	-879.79	-724.11	-155.68	-
Unrealised fair value change of financial instruments at fair value through profit or loss				
– Financial assets at fair value through profit or loss	-228.16	100.68	-328.84	-
– Derivative financial instruments	945.66	229.76	715.90	311.59%
– Financial liabilities at fair value through profit or loss	-40.49	89.74	-130.23	-
Total	<u>1,243.46</u>	<u>1,158.72</u>	<u>84.74</u>	<u>7.31%</u>

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Operating expenses

During the Reporting Period, operating expenses of the Group (excluding commission and fee expenses and interest expenses) amounted to RMB2,143.66 million, representing a year-on-year increase of 29.14%. The composition of the Group's operating expenses was as follows:

Unit: in RMB million				
Items	2023	2022	Increase/ decrease	Growth rate year-on-year
Operating expenses				
Staff costs	1,377.07	1,105.45	271.62	24.57%
Depreciation and amortization	270.53	191.99	78.54	40.91%
Other operating expenses	524.65	359.91	164.74	45.77%
Impairment losses under expected credit loss model, net of reversal	-28.60	2.66	-31.26	-
Total	<u>2,143.66</u>	<u>1,660.00</u>	<u>483.66</u>	<u>29.14%</u>

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

The Company successfully acquired its controlling subsidiary, Guolian Fund, while strengthening its business transformation and actively expanding its business, with a year-on-year increase in operating expenses.

The impairment losses under expected credit loss model, net of reversal of the Group was RMB-28.60 million, details of which are as follows:

Unit: in RMB million				
Items	2023	2022	Increase/ decrease	Growth rate year-on-year
Impairment losses under expected credit loss model, net of reversal				
Margin accounts receivable	-3.22	2.38	-5.60	-
Financial assets held under resale agreements	-11.90	-7.19	-4.71	-
Accounts receivable and other receivables	0.67	0.01	0.66	6,600.00%
Debt instruments at fair value through other comprehensive income	-14.14	7.46	-21.60	-
Total	-28.60	2.66	-31.26	-

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

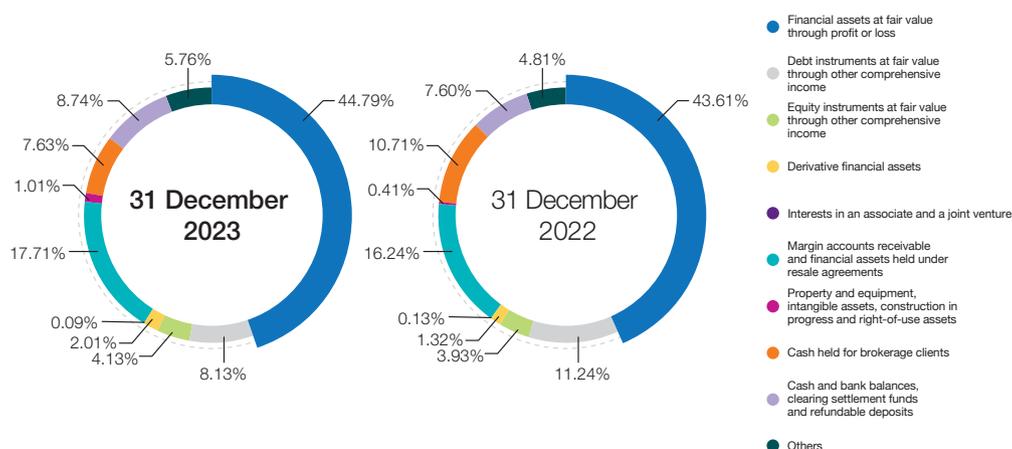
(2) Assets

As at the end of the Reporting Period, total assets of the Group amounted to RMB87,128.87 million, representing a year-on-year increase of RMB12,746.87 million or 17.14%.

Changes in the Group's assets items are as follows:

	Unit: in RMB million			
Items	31 December 2023	31 December 2022	Increase/ decrease	Growth rate year-on-year
Assets				
Financial assets at fair value				
through profit or loss	39,027.24	32,435.84	6,591.40	20.32%
Debt instruments at fair value				
through other comprehensive income	7,083.36	8,363.29	-1,279.93	-15.30%
Equity instruments at fair value				
through other comprehensive income	3,600.40	2,926.19	674.21	23.04%
Derivative financial assets	1,747.24	979.88	767.36	78.31%
Interests in an associate and a joint venture	75.78	96.81	-21.03	-21.72%
Margin accounts receivable and financial assets held under resale agreements	15,433.58	12,079.49	3,354.09	27.77%
Property and equipment, intangible assets, construction in progress and right-of-use assets	883.10	305.41	577.69	189.15%
Cash held for brokerage clients	6,650.43	7,964.94	-1,314.51	-16.50%
Cash and bank balances, clearing settlement funds and refundable deposits	7,610.64	5,654.83	1,955.81	34.59%
Others	5,017.10	3,575.32	1,441.78	40.33%
Total	87,128.87	74,382.00	12,746.87	17.14%

The composition of the Group' total assets:



Investments

The Group's investments consist of financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, interests in an associate and a joint venture and derivative financial assets.

During the Reporting Period, the Group has all along been taking absolute return as its target, deepening product innovation and forming a multi-category and multi-strategy regime, with a view to steadily expanding its business while taking into account both risk and return. As at the end of the Reporting Period, the Group's total investments amounted to RMB51,534.02 million, representing a year-on-year increase of RMB6,732.01 million or 15.03%. The percentage of total investments to total assets was 59.15%, representing a year-on-year decrease of 1.08 percentage points.

Margin financing

The Group's margin financing assets consist of margin accounts receivable and financial assets held under resale agreements.

The Group optimised its business segments and service system, continuously improved the construction of its marketing system, made in-depth efforts to cultivate high-net-worth customers and professional investors, resulting in a year-on-year increase in the period-end scale of margin accounts receivable as at the end of the Reporting Period. The Group seized the market opportunities and saw a significant increase in the scale of bond pledged repurchase, with the margin financing assets amounting to RMB15,433.58 million as at the end of the Reporting Period, representing a year-on-year increase of RMB3,354.09 million or 27.77%, and accounting for 17.71% of the Group's total assets.

Property and equipment, intangible assets, construction in progress and right-of-use assets

As at the end of the Reporting Period, as a result of the strategic acquisition of Guolian Fund, the Group's property and equipment, intangible assets, construction in progress and right-of-use assets amounted to RMB883.10 million, representing a year-on-year increase of RMB577.69 million or 189.15%, and accounting for 1.01% of the Group's total assets.

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

(3) Liabilities

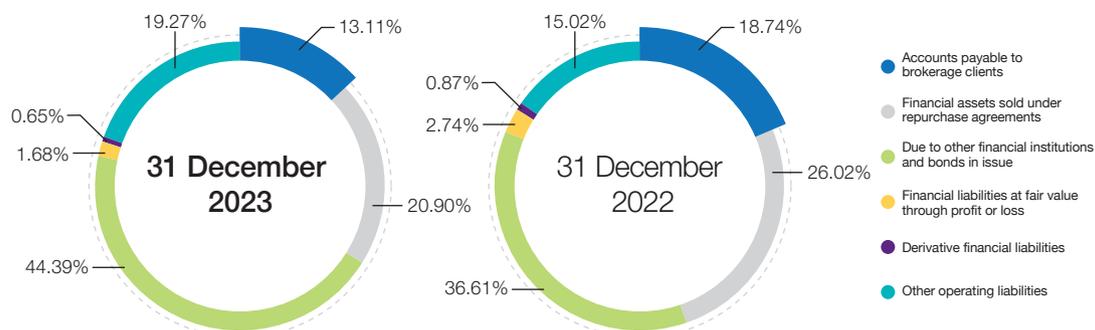
As at the end of the Reporting Period, total liabilities of the Group amounted to RMB69,005.32 million, representing a year-on-year increase of RMB11,383.88 million or 19.76%.

Changes in the Group's liabilities items are as follows:

	Unit: in RMB million			
Items	31 December 2023	31 December 2022	Increase/ decrease	Growth rate year-on-year
Liabilities				
Accounts payable to brokerage clients	9,046.10	10,797.28	-1,751.18	-16.22%
Financial assets sold under repurchase agreements	14,421.56	14,992.68	-571.12	-3.81%
Due to other financial institutions and bonds in issue	30,632.09	21,094.51	9,537.58	45.21%
Financial liabilities at fair value through profit or loss	1,162.75	1,578.98	-416.23	-26.36%
Derivative financial liabilities	447.64	501.08	-53.44	-10.66%
Other operating liabilities	13,295.18	8,656.91	4,638.27	53.58%
Total	69,005.32	57,621.44	11,383.88	19.76%

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

The composition of the Group's total liabilities:



As at the end of the Reporting Period, due to the impact of the market environment, the accounts payable to brokerage clients of the Group amounted to RMB9,046.10 million, representing a year-on-year decrease of RMB1,751.18 million or 16.22%, and accounting for 13.11% of the Group's total liabilities.

As at the end of the Reporting Period, in order to support the Company's business development, the due to other financial institutions and bonds in issue of the Group amounted to RMB30,632.09 million, representing a year-on-year increase of RMB9,537.58 million or 45.21%, and accounting for 44.39% of the Group's total liabilities. The composition of the Group's due to other financial institutions and bonds in issue was as follows:

Unit: in RMB million

Items	31 December 2023	31 December 2022	Increase/ decrease	Growth rate year-on-year
Due to other financial institutions and bonds in issue				
Due to other financial institutions	5,314.01	900.22	4,413.79	490.30%
Bonds in issue	25,318.08	20,194.29	5,123.79	25.37%
Total	30,632.09	21,094.51	9,537.58	45.21%

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

As at the end of the Reporting Period, the other operating liabilities of the Group amounted to RMB13,295.18 million, representing a year-on-year increase of RMB4,638.27 million or 53.58%, and accounting for 19.27% of the Group's total liabilities, which was mainly attributable to the year-on-year increase of 48.65% in margin deposits of derivative contracts. The composition of the Group's other operating liabilities was as follows:

Unit: in RMB million

Items	31 December 2023	31 December 2022	Increase/ decrease	Growth rate year-on-year
Other operating liabilities				
Salaries, bonus, allowances and benefits payable	492.48	440.29	52.19	11.85%
Lease liabilities	230.08	160.18	69.90	43.64%
Deferred income tax liabilities	658.11	201.17	456.94	227.14%
Other current liabilities and other non-current liabilities	<u>11,914.51</u>	<u>7,855.27</u>	<u>4,059.24</u>	<u>51.68%</u>
Total	<u>13,295.18</u>	<u>8,656.91</u>	<u>4,638.27</u>	<u>53.58%</u>

During the Reporting Period, the Company and its subsidiaries did not record any guarantees, mortgages or other major off-balance-sheet items that may affect the Company's financial position and operating results.

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

(4) Equity

As at the end of the Reporting Period, total equity of the Group amounted to RMB18,123.56 million, representing a year-on-year increase of RMB1,363.01 million or 8.13%, which was mainly attributable to the accumulation of operations and the acquisition of Guolian Fund. The Equity attributable to shareholders of the Company amounted to RMB17,768.69 million, representing a year-on-year increase of RMB1,008.14 million or 6.01%. The following table sets forth the composition of the Group's equity as at the dates indicated:

Unit: in RMB million

Items	31 December 2023	31 December 2022	Increase/ decrease	Growth rate year-on-year
Share capital	2,831.77	2,831.77	0.00	0.00%
Share premium	8,189.05	8,189.05	0.00	0.00%
Reserves	3,062.91	2,532.68	530.23	20.94%
Retained earnings	<u>3,684.96</u>	<u>3,207.06</u>	<u>477.90</u>	<u>14.90%</u>
Equity attributable to shareholders of the Company	17,768.69	16,760.55	1,008.14	6.01%
Non-controlling interest	<u>354.87</u>	<u>0.00</u>	<u>354.87</u>	<u>-</u>
Total	<u><u>18,123.56</u></u>	<u><u>16,760.55</u></u>	<u><u>1,363.01</u></u>	<u><u>8.13%</u></u>

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

(5) *Segment results*

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

We have five principal business lines: (i) brokerage and wealth management, (ii) investment banking, (iii) asset management and investment, (iv) credit transaction, and (v) proprietary trading. We also report financial results for these five business lines and divide these primary business lines into six business segments: (i) brokerage and wealth management, (ii) credit transaction, (iii) investment banking, (iv) proprietary trading, (v) asset management and investment, and (vi) other business. We report financial results of the business lines under these six business segments.

The following table sets forth our segment revenue, net investment gains and other income (including inter-segment revenue) for the years indicated:

	2023		2022	
	(in RMB million)	Percentage %	(in RMB million)	Percentage %
Brokerage and wealth management	969.02	22.09	1,048.37	26.67
Credit transaction	718.39	16.38	724.78	18.44
Investment banking	543.25	12.39	526.14	13.39
Proprietary trading	1,374.10	31.33	1,155.05	29.39
Asset management and investment	470.42	10.73	196.78	5.01
Other business	331.53	7.56	295.41	7.52
Elimination	-21.14	-0.48	-16.41	-0.42
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Total	<u>4,385.57</u>	<u>100.00</u>	<u>3,930.13</u>	<u>100.0</u>

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

The following table sets forth our segment expenses (including inter-segment expenses) for the years indicated:

	2023		2022	
	(in RMB	Percentage	(in RMB	Percentage
	million)	(%)	million)	(%)
Brokerage and wealth management	887.73	24.36	845.47	28.08
Credit transaction	395.01	10.84	425.56	14.14
Investment banking	482.35	13.24	403.29	13.40
Proprietary trading	800.52	21.97	625.53	20.78
Asset management and investment	382.18	10.49	104.49	3.47
Other business	709.18	19.47	606.87	20.16
Elimination	<u>-13.38</u>	<u>-0.37</u>	<u>-0.95</u>	<u>-0.03</u>
Total	<u><u>3,643.60</u></u>	<u><u>100.00</u></u>	<u><u>3,010.25</u></u>	<u><u>100.00</u></u>

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

The following table sets forth our segment results (profit/(loss) before income tax) for the years indicated:

	2023		2022	
	(in RMB million)	Percentage (%)	(in RMB million)	Percentage (%)
Brokerage and wealth management	84.95	10.29	207.05	21.45
Credit transaction	323.38	39.18	299.22	30.99
Investment banking	64.35	7.80	123.76	12.82
Proprietary trading	573.83	69.52	529.88	54.88
Asset management and investment	101.45	12.29	92.31	9.56
Other business	-314.78	-38.14	-271.33	-28.10
Elimination	-7.76	-0.94	-15.46	-1.60
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>825.42</u>	<u>100.00</u>	<u>965.43</u>	<u>100.00</u>

(IV) Changes in Branches and Subsidiaries and Their Impact on Results**1. Branches***(1) Establishment and Changes of Securities Branches***1 Newly-established Securities Branches**

During the Reporting Period, the Company established two new branches, namely Hangzhou Jiangnan Road Securities Branch (杭州江漢路證券營業部) and Jinan Aoti West Road Securities Branch (濟南奧體西路證券營業部), respectively.

2 Relocation of Securities Branches

The Company constantly adjusts and optimizes its branch network. During the Reporting Period, the relocations of Nantong Gongnong Road Securities Branch (南通工農路證券營業部), Beijing Nongda South Road Securities Branch (北京農大南路證券營業部), Changsha Furong Middle Road Securities Branch (長沙芙蓉中路證券營業部), Wuhan Xinhua Road Securities Branch (武漢新華路證券營業部), Suzhou Nantiancheng Road Securities Branch (蘇州南天成路證券營業部), Yixing Jiefang East Road Securities Branch (宜興解放東路證券營業部), Xuzhou Huancheng Road Securities Branch (徐州環城路證券營業部), Yixing Gaocheng Town Zhenxing Road Securities Branch (宜興高塋鎮振興路證券營業部), Yixing Guanlin Town Guanxin Street Securities Branch (宜興官林鎮官新街證券營業部), Wuxi Liangxi Road Securities Branch (無錫梁溪路證券營業部), Guangzhou Huacheng Avenue Securities Branch (廣州花城大道證券營業部), Hangzhou Feiyunjiang Road Securities Branch (杭州飛雲江路證券營業部) and Wuxi Anzhen Xidong Avenue Securities Branch (無錫安鎮錫東大道證券營業部) within the same city were completed.

3 De-registration of Securities Branches

During the Reporting Period, the Company de-registered three branches, namely Jiangyin Changjing Hongqiao North Road Securities Branch (江陰長涇虹橋北路證券營業部), Jiangyin Qingyang Fuqian Road Securities Branch (江陰青陽府前路證券營業部) and Shanghai Guangdong Road Securities Branch (上海廣東路證券營業部), respectively.

(2) *Establishment and Changes of Branch Offices*

1 Establishment of Branch Offices

During the Reporting Period, the Company did not establish any new branch offices.

2 Relocation of Branch Offices

The Company constantly adjusts and optimizes its branch offices layout. During the Reporting Period, the relocations of Nanjing Branch Office (南京分公司), Zhejiang Branch Office (浙江分公司) and Central Jiangsu Branch Office (蘇中分公司) within the same city were completed.

3 *De-registration of Branch Offices*

During the Reporting Period, the Company did not de-register any branch office.

2. ***Subsidiaries***

During the Reporting Period, the Company established a new subsidiary, Guolian Fund, details of which are set out in “(V) Major Investment and Financing Activities” under this section.

3. ***Impact on Results***

For the impact of the above matters on the Company’s results during the Reporting Period, please refer to note 60 to the financial statements of the 2023 annual report of the Company published on the website of the Stock Exchange (www.hkexnews.hk) on 11 April 2024.

(V) Major Investment and Financing Activities

1. Equity Financing

The issuance of A Shares to specific subscribers by the Company is set out in “V. Issuance of Shares and Use of Proceeds” under this section.

2. Debt Financing

In 2023, the cumulative additional credit debt financing amount of the Company (excluding inter-bank borrowing transactions and issued floating-income type income certificates) was RMB17.856 billion, and the cumulative principal repayment of debt financing matured amounted to RMB13.236 billion. The remaining principal amount of outstanding debt financing of the Company as at 31 December 2023 was RMB24.875 billion. In addition, there was an outstanding inter-bank credit borrowing of RMB5.313 billion.

The remaining amount of various outstanding credit indebtedness was as follows:

- (1). The new public issuance of corporate bonds to professional investors was RMB3.9 billion during the Reporting Period, with the principal of RMB1.5 billion being repaid. The outstanding public issuance of corporate bonds to professional investors as at 31 December 2023 was RMB12.5 billion, the particulars of the remaining amounts were as follows:

Financing Items	Amount (In RMB ten thousand)	Financing Date	Maturity Date	Term (Days)
Public issuance of corporate	100,000	2021/3/15	2024/3/15	1,096
bonds to professional investors	150,000	2021/5/12	2024/5/12	1,096
	100,000	2021/6/28	2024/6/28	1,096
	100,000	2021/8/30	2024/8/30	1,096
	100,000	2022/3/23	2027/3/23	1,825
	100,000	2022/4/28	2027/4/28	1,825
	110,000	2022/6/7	2025/6/7	1,095
	100,000	2022/11/11	2025/11/11	1,095
	260,000	2023/2/9	2024/12/9	669
	130,000	2023/4/25	2026/3/18	1,058

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

- (2). The new private issuance of corporate bonds was RMB5.0 billion during the Reporting Period, with the principal of RMB3.3 billion being repaid. The outstanding private issuance of corporate bonds as at 31 December 2023 were RMB7.5 billion, the particulars of the remaining amounts were as follows:

Financing Items	Amount (In RMB ten thousand)	Financing Date	Maturity Date	Term (Days)
Private issuance of corporate bonds	150,000	2021/11/22	2024/11/22	1,096
	100,000	2022/1/24	2025/1/24	1,096
	200,000	2023/8/25	2026/8/25	1,095
	300,000	2023/10/20	2026/10/20	1,095

- (3). The principal of private issuance of subordinated bonds of RMB0.7 billion was repaid during the Reporting Period, with the remaining amount of nil.

- (4). The new public issuance of subordinated bonds was RMB2.0 billion during the Reporting Period. The outstanding subordinated bonds as at 31 December 2023 was RMB4.5 billion, the particulars of the remaining amounts were as follows:

Financing Items	Amount (In RMB ten thousand)	Financing Date	Maturity Date	Term (Days)
Public issuance of subordinated bonds	100,000	2022/2/24	2025/2/24	1,096
	150,000	2022/8/11	2025/8/11	1,096
	100,000	2023/4/17	2026/4/17	1,096
	100,000	2023/7/21	2026/7/21	1,095

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- (5). The new public issuance of short-term corporate bonds to professional investors was RMB3.0 billion during the Reporting Period, with the principal of RMB3.0 billion being repaid. The remaining amount of the outstanding short-term corporate bonds as at 31 December 2023 was nil.
- (6). The new issuing amounts of fixed-income type income certificates were RMB2.566 billion during the Reporting Period, with the principal of RMB2.896 billion being repaid. The remaining amount of the outstanding fixed-income type income certificates as at 31 December 2023 were RMB375 million, the particulars of the remaining amount were as follows:

Financing Items	Amount	Financing Date	Maturity Date	Term (Days)
	(In RMB ten thousand)			
Income certificates – fixed-income type	10,000	2023/2/9	2024/2/7	363
	5,000	2023/2/10	2024/2/18	374
	1,000	2023/2/10	2024/2/18	374
	1,000	2023/2/14	2024/2/18	370
	1,000	2023/2/14	2024/2/18	370
	2,000	2023/2/21	2024/2/20	365
	4,000	2023/2/23	2024/2/21	364
	6,000	2023/2/24	2024/2/21	363
	1,500	2023/8/18	2024/8/19	368
	1,000	2023/11/2	2024/11/3	368
	1,000	2023/11/29	2024/2/28	92
	1,000	2023/12/21	2024/3/19	90
	1,000	2023/12/27	2024/6/26	183
2,000	2023/12/29	2024/3/29	91	

- (7). The additional refinancing was RMB1.39 billion during the Reporting Period, with the principal of RMB1.84 billion being repaid. The remaining amount was nil.

3. Equity Investment

On 14 February 2023, the Company entered into the Equity Transfer Agreement Regarding ZhongRong Fund Management Company Limited (《關於中融基金管理有限公司的股權轉讓協議》) with Shanghai Rongsheng Investment Co., Ltd. (hereinafter referred to as “Shanghai Rongsheng”) to acquire 24.5% of the 49% equity interests in ZhongRong Fund held by Shanghai Rongsheng at a price of RMB722,408,544. On 16 February 2023, the Company acquired the 51% equity interests in ZhongRong Fund held by Zhongrong International Trust Co., Ltd. (中融國際信託有限公司) (hereinafter referred to as “Zhongrong Trust”) through bidding. The bidding transaction price was RMB1,503,789,213. The Company signed the Property Rights Transaction Contract (《產權交易合同》) and the Supplementary Contract to the Property Rights Transaction Contract (《產權交易合同之補充合同》) with Zhongrong Trust. The equity transfer of the above transactions has been completed, and ZhongRong Fund has been renamed as Guolian Fund, in which the Company holds 75.5% equity interests.

(VI) Disposal of Material Assets, Acquisition, Replacement and Reorganization of Other Companies

During the Reporting Period, save as those disclosed in this report, the Company did not carry out any disposal of material assets, acquisition, replacement, spin-off and reorganization of other companies.

II. DISCUSSION AND ANALYSIS OF THE BOARD ON THE FUTURE DEVELOPMENT OF THE COMPANY**(I) Industry layout and trend**

In 2023, the global economy was under pressure due to the FED's interest rate hikes and also geopolitical conflicts. As we enter 2024, the global economy may still face greater challenges. Inflation in the United States has basically come to an end with the FED announcing a halt of raising interest rates and other major economies are entering into the latter stages of inflation. However, global total demand is weakening, the problem of structural undersupply still exists, and differentiation between different countries and regions is also increasing, as a result, global economic growth is characterised by imbalance and regional differentiation is worsening. In 2023, the domestic economy recovered in twists and turns, and overall pressure was relatively high. Looking ahead into 2024, with the shift in monetary policies of major overseas economies, China's monetary policies will enjoy more room for opening up. At the Central Economic Work Conference held at the end of 2023, the Party Central Committee put forward the policy of "promoting stability through progress", hence facilitating growth will be the main theme of economic work in 2024.

In October 2023, the Central Financial Work Conference proposed "to accelerate the construction of a strong financial nation as the goal" and clarified "the theme of promoting high-quality financial development", aiming to use high-quality financial development to support the construction of a strong nation and the great cause of national rejuvenation. In this context, the securities industry has been focusing on giving priority to the development of technology finance, green finance, inclusive finance, pension finance, and digital finance and promoting the restructuring and upgrading of the real economy with its professional capabilities. The central government has reiterated its emphasis on enhancing people-centric finance. The focus of capital market reform has shifted from the financing aspect to the investment one, with various authorities such as the CSRC and Ministry of Finance introducing favorable policies successively to guide long-term capital into the market, potentially attracting incremental institutional capital to the market. The reform of the relevant rates for public-offered funds and securities companies will enhance residents' sense of participation in the capital market and propel a healthier and more benign development of the capital market. Simultaneously, the regulatory authorities require a reasonable grasp of the IPO and refinancing rhythm, aiming to improve the counter-cyclical adjustment mechanism of the primary and secondary markets, solidify the quality of listed companies, and boost investment confidence from the source. Opinions are sought on the calculation standards for securities brokers' risk control indicators, which will guide the industry to adhere to prudent operation, embark on a new path of capital-saving and high-quality development, and help premier securities brokers to optimize capital utilization efficiency and fully play their role in serving the real economy financing, among other functions.

From the perspective of the competitive layout of the securities industry, the advantages of top-tier securities firms are becoming increasingly apparent. In recent years, the net profit growth rate of top-tier securities firms has been significantly higher than the industry average, and the overall net profit of top-tier securities firms is less volatile, making them more capable of traversing the cycles of profitability. In October 2023, the Central Financial Work Conference clearly proposed “to foster first-class investment banks and investment institutions”. the CSRC also proposed “to support top-tier securities firms to become better and stronger through business innovation, group operation, mergers and acquisitions, and restructuring, aiming to build first-class investment banks”. A new round of top-down supply-side reform of the securities industry has begun, and the industry landscape will accelerate its evolution. In terms of industry development, the CSRC proposed that small and medium-sized institutions should be guided to refine and specialize their operations by integrating their shareholders’ backgrounds, regional advantages, and other resource endowments and professional capabilities to achieve distinctive and differentiated development. Regional securities brokers are expected to gain more business opportunities.

(II) Corporate development strategy

Our future corporate strategic positioning is to focus on further serving the real economy and strive to become a leading customer-oriented investment bank that provides comprehensive financial solutions and the most important investment and financing arranger, transaction organizer, wealth manager and liquidity provider in local regional market and even the national market (in certain sectors), thus contributing to the economic and social development of Wuxi and Southern Jiangsu district.

(III) Business plans

In 2024, the Company's general business philosophy will be: focusing on serving the high-quality development of the economy and society, efforts will be made to push forward the strategy of "forging of strengths (鑄長板)" and create more first-class products and services in niche areas; deepening the transformation of wealth management, establishing and improving a buyer-side investment advisory service regime centred on asset deployment to practise the people's nature of financial work by maintaining and increasing the value of clients' assets; improving the core capabilities and service capabilities of investment research, optimizing strategies and channel layout, further expanding the management scale of asset management subsidiaries and Guolian Fund, and shaping the brand of active management; creating a number of high-quality and distinctive investment banking projects, and striving to form influence in some sub-segments; actively applying for new sub-business licences to improve the diversification and anti-cyclical capabilities of financial market business; strengthening vertical and uniform management of compliance and risk to lay a solid foundation for sustained and stable development; improving independent IT research and development capabilities and exploring the application scenarios of AI and large models in business and daily operations; building a refined and scientific human resources management system based on market leading institutions.

(IV) Capital needs

During the Reporting Period, the Company's various businesses continued to develop steadily, and the overall interest payment cost showed a downward trend. In future, the Company will continue to improve its overall capital deployment efficiency and keep on exploring new financing products and models and expand financing channels to ensure the capital needs of business development. It will also arrange the size and structure of liabilities scientifically, maintain a reasonable and sound leverage level and strengthen risk awareness to prevent liquidity risks and ensure liquidity security.

(V) Analysis of competitiveness**1. Unique Regional Advantages**

Wuxi, Southern Jiangsu and the Yangtze River Delta region are among the regions with the largest domestic economy capacity, most vibrant economy, highest quality of development, and largest number of listed companies and high-net-worth individuals. The total GDP of the Yangtze River Delta region accounts for nearly 25% of China, the total GDP of Jiangsu Province exceeds RMB10 trillion, and that of Wuxi exceeds RMB1 trillion. The customers and markets of securities companies are extremely broad. As the main birthplace of modern national industry with strong base for manufacturing industry, and one of the national innovation pilot cities and the national independent innovation demonstration cities in Southern Jiangsu, Wuxi has established its industrial clusters in strategic emerging industries such as integrated circuits, medicine and health, and the Internet of Things. Under the construction of a new domestic and international “dual-circulation” development layout, all these industries have good development opportunities. As a regional securities broker, the Company enjoys the natural advantage in serving regional enterprises. As an important strategic fulcrum for the integration of the Yangtze River Delta region, Wuxi has unique regional advantages due to its premier central location, dual-belt linkage and geographic cross-intersection. In the future, it has tremendous potential in connecting regional integration, provincial integration and Suzhou-Wuxi-Changzhou integration, and the Company will also play a more important role.

2. A+H Shares Listing in the PRC and in Hong Kong Improved Our Market Competition and Risk Resistance Capability

The Company’s H shares were listed on the Main Board of the HK Stock Exchange on 6 July 2015, and its A Shares were listed on the Main Board of the Shanghai Stock Exchange on 31 July 2020. The Company is the 13th company in the domestic securities industry with a dual listing status on both the A+H markets. Through the listing in both the A+H markets, the Company has effectively improved its capital strength, laid a solid foundation for business scale expansion and market risks resistance, significantly improved its brand influence and market competitiveness, and opened up the long-term financing channels in the two capital markets, which are beneficial to further introducing strategic investors and reducing the comprehensive financing costs of the Company in future.

3. *Management Team with Extensive Industry Experience*

The senior management team of the Company has extensive management experience, outstanding management abilities and forward-looking strategic thinking in securities and financial services industry. They are able to understand profoundly the development trend of the industry and the market, make accurate business judgment, and capture promptly business opportunities and adjust business strategies prudently and scientifically. In particular, the experience of the management team in the overseas and cross-border business sectors will help the Company accelerating the pace of international development and opening up new areas of business growth. Under the leadership of the team, the Company will build the industry-leading development philosophy and management processes according to the best market practices, and accelerate its development to become an investment bank with modern management mechanisms.

4. *Sound and Highly Efficient Operation Management and Prudent Risk Control*

For many years, the Company has abided to the business philosophy of steady development, facilitated the stable transformation and upgrading of its business models, optimized its revenue mix and profit source, and achieved years of profitability successively. Of the securities companies in the PRC, since its inception (from 1999 to date), the Company is one of the few securities companies with successive profitability. During the Reporting Period, the Company kept on improving its compliance management and risk management system to ensure the Company's standardized operation and stable development.

The Company strictly upholds its compliance baseline and earnestly implements the requirements of regulatory authorities. The Company continues to revise and improve its compliance management system, implement various control measures and enhance compliance assessment to ensure compliance management responsibilities are in place. By learning from the best practices in the industries, the Company also actively builds high-standard and high-quality internal credit evaluation systems and risk management systems to prevent and resolve business risks in a timely manner. At the same time, the Company strengthens the performance guarantee of compliance risk control personnel. The Company adheres to the principle of "risk measurable, controllable and tolerable" to carry out innovative business prudently, strictly limit the risk exposure of high-risk businesses and strengthen risk monitoring.

III. DETAILS OF MAJOR RISKS EXPOSED TO THE COMPANY'S OPERATION**1. Market Risk**

Market risk refers to the risk that may cause losses to the financial assets held by the Company resulting from the adverse changes in market prices, which mainly include equity price risk, interest rate risk, commodity price risk and exchange rate risk. The market risk of the Company mainly comes from domestic and overseas financial market businesses such as equity investment business, fixed income business and equity derivatives business.

The Company has established a top-down market risk limit management system, which allocates the overall risk limit of the Company to different business departments and business lines. Business departments, with direct responsibility for market risks and as the frontline management personnel, dynamically manage the business exposure and limit indicators. The Risk Management Department independently conducts a comprehensive assessment, monitoring and management of the overall market risk of the Company, and reports the results to the management of the Company.

The Company conducts comprehensive monitoring of market risks by calculating profit and losses, exposure, basis points, duration, Greek letters of derivatives and other indicators on a daily basis, continuously improves the VAR and stress test measurement mechanisms to monitor and analyze potential losses of the Company, and continuously optimizes the profit and loss analysis and option profit and loss attribution of swap businesses to enhance the sensitivity of risk management.

2. Credit Risk

Credit risk refers to the risk that may cause losses due to the default of financiers, counter-parties or issuers. The credit risk of the Company mainly arises from the following aspects: stock pledged repurchase transactions, margin financing and securities lending and other financing businesses; over-the-counter (“OTC”) derivative business, such as swaps, OTC option, forwards and credit derivatives; bond investment transactions (including bond-related transactions such as spot bonds transactions, bond repurchase transactions, bond forward transactions and bond lending business), in which bonds include but not limited to treasury bonds, local bonds, financial bonds, government-backed agency bonds, corporate bonds and non-financial enterprises debt financing instruments, corporate bonds, asset-backed securities, interbank certificates of deposit; non-standardized debt asset investment, etc.

The Company has assessed the credit ratings of counterparties or issuers through its internal credit rating system, measured its risk with methods such as stress tests and sensitivity analyses, and managed credit risks using access and concentration limits. Meanwhile, leveraging public opinion data and market tracking, the Company monitors changes in credit risk qualifications of various businesses and transaction counterparties in a timely manner, strengthens sensitivity management, and promptly addresses pre-warning and reporting measures. The Company has established a credit risk management system to measure and manage credit risk.

3. Liquidity Risk

Liquidity risk refers to the risk that the Company is unable to obtain sufficient fund in time at reasonable costs for paying indebtedness when it falls due, performing other payment obligations and meeting the funding needs of normal business operation. The rapid development of various businesses of the Company exert higher requirements on liquidity.

The Company establishes a daily position management and regular liquidity analysis mechanism to dynamically manage the scale of capital usage of each business, and formulates corresponding financing plans to improve the daily control mechanism of liquidity risk by improving liquidity contingency plans and stress tests. The Company implements liquidity risk limit management and sets liquidity risk limits to monitor their implementation based on factors such as business scale, nature, liquidity risk appetite and market conditions. In addition, the Company has also established a liquidity reserve asset management system to meet potential capital needs by holding sufficient high-quality liquid assets that can be readily realized.

4. Operational Risk

Operational risk refers to the risk of losses resulting from inadequate or problematic internal procedures, personnel and information technology systems, as well as external events.

The Company continuously optimizes the internal control mechanism, carries out targeted identification and effectiveness assessment on operational risk, and standardizes business processes through continuous business assessment, business process rationalizing and system review to prevent risks from occurring. It also continuously collects and sorts out internal and external risk events to supplement operational risk event database. At the same time, the Company has established an operational risk management system to realize the systematic control of the three major tools of operational risks. Furthermore, the Company constantly strengthens behavior adequacy and normative operation of staff from each position through various means, such as internal training, assessment and enhances the risk awareness of employees through the promotion of risk control culture. It also improves emergency risk management plan with regular drills to ensure the security of equipment, data and system, thereby preventing the operational risk caused by information system failure.

5. Compliance Risk

Compliance risk refers to the risk that the Company or its staff will be investigated for legal responsibility, taken regulatory measures, taken disciplinary actions and suffered property losses or commercial goodwill losses due to violation of laws, regulations and standards in operation management or practice.

The Company has established an effective and impeccable compliance risks management system and compliance management and organization system. At the same time, the Company exerts an effective and comprehensive control on compliance risks encountered by the Company in its business operation by means of compliance monitoring, compliance inspection, compliance investigation, compliance supervision and compliance training, etc.

6. Reputation Risk

Reputation risk refers to the risk of negative comments on the Company by investors, issuers, regulatory authorities, self-regulatory organizations, the public and the media due to the Company's operations or external events, and its employees' violation of integrity regulations, professional ethics, business norms, industrial standards and regulations and other related behaviors, thereby damaging corporate brand value which is detrimental to its normal operation and even affect market stability and social stability.

The Company strengthens the concept of preventing and controlling reputation risk is the responsibility of every staff, forms an effective segregation of duties, establishes and improves the internal restraint mechanism, public opinion monitoring mechanism, emergency response mechanism, and external information release mechanism, reinforces daily public opinion analysis, and improves the risk prevention and control prospectively and pertinently, and takes multiple measures to enhance the prevention awareness and management standard of reputation risk.

7. Exchange Rate Fluctuation Risks and any Related Hedging

The foreign currency assets and liabilities held by the Company are not material when compared to total assets and liabilities. In terms of the Company's revenue structure, the majority of the business transactions are settled in RMB, with only insignificant revenue from foreign currency transactions. The Company considers that their exchange rate fluctuation risk is immaterial.

APPENDIX VII MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

IV. INFORMATION ABOUT STAFF AND REMUNERATION OF THE COMPANY AND MAJOR SUBSIDIARIES**(I) Staff**

Items	Number of Staff
Number of employees in parent company	2,678
Number of employees in major subsidiaries	908
Total number of employees	3,586
Number of retired employees whose parent company and major subsidiaries undertake the expenses	96

Professional Structure

Professional Category	Number of Professionals
Brokerage business	1,882
Investment banking business	496
Assets management business	145
Proprietary trading business	112
Credit transactions business	17
Research business	134
Institutional sales business	47
Information technology	146
Planning and finance	58
Other business and administration staff	549
Total	3,586

Education Background Category	Number of Staff (Headcount)
Doctoral Degree	37
Master's Degree	1,474
Bachelor's Degree	1,890
College Degree and below	185
Total	3,586

(II) Staff Remuneration and Welfare Policy

Guided by the concepts of sound operation and sustainable development, the Company integrates the cultural concepts of “compliance, integrity, professionalism and stability” into its remuneration management, and aligns the remuneration of its employees closely with the Company’s economic benefits, the effectiveness of compliance and risk control, as well as the duties and performance of their positions. The salary of the Company’s employees consists of fixed salary, performance bonus, insurance benefits and allowances. The Company continues to optimise and improve its salary system. Fixed salaries are determined on the comprehensive basis of the value of the employees’ positions, professional competence, value contribution and the market salary standard. Performance bonuses are linked to the Company’s operating results and compliance and risk control performance for the year, and are allocated subject to the amount approved by the Board, taking into account departmental performance, individual performance, compliant practice, risk control, honesty in practice, professional ethics, and the building of corporate culture. The Company has effectively implemented the deferred remuneration policy in strict accordance with the requirements of the law.

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The Company has always concerned about employee health and constantly improved the welfare protection system. The Company also provides employees with statutory social insurance and provident fund in strict compliance with the relevant provisions of state laws and regulations, and supplemented by the corporate annuity plan and supplementary medical insurance to provide employees with more comprehensive welfare guarantee.

By focusing on strategic planning, cultural building and the development needs of employees' career, the Company has continued to build a multi-dimensional and multi-level talent development system. With the continuous optimisation of the business training system, and the ongoing development of professional training such as "potential star (潛力星)" and "energy star (能量星)", the Company has effectively enhanced the professional and business development capabilities of key business backbones in wealth management, financial market, asset management and financial technology. The Company has developed talents by levels and categories, organises to develop online learning programmes for new employees, new recruits training camps, and morning star (啟明星) training to accelerate the integration of new employees and the development of their professional skills. The Company has organised reserve talents and middle-level leadership cadres to participate in "pilot star (領航星)" and team leadership empowerment training, with a view to enhancing their management thinking and leadership standards. The Company has organised to conduct training for secretaries of grassroots Party organisations and Party cadres to enhance their competence and facilitate the integration of Party building and business. The Company has also continued to carry out special training on professional ethics, honest employment, compliance and risk control, safety management, etc., to enhance risk prevention awareness, practice the concept of honour and shame in the industry, and regulate conduct in practice, so as to effectively assist the Company's business in complying with the regulations and stable development.

In 2023, the Company organized and launched 10 talent cultivation projects, and held a total of 26 various offline training sessions, with over 4,000 person-time receiving training.

In 2023, the Company organized employees participating in 111 training sessions held by industry associations, exchanges and other external units, with a total of 190 person-time received training.

The E-Learning learning platform has launched a total of 57 new courses online during the Year, with a total of over 10,000 person-time across the Company participating in online learning. The platform recorded a monthly average of 1,491 people learning, a monthly average of 3,146 hours of online learning (excluding follow-up training of professional qualifications), and a yearly per capita learning of 45 online courses.

V. INFORMATION ABOUT THE COMPANY'S EQUITY INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVE MEASURES AND THEIR IMPACTS

In order to establish and improve the benefit sharing mechanism between employees and the Company, enhance the cohesion among employees and competitiveness of the Company, and attract and retain talents, so as to promote the long-term, sustainable and healthy development of the Company and maximize the benefits of the Company, its shareholders and employees as a whole, the Company has implemented the employee stock ownership plan for the year 2022.

The Company convened the twenty-fifth meeting of the fourth session of the Board and the annual general meeting for the year 2021 on 29 April 2022 and 10 June 2022, respectively, which considered and approved the Resolution on the Employee Stock Ownership Plan of Guolian Securities Co., Ltd. for the Year 2022 (Draft) and its Summary (《關於國聯證券股份有限公司2022年度員工持股計劃(草案)及其摘要的議案》) and the Resolution on Proposing at the General Meeting to Authorize the Board of Directors with Full Discretion to Handle the Matters related to the Employee Stock Ownership Plan of the Company for the Year 2022 (《關於提請股東大會授權董事會全權辦理公司2022年度員工持股計劃相關事宜的議案》).

In June 2022, the Company completed the fundraising for the subscription of the employee stock ownership plan of the Company for the year 2022, with the actual number of participants of 342. The participants included Directors, supervisors, senior management, employees at VP level and above and other core backbone personnel of the Company or its controlling subsidiaries, and the total subscription amount was RMB68,110,000. The number of subject shares associated with the employee stock ownership plan units held by any individual holder shall not, in aggregate, exceed 0.1% of the Company's total share capital.

The term of the employee stock ownership plan shall be 5 years with effect from the date of consideration and approval by the general meeting of the Company.

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On 12 July 2022, the Company convened the first meeting of holders of the employee stock ownership plan for the year 2022, which considered and approved the Resolution on Review of the Rules for the Meeting of Holders of the Employee Stock Ownership Plan of Guolian Securities Co., Ltd. for the Year 2022 (《關於審議國聯證券股份有限公司2022年度員工持股計劃持有人會議規則的議案》), Resolution on Election of Members of the Management Committee for the Employee Stock Ownership Plan of Guolian Securities Co., Ltd. for the Year 2022 (《關於選舉國聯證券股份有限公司2022年度員工持股計劃管理委員會委員的議案》) and Resolution on Authorization of the Management Committee of the Employee Stock Ownership Plan of Guolian Securities Co., Ltd. to Deal with Matters in Relation to this Employee Stock Ownership Plan (《關於授權國聯證券股份有限公司員工持股計劃管理委員會辦理本次員工持股計劃相關事宜的議案》).

As of 22 December 2022, the employee stock ownership plan of the Company completed the purchase and registration of the subject shares, and purchased a total of 18,260,000 H Shares of the Company in the secondary market, accounting for approximately 0.6448% of the total share capital of the Company. The total consideration was HK\$73,759,900 (excluding transaction fees), and the remaining funds will be used for liquidity purpose. The lock-up period of the subject shares purchased under the employee stock ownership plan of the Company shall be 12 months effective from the date on which the Company announces that the latest purchased subject shares are transferred and registered (i.e. 23 December 2022). On 22 December 2023, the lock-up period of the Company's employee stock ownership plan for the year 2022 expired.

As of 31 December 2023, the details of the shares calculated based on the employee stock ownership plan units are as follows:

Name/category of holders	Number of shares held
Ge Xiaobo	1,340,478
Xu Faliang	134,047
Wu Lingyun	53,619
Zhou Min	13,404
The five highest paid individuals in 2023 in aggregate (one of whom is a Director of the Company)	1,930,289
Other employees in aggregate	<u>16,329,711</u>

Set out below is the management discussion and analysis on Minsheng Securities for the three years ended 31 December 2021, 2022 and 2023 and three months ended 31 March 2024 (the “**Track Record Period**”), which is prepared based on the financial information as set out in Appendix IV to this circular.

BUSINESS REVIEW

During the Track Record Period, Minsheng Securities is principally engaged in securities brokerage, securities investment consultation, financial advisory in relation to securities trading and securities investment activities, securities underwriting and sponsorship, proprietary securities trading, securities assets management, margin financing and securities lending, the sales of securities investment funds on a commission basis and the sale of financial products on a commission basis in the PRC. Meanwhile, Minsheng Securities engages in private equity fund management, investment management, equity investment, project investment, public securities investment fund management and fund sales through its wholly-owned subsidiaries Minsheng Equity Investment Fund Management Co., Ltd. (民生股權投資基金管理有限公司), Minsheng Securities Investment Company Limited (民生證券投資有限公司) and Minsheng Fund Management Co., Ltd. (民生基金管理有限公司), respectively, and also carries out futures business through Minsheng Futures Co., Ltd. (民生期貨有限公司), which is under its control.

FINANCIAL REVIEW

Revenue

During the Track Record Period, Minsheng Securities derived its revenue mainly from commission and fee income, interest income, investment gains and other income. For the years ended 31 December 2021, 2022 and 2023 and three months ended 31 March 2024, Minsheng Securities’ total revenue, net investment gains and other income in aggregate amounted to approximately RMB5,034,472 thousand, RMB3,526,492 thousand, RMB4,622,024 thousand and RMB1,328,199 thousand, respectively. The decrease in total revenue, net investment gains and other income from 2021 to 2022 was primarily attributed to a decrease in commission and fee income and investment gains. The increase in total revenue, net investment gains and other income from 2022 to 2023 was attributable to an increase in commission and fee income and investment gains.

Commission and Fee Income

During the Track Record Period, Minsheng Securities' commission and fee income was mainly comprised of brokerage business fee income and investment banking fee income. For the years ended 31 December 2021, 2022 and 2023 and three months ended 31 March 2024, Minsheng Securities' commission and fee income amounted to approximately RMB3,163,383 thousand, RMB2,777,069 thousand, RMB3,545,075 thousand and RMB607,208 thousand, respectively. The decrease in commission and fee income from 2021 to 2022 was primarily due to the year-on-year decrease in the company's investment banking fee and commission income as a result of the decrease in the scale of issuance in the IPO market in 2022 as compared with that in 2021. The increase in commission and fee income from 2022 to 2023 was primarily due to the 35.29% increase in net commission and fee income from leasing of trading unit seats in the year as compared with that in 2022. In recent years, Minsheng Securities has increased its investment in research and sales business, introduced new teams and enhanced its service support, resulting in significant enhancement of its research and sales capabilities and increasing market influence, which correspondingly contributed to the increase in Minsheng Securities' income from leasing of trading unit seats in 2023.

Interest Income

For the years ended 31 December 2021, 2022 and 2023 and three months ended 31 March 2024, Minsheng Securities' interest income amounted to approximately RMB761,219 thousand, RMB721,342 thousand, RMB703,606 thousand and RMB160,429 thousand, respectively. The decrease in interest income from 2021 to 2023 was primarily due to (1) the decrease in interest income from margin financing and securities lending as a result of the decline in transaction scale of Minsheng Securities' margin financing and securities lending due to the downward fluctuation of the secondary market conditions in the past two years; (2) the decrease in interest income from stock pledges as Minsheng Securities continued to reduce the scale of stock pledge business based on the principle of risk prudence; (3) the increase in interest income from Minsheng Securities' proprietary funds and customers' funds.

Investment Gains

Minsheng Securities derived its investment gains mainly from its proprietary business, which mainly comprised investment gains earned during the holding period of financial instruments, and gains earned on the disposal of financial instruments. For the years ended 31 December 2021, 2022 and 2023 and three months ended 31 March 2024, Minsheng Securities' investment gains amounted to approximately RMB1,097,024 thousand, RMB19,229 thousand, RMB369,487 thousand and RMB558,813 thousand, respectively. During the Track Record Period, Minsheng Securities' investment gains showed a fluctuating trend for the reasons detailed below:

Gains earned during the holding period of Minsheng Securities and investment gains from the disposal of financial instruments mainly involved financial assets held for trading, financial liabilities held for trading and derivative financial instruments. Relevant gains from financial assets held by Minsheng Securities were allocated according to the financial assets' own agreement on gains allocation (e.g. interest rates and frequency of interest payments on bonds) or actual operating conditions (e.g. stock issuers, funds, etc.), which varied to a certain extent from year to year. In addition, Minsheng Securities made independent judgments and dynamically adjusted its investment strategy based on the macroeconomic operation and the overall operation of the market, which resulted in differences in the gains obtained or even a certain degree of losses incurred by it in disposing of the relevant financial assets.

Other Income

During the Track Record Period, Minsheng Securities' other income mainly include rental income and others. For the years ended 31 December 2021, 2022 and 2023 and three months ended 31 March 2024, Minsheng Securities' other income amounted to approximately RMB12,846 thousand, RMB8,852 thousand, RMB3,856 thousand and RMB1,749 thousand, respectively. The decrease in other income from 2021 to 2023 was primarily due to (1) the decrease in rental income of Minsheng Securities as a result of the epidemic; (2) the decrease in income as a result of the decrease in the scale of spot business of futures companies.

Expenses

During the Track Record Period, Minsheng Securities' expenses mainly include commission and fee expenses, interest expenses, staff costs, depreciation and amortization, other operating expenses and impairment losses under expected credit loss model. For the years ended 31 December 2021, 2022 and 2023 and three months ended 31 March 2024, Minsheng Securities' total expenses amounted to approximately RMB3,764,140 thousand, RMB3,405,062 thousand, RMB4,024,439 thousand and RMB929,498 thousand, respectively. The decrease in total expenses from 2021 to 2022 was primarily attributed to a decrease in impairment losses under expected credit loss model and other operating expenses. The increase in revenue from 2022 to 2023 was attributable to an increase in staff costs, commission and fee expenses and other operating expenses.

Commission and Fee Expenses

For the years ended 31 December 2021, 2022 and 2023 and three months ended 31 March 2024, Minsheng Securities' commission and fee expenses amounted to approximately RMB250,884 thousand, RMB239,018 thousand, RMB343,999 thousand and RMB100,094 thousand, respectively. The decrease in commission and fee expenses from 2021 to 2022 was primarily due to the decrease in commission and fee income from retail brokerage business, corresponding to a decrease in commission and fee expenses. The increase in commission and fee expenses from 2022 to 2023 was primarily due to (1) the increase in fee and commission income from futures companies, corresponding to an increase in fee and commission expenses; (2) the increase in bond distribution fee expenses.

Interest Expenses

For the years ended 31 December 2021, 2022 and 2023 and three months ended 31 March 2024, Minsheng Securities' interest expenses amounted to approximately RMB704,821 thousand, RMB674,732 thousand, RMB683,862 thousand and RMB178,855 thousand, respectively. The decrease in interest expenses from 2021 to 2022 was primarily due to (1) the decrease in market interest rates, corresponding to a decrease in interest settlement expenses for corporate clients; (2) the optimal adjustment of the scale of issuance of corporate bonds and interest rates, corresponding to a decrease in interest expenses; and (3) the decrease in repurchase business market interest rates, corresponding to a decrease in repurchase interest expenses.

Staff Costs

For the years ended 31 December 2021, 2022 and 2023 and three months ended 31 March 2024, Minsheng Securities' staff costs amounted to approximately RMB1,916,058 thousand, RMB1,915,097 thousand, RMB2,300,291 thousand and RMB497,955 thousand, respectively. The increase in staff costs from 2022 to 2023 was primarily due to the increase in operating income of Minsheng Securities in 2023 as compared with that in 2022, which led to a corresponding increase in salaries and bonuses for the year.

Depreciation and Amortisation

For the years ended 31 December 2021, 2022 and 2023 and three months ended 31 March 2024, Minsheng Securities' depreciation and amortisation amounted to approximately RMB110,408 thousand, RMB136,351 thousand, RMB145,065 thousand and RMB33,946 thousand, respectively. The increase in depreciation and amortisation from 2021 to 2023 was primarily due to the increase in IT investment of Minsheng Securities, corresponding to an increase in depreciation and amortisation amount.

Other Operating Expenses

During the Track Record Period, Minsheng Securities' other operating expenses mainly include consultancy fees, futures broker commissions, investor protection fund and others. For the years ended 31 December 2021, 2022 and 2023 and three months ended 31 March 2024, Minsheng Securities' other operating expenses amounted to approximately RMB513,357 thousand, RMB435,250 thousand, RMB564,669 thousand and RMB117,485 thousand, respectively. The decrease in other operating expenses from 2021 to 2022 was primarily due to lower insurance premiums, lease payments, etc. The increase in other operating expenses from 2022 to 2023 was primarily due to (1) the operational development needs of Minsheng Securities, corresponding to an increase in consultancy fees; (2) the growth of Minsheng Securities' investment banking and research businesses, corresponding to an increase in travelling, entertainment and meeting expenses; and (3) the growth in operating income, corresponding to an increase in insurance premiums.

Impairment Losses Under Expected Credit Loss Model, Net of Reversal

For the years ended 31 December 2021, 2022 and 2023 and three months ended 31 March 2024, Minsheng Securities' impairment losses under expected credit loss model, net of reversal, amounted to approximately RMB268,612 thousand, RMB4,614 thousand, RMB-13,447 thousand and RMB1,163 thousand, respectively. During the Track Record Period, the amount of impairment losses under expected credit loss model of Minsheng Securities was relatively small, which had a small impact on the operation result.

Total Profit

For the years ended 31 December 2021, 2022 and 2023 and three months ended 31 March 2024, Minsheng Securities' total profit amounted to approximately RMB1,005,476 thousand, RMB191,229 thousand, RMB641,982 thousand and RMB326,355 thousand, respectively.

Capital Structure and Liquidity Analysis

As at 31 December 2021, 2022 and 2023 and 31 March 2024, the total assets of Minsheng Securities amounted to RMB54,401,599 thousand, RMB58,402,685 thousand, RMB59,455,172 thousand and RMB58,349,838 thousand, respectively. The assets of Minsheng Securities mainly include financial assets at fair value through profit or loss, cash held for brokerage clients, margin accounts receivables, cash and bank balances.

During the Track Record Period, the monetary funds of Minsheng Securities mainly consist of cash held for brokerage clients, cash and bank balances, of which cash held for brokerage clients is the major component of monetary funds. As at 31 December 2021, 2022 and 2023 and 31 March 2024, the cash held for brokerage clients of Minsheng Securities amounted to RMB9,193,000 thousand, RMB9,760,261 thousand, RMB9,190,014 thousand and RMB9,752,304 thousand, respectively and the cash and bank balances of Minsheng Securities amounted to RMB3,032,458 thousand, RMB2,359,876 thousand, RMB3,762,001 thousand and RMB4,490,373 thousand, respectively. During the Track Record Period, the size of Minsheng Securities' monetary funds remained generally stable.

As at 31 December 2021, 2022 and 2023 and 31 March 2024, the total liabilities of Minsheng Securities was RMB39,326,943 thousand, RMB43,430,470 thousand, RMB43,850,200 thousand and RMB42,274,329 thousand respectively. The liabilities of Minsheng Securities mainly include accounts payable to brokerage clients, financial assets sold under repurchase agreements and bonds in issue.

The bonds in issue of Minsheng Securities mainly include income certificate, corporate bonds and subordinated bonds. As at 31 December 2021, 2022 and 2023 and 31 March 2024, the amount of bonds in issue of Minsheng Securities was RMB5,756,246 thousand, RMB6,453,543 thousand, RMB6,662,901 thousand and RMB7,031,762 thousand, respectively. During the Track Record Period, the amount of bonds in issue of Minsheng Securities has maintained an increasing trend, which was mainly attributable to an increase in subordinated bonds in issue as a result of the capital requirements for the development of the Company's business.

Gearing Ratio and the Basis of Calculation

As at 31 December 2021, 2022 and 2023 and 31 March 2024, the gearing ratio of Minsheng Securities was approximately 64.76%, 67.54%, 67.02% and 64.46%, respectively. The gearing ratio = total liabilities – accounts payable to brokerage clients/total assets – accounts payable to brokerage clients.

Significant Investments, Material Acquisitions and Disposals

During the Track Record Period, Minsheng Securities had no significant investments, material acquisitions and disposals.

Future Plans for Material Investments and Acquisition of Capital Assets

As at 31 March 2024, Minsheng Securities had no future plans for material investments and acquisition.

Charges

During the Track Record Period, Minsheng Securities did not have any pledge of assets.

Contingent Liabilities

The contingent liabilities of Minsheng Securities mainly include potential liabilities arising from pending litigation or arbitration, amounting to approximately RMB102,620 thousand, RMB20,996 thousand, RMB2,371 thousand and RMB2,588 thousand, respectively as at 31 December 2021, 2022 and 2023 and 31 March 2024, respectively. For details of the contingent liabilities of Minsheng Securities, please refer to note 52 of the accountants' report for the years ended 31 December 2021, 2022 and 2023 and three months ended 31 March 2024 as set out in Appendix IV to this circular.

Employees, Remuneration Policy and Training

As at 31 December 2021, 2022 and 2023 and 31 March 2024, respectively, Minsheng Securities had approximately 2,777, 3,062, 3,207 and 3,179 employees, respectively; and the total staff costs, including social security contributions amounted to approximately RMB1,916,058 thousand, RMB1,915,097 thousand, RMB2,300,291 thousand and RMB497,955 thousand, respectively. The remuneration of employees of Minsheng Securities mainly includes salaries and bonus. Minsheng Securities also contributes to the employees' social security benefits plan in compliance with the labor laws of the PRC and local governments. These social security contributions include pension, healthcare insurance, unemployment insurance, employment injury insurance, maternity insurance and housing provident fund. In addition, Minsheng Securities also carried out regular employee training sessions to improve their skills.

Share Incentive Scheme

In order to improve the incentive mechanism of Minsheng Securities, increase the proportion of long-term incentives, encourage core employees to grow together, share the operational risks and the fruits of development with Minsheng Securities, establish and improve the benefit sharing mechanism between employees and shareholders, enhance the standard of corporate governance, improve the cohesion and competitiveness of the company, and promote the sustainable and healthy development of Minsheng Securities, Minsheng Securities implemented the employee share incentive scheme in 2020.

The seventeenth meeting of the third session of the board of directors and the fifth extraordinary general meeting for the year 2020 were convened by Minsheng Securities on 9 May 2020 and 24 May 2020 respectively, at which the Resolution on the Employee Share Incentive Scheme and Related Party Transactions of Minsheng Securities Co., Ltd. (《關於民生證券股份有限公司員工股權激勵計劃暨關聯交易的議案》) was considered and approved, and the twenty-third meeting of the fourth session of the board of directors was convened on 27 May 2024, at which an adjustment was made to the incentive scheme.

The employee share incentive scheme is divided into two forms, namely the employee stock ownership plan and restricted shares. Among which, part of the employee stock ownership plan is subscribed by the employees and restricted shares are granted by Minsheng Securities upon fulfilment of the grant conditions by the participants, and the relevant shares of Minsheng Securities are held by the three limited partnerships as shareholding platforms.

Minsheng Securities completed the partial establishment of the employee stock ownership plan in July 2020, with an actual number of 132 employees participating in the plan. The total subscription amount was RMB120,550,000.65, and the number of shares of Minsheng Securities subscribed for was 88,574,578 shares, with the source of funds for the subscription being the legitimate remuneration of the employees themselves, as well as self-financing funds acquired in other ways permitted by the laws and administrative rules and regulations.

Minsheng Securities completed three tranches of restricted share grants in December 2020, August 2021 and September 2022 respectively. During the term of the employee share incentive scheme, additional employees who met the incentive conditions participated in the employee share incentive scheme through subscription or acquisition. In addition, Minsheng Securities repurchased/recovered part of the shares in accordance with the requirements of the scheme as a result of employees' resignation, retirement and voluntary withdrawal. As of the Latest Practicable Date, the actual number of employees participating in the employee share incentive scheme of Minsheng Securities was 118, holding a total of 140,292,290 shares of Minsheng Securities through three shareholding platforms.

The validity period of the employee share incentive scheme is 8 years, commencing from the date of consideration and approval by the general meeting of Minsheng Securities, and will be automatically terminated upon the expiry of the validity period, or may be earlier terminated or extended with the consideration and approval of the board of directors of Minsheng Securities, or in accordance with the requirements of the relevant laws and regulations.

The lock-up period for the shares acquired under the employee share incentive scheme is divided into 36 months and 48 months in accordance with the requirements of laws and regulations and the actual situation of historical changes in the shareholding structure of Minsheng Securities. During the lock-up period, the shares of Minsheng Securities held by the shareholding platform shall not be transferred, and the participants shall not transfer or sell their partnership shares in the shareholding platform, except under the circumstances stipulated in the scheme.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of providing information regarding the Company. The Directors, having made all reasonable inquiries, 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 matters the omission of which would make this circular or any statement herein misleading.

2. DISCLOSURE OF INTERESTS

- (1) As at the Latest Practicable Date, based on the information available to the Company and to the knowledge of the Directors, the interest or short positions of Directors, supervisors or chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which will have to be notified to the Company and HK Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which are taken or deemed to have under those provisions of the SFO), or (ii) which will be required to be recorded in the equity register kept pursuant to Section 352 of the SFO, or (iii) which will be required to be notified to the Company and HK Stock Exchange pursuant to the Model Code were as follows:

Name	Position	Types of shares	Number of shares (Note 2)	Percentage	Approximate percentage
				of total issued shares (%) (Note 3)	of total issued share capital of H Shares (%)
Ge Xiaobo	Chairman, President	H Shares	1,340,478(L)	0.0473	0.3028
Wu Lingyun	Employee Representative Supervisor	H Shares	53,619(L)	0.0019	0.0121
Zhou Min	Employee Representative Supervisor	H Shares	13,404(L)	0.0005	0.0030

Note 1: Mr. Ge Xiaobo, Ms. Wu Lingyun and Mr. Zhou Min were deemed to have interests in the H Shares of the Company, respectively due to their participation in the employee stock ownership plan of the Company for the year 2022.

Note 2: (L) denotes long positions.

Note 3: As at the Latest Practicable Date, the Company issued 2,389,133,168 A Shares and 442,640,000 H Shares in total. The total number of shares is 2,831,773,168.

Save as disclosed above, as at the Latest Practicable Date, no Directors, supervisors or chief executive of the Company had any interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which will have to be notified to the Company and HK Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which are taken or deemed to have under those provisions of the SFO), or (ii) which will be required to be recorded in the equity register kept pursuant to Section 352 of the SFO, or (iii) which will be required to be notified to the Company and HK Stock Exchange pursuant to the Model Code.

- (2) As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have since 31 December 2023 (being the date to which the latest published audited consolidated accounts of the Company were made up) been acquired, disposed of or leased by the Company or any of its subsidiaries, or are proposed to be acquired, disposed of or leased by the Company or any of its subsidiaries.
- (3) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries, which was subsisting and was significant in relation to the business of the Group.
- (4) As at the Latest Practicable Date, the following Directors were directors or employees of the other company having an interest or short position in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Name	Positions
Hua Weirong	Deputy Secretary of the Party Committee and Director of Guolian Group
Zhou Weiping	Chairman of Guolian Trust Co., Ltd.
Wu Weihua	General Manager of the Strategic Development Department of Guolian Group, Director of Wuxi Huaguang Environment & Energy Group Co., Ltd., Director of Guolian Trust Co., Ltd.
Li Suo	General Manager of the Auditing Department of Guolian Group

3. COMPETING INTERESTS

Saved as disclosed in the is circular, as at the Latest Practicable Date, so far as the Directors were aware of, none of the Directors and their respective close associates had any interest in a business which competes or is likely to compete with the business of the Group.

4. SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, to the knowledge of the Directors after making reasonable enquiry, the following persons (not being the Directors, supervisors or chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company which shall be disclosed to the Company and recorded in the register required to be kept by the Company in accordance with Sections 2 and 3 of Part XV of the SFO and Section 336 of the SFO:

Name of shareholders	Types of shares	Nature of interests	Number of shares (Note 3)	Percentage of	Percentage of
				total issued shares of the Company (Note 4)	total relevant types of shares of the Company (Note 4)
Guolian Group (Note 1)	A Shares	Beneficial owner and interest of controlled corporation	1,376,336,123 (L)	48.60%	57.61%
Guolian Trust	A Shares	Beneficial owner	390,137,552 (L)	13.78%	16.33%
Guolian Industrial (Note 2)	A Shares	Interest of controlled corporation	266,899,445 (L)	9.43%	11.17%
Wuxi Electric	A Shares	Beneficial owner	266,899,445 (L)	9.43%	11.17%

Note 1: Guolian Group is the beneficial owner of 543,901,329 A Shares of the Company, and is deemed to be interested in the following shares in controlled corporations: (i) 390,137,552 A Shares of the Company held by Guolian Trust; (ii) 266,899,445 A Shares of the Company held by Wuxi Electric; (iii) 73,500,000 A Shares of the Company held by Minsheng Investment; (iv) 72,784,141 A Shares of the Company held by Cotton Textile; and (v) 29,113,656 A Shares of the Company held by Huaguang Environmental.

Note 2: Guolian Industrial is deemed to be interested in the 266,899,445 A Shares of the Company held by Wuxi Electric, its wholly-owned subsidiary.

Note 3: (L) denotes long positions.

Note 4: As at the Latest Practicable Date, the Company issued 2,389,133,168 A Shares and 442,640,000 H Shares in total. The total number of shares is 2,831,773,168.

Save as disclosed above, as at the Latest Practicable Date, the Company was not aware of any other persons (excluding the Directors, supervisors and chief executives of the Company) having the interests or short positions in the shares or underlying shares of the Company that are required to be recorded in the register under Section 336 of the SFO.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or was proposing to enter into any service contracts with the Company or any of its subsidiaries, which are not terminable within one year without payment of compensation other than statutory compensation.

6. MATERIAL CONTRACTS

No material contract (not being contracts entered into outside the ordinary course of business carried on by the Group) had been entered into by the Group within two years immediately preceding the date of this circular and up to the Latest Practicable Date.

7. MATERIAL LEGAL PROCEEDINGS

1. The stock pledged repurchase transaction dispute case between the Company and Guangzhou Huiyin Huahe Investment Enterprise (Limited Partnership)(廣州匯垠華合投資企業(有限合夥)) and Zhang Guizhen

In September 2019, Zhang Guizhen filed a lawsuit with Wuxi Intermediate People's Court for the dispute over the pledged securities repurchase, claiming the Company to refund and compensate the extra money received from the third party, Huiyin Huahe Investment Enterprise (Limited Partnership), and the losses, totaling RMB55,517,046.9. In April 2020, Wuxi Intermediate People's Court ruled to reject the Zhang Guizhen's lawsuit. Zhang Guizhen filed an appeal in May 2020. In April 2021, the second trial of Jiangsu Higher People's Court was held. On 11 January 2024, the Company received Civil Ruling (2021) Su Min Zhong No. 84 ((2021)蘇民終84號民事裁定書) issued by Jiangsu Provincial Higher People's Court on 29 December 2023, which revoked the ruling of the first trial of this case and directed Wuxi Intermediate People's Court to hear the case. As of the Latest Practicable Date, the case was still ongoing.

2. The dispute case over the liability for misrepresentation of securities between Hua Ying Securities, a subsidiary of the Company, and Shandong Longlive Bio-Technology Co., Ltd.

In June 2021, Hua Ying Securities, a wholly-owned subsidiary of the Company, received a civil complaint and other relevant legal documents served by Jinan Intermediate People's Court of Shandong Province (山東省濟南市中級人民法院), for reason of the dispute over the liability for misrepresentation of securities. A total of 15 investors including Kang Yaxin (亢雅欣), the plaintiffs, filed an ordinary representative lawsuit, requesting Shandong Longlive Bio-Technology Co., Ltd. ("Longlive Bio") to compensate a total of RMB2.7621 million for losses to investors caused by its misrepresentation. Apart from Longlive Bio, a total of 19 defendants, being 17 natural persons including Cheng Shaobo (程少博), Hua Ying Securities and BDO China Shu Lun Pan Certified Public Accountants LLP, are jointly and severally liable for the compensation. In August 2022, Hua Ying Securities received the Summons for Court Session, the Notice to Produce Evidence, and the Notice of Notification to the Members of the Trial Division issued by Jinan Intermediate People's Court, in which 1,628 investors including Li Liqun (李立群) claimed that Shandong Longlive Bio-Technology Co., Ltd. shall compensate all the plaintiffs for the losses of the difference in investments, the losses of commission and stamp duty, etc., and claimed that 12 natural persons including Cheng Shaobo (程少博), Hua Ying Securities and BDO China Shu Lun Pan Certified Public Accountants LLP, shall be jointly and severally liable for the compensation. In November 2022, Jinan Intermediate People's Court issued the Civil Ruling ((2021) 3 Lu 01 Min Chu No. 1377-bis), holding that the case needed to be based on the outcome of other cases by the CSRC, so it suspended the trial of the case. As of the Latest Practicable Date, the case was still not resumed.

Save as disclosed above, as at the Latest Practicable Date, as far as the Directors were aware, the Group had not been involved in any material litigation or arbitration and there were no material litigations or claims known to the Directors to be pending or threatened against the Company.

8. EXPERT’S DISCLOSURE OF INTERESTS AND CONSENT

The following are the qualifications of experts (“**Experts**”) who provide opinions contained in this circular:

Name	Qualification
Gram Capital Limited (“ Gram Capital ”)	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
SHINewing (HK) CPA Limited	Certified Public Accountants
China United Assets Appraisal Group Co., Ltd. (中聯資產評估 集團有限公司)	Qualified valuer in the PRC

- (1) As at the Latest Practicable Date, Experts did not have any direct or indirect shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (2) As at the Latest Practicable Date, Experts did not have any direct or indirect interests in any assets which have been acquired or disposed of or leased to or which were proposed to be acquired, disposed of or leased by the Company and any of its subsidiaries since 31 December 2023, being the date to which the latest published audited consolidated accounts of the Company were made up.
- (3) Gram Capital issued a letter dated 20 August 2024 for the purpose of incorporation in this circular in connection with its recommendation to the Independent Board Committee and the Independent Shareholders.
- (4) Experts have given and have not withdrawn its written consent to the issue of this circular with the inclusion of their letters and reference to their names and advises in the form and context in which they appear.

9. DOCUMENTS AVAILABLE FOR DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange and the Company within 14 days from the date of this circular (both days inclusive):

- (1) the Acquisition Agreements;
- (2) the annual reports of the Company for the three years ended 31 December 2021, 2022 and 2023;
- (3) the audited financial information of Minsheng Securities for the three years ended 31 December 2021, 2022 and 2023 and the three months ended 31 March 2024, as set out in Appendix IV to this circular;
- (4) the unaudited pro forma financial information report of the Enlarged Group, as set out in Appendix V to this circular;
- (5) the letter from the Independent Board Committee to the Independent Shareholders, as set out on page 75 of this circular;
- (6) the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders, as set out on pages 76 to 113 of this circular;
- (7) the written consent of Experts referred to in paragraph 8 of this appendix; and
- (8) this circular.

10. GENERAL INFORMATION

- (1) As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the Group's financial or operational position since 31 December 2023, being the date to which the latest published audited consolidated accounts of the Company were made up.
- (2) The registered office of the Company is No. 8 Jinrong One Street, Wuxi, Jiangsu Province, the PRC.
- (3) The share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (4) The joint company secretaries of the Company are Ms. Hui Yu (惠宇) and Ms. Zhang Xiao (張瀟). Ms. Zhang Xiao is a assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited and has over 10 years of experience in the company secretarial discipline. Ms. Zhang Xiao was accredited as a member of both the Hong Kong Chartered Governance Institute and the Chartered Governance Institute in the United Kingdom in 2019.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING



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

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

(Stock Code: 01456)

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING FOR THE YEAR 2024

NOTICE IS HEREBY GIVEN that the first extraordinary general meeting (the “EGM”) for the year 2024 of Guolian Securities Co., Ltd. (the “**Company**”) will be held at the conference room on the 1st Floor, No. 8 Jinrong One Street, Wuxi, Jiangsu Province, the PRC at 1:30 p.m. on Wednesday, 4 September 2024 for the purpose of considering and, if thought fit, passing the following resolutions of the Company. Unless the context otherwise requires, capitalized terms used herein shall have the same meanings as those defined in the circular of the Company dated 20 August 2024:

SPECIAL RESOLUTIONS

1. Resolution on the fulfilment of the conditions by the Company for acquisition of assets by issuing shares and raising supporting funds.
2. Resolution on the adjusted proposal for acquisition of assets by issuing shares and raising supporting funds and related party transaction.
 - 2.1 Summary of the proposal of the Transactions
 - 2.2 Specific proposal for the Acquisition of Assets by Issuing Shares
 - 2.2.1 Subject assets
 - 2.2.2 Target subscribers
 - 2.2.3 Basis of pricing and transaction price
 - 2.2.4 Payment of consideration (by way of issuing shares)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

- 2.2.5 Class, nominal value and place of listing of the shares to be issued
- 2.2.6 Price determination date and issue price
- 2.2.7 Number of shares to be issued
- 2.2.8 Arrangement for lock-up period
- 2.2.9 Arrangement for accumulated undistributed profits
- 2.2.10 Arrangement for the listing of shares
- 2.2.11 Arrangement for profit and loss during the transitional period
- 2.2.12 Treatment of creditor's rights and debts and resettlement of personnel
- 2.2.13 Contractual obligations for the transfer of ownership of the subject assets and liabilities for defaults
- 2.3 Specific proposal for Raising Supporting Funds
 - 2.3.1 Class, nominal value and place of listing of the shares to be issued
 - 2.3.2 Target subscribers
 - 2.3.3 Price determination date, pricing principles and issue price
 - 2.3.4 Issue size and number
 - 2.3.5 Arrangement for lock-up period
 - 2.3.6 Use of raised supporting funds
 - 2.3.7 Arrangement for accumulated undistributed profits
- 2.4 Validity period of the resolutions

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

3. Resolution on the Reorganisation constituting a related party transaction.
4. Resolution on the Report on Acquisition of Assets by Issuing Shares and Raising Supporting Funds by Guolian Securities Co., Ltd. and Related Party Transaction (Draft)(《國聯證券股份有限公司發行股份購買資產並募集配套資金暨關聯交易報告書(草案)》) and its summary.
5. Resolution on the execution of the transaction agreement with effective conditions.
6. Resolution on the approval of the pro forma review report, audit report and valuation report in relation to the Reorganisation.
7. Resolution on the independence of the valuation institution, the reasonableness of the premise of the valuation assumptions, the relevance of the valuation approaches to the valuation purpose and the fairness of the appraisal value.
8. Resolution on the Transactions constituting a major assets reorganisation but not a reorganisation for listing.
9. Resolution on the compliance of the Reorganisation of the Company with the requirements of Articles 11 and 43 of the Administrative Measures for Major Assets Reorganisation of Listed Companies (《上市公司重大資產重組管理辦法》).
10. Resolution on the compliance of the Reorganisation with Article 4 of Guidelines No. 9 on Supervision for Listed Companies – Regulatory Requirements for Listed Companies Planning and Implementing Major Assets Reorganisation (《上市公司監管指引第9號-上市公司籌劃和實施重大資產重組的監管要求》).
11. Resolution on the compliance of the Reorganisation with Article 11 of the Administrative Measures for the Issuance and Registration of Securities by Listed Companies (《上市公司證券發行註冊管理辦法》).
12. Resolution on the report on the use of proceeds previously raised by the Company.
13. Resolution on the remedial measures and undertakings in respect of the dilution of current returns of the Reorganisation.
14. Resolution on proposing at the shareholders' meeting to authorize the Board and its authorized person(s) to deal with matters relating to the major assets reorganisation.

By order of the Board
Guolian Securities Co., Ltd.
Ge Xiaobo
Chairman

Wuxi, Jiangsu Province, the PRC
20 August 2024

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

Notes:

1. In order to determine the entitlement to attend and vote at the EGM of the Company to be held on Wednesday, 4 September 2024, the register of members of the Company will be closed from Friday, 30 August 2024 to Wednesday, 4 September 2024 (both days inclusive) during which period no transfer of shares of the Company will be effected.

Holders of H shares whose names appear on our register of members on Friday, 30 August 2024 shall be entitled to attend the EGM. For shareholders who wish to attend and vote at the EGM, the relevant share certificates accompanied by all transfer documents must be lodged with Computershare Hong Kong Investor Services Limited (the “**H Share registrar**”) at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Thursday, 29 August 2024.

2. Shareholders who are entitled to attend and vote at the EGM may appoint one or more proxies to attend and, in the event of a poll, vote on their behalves. A proxy need not be a Shareholder.
3. The instrument appointing a proxy must be in writing under the hand of a shareholder or his/her attorney duly authorised in writing. If the shareholder is a corporation, that instrument must be executed either under its seal or under the hand of its director or other attorneys duly authorised to sign the same.
4. In order to be valid, the form of proxy and other documents of authorization (if any) must be deposited, for the H Shareholders, to the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, by 1:30 p.m. on Tuesday, 3 September 2024 (Hong Kong time). Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the EGM should you so wish.
5. Shareholders or their proxies shall produce their identity documents and supporting documents in respect of shares held or form of proxy signed by the shareholder (or shareholder’s authorized person) when attending the EGM.
6. The EGM is expected to be held for less than half a day. Shareholders who intend to attend the EGM shall arrange and bear their own transportation and accommodation expenses.
7. The name and address of the Company’s H Share registrar are as follows:

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

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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

As at the date of this notice, the executive director of the Company is Mr. Ge Xiaobo; the non-executive directors of the Company are Mr. Hua Weirong, Mr. Zhou Weiping, Mr. Wu Weihua, Ms. Li Suo and Mr. Liu Hailin; and the independent non-executive directors of the Company are Mr. Wu Xingyu, Mr. Chu, Howard Ho Hwa and Mr. Gao Wei.

NOTICE OF THE H SHAREHOLDERS' CLASS MEETING



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

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

(Stock Code: 01456)

NOTICE OF THE FIRST H SHAREHOLDERS' CLASS MEETING FOR THE YEAR 2024

NOTICE IS HEREBY GIVEN that the H shareholders' class meeting (the "**H Shareholders' Class Meeting**") of Guolian Securities Co., Ltd. (the "**Company**") will be held on Wednesday, 4 September 2024 at conference room on the 1st Floor, No. 8 Jinrong One Street, Wuxi, Jiangsu Province, the PRC immediately after the A Shareholders' Class Meeting for the purpose of considering and, if thought fit, passing the following resolutions of the Company. Unless the context otherwise requires, capitalized terms used herein shall have the same meanings as those defined in the circular of the Company dated 20 August 2024:

SPECIAL RESOLUTIONS

1. Resolution on the adjusted proposal for acquisition of assets by issuing shares and raising supporting funds and related party transaction.
 - 1.1 Summary of the proposal of the Transactions
 - 1.2 Specific proposal for the Acquisition of Assets by Issuing Shares
 - 1.2.1 Subject assets
 - 1.2.2 Target subscribers
 - 1.2.3 Basis of pricing and transaction price
 - 1.2.4 Payment of consideration (by way of issuing shares)
 - 1.2.5 Class, nominal value and place of listing of the shares to be issued

NOTICE OF THE H SHAREHOLDERS' CLASS MEETING

- 1.2.6 Price determination date and issue price
- 1.2.7 Number of shares to be issued
- 1.2.8 Arrangement for lock-up period
- 1.2.9 Arrangement for accumulated undistributed profits
- 1.2.10 Arrangement for the listing of shares
- 1.2.11 Arrangement for profit and loss during the transitional period
- 1.2.12 Treatment of creditor's rights and debts and resettlement of personnel
- 1.2.13 Contractual obligations for the transfer of ownership of the subject assets and liabilities for defaults
- 1.3 Specific proposal for Raising Supporting Funds
 - 1.3.1 Class, nominal value and place of listing of the shares to be issued
 - 1.3.2 Target subscribers
 - 1.3.3 Price determination date, pricing principles and issue price
 - 1.3.4 Issue size and number
 - 1.3.5 Arrangement for lock-up period
 - 1.3.6 Use of raised supporting funds
 - 1.3.7 Arrangement for accumulated undistributed profits
- 1.4 Validity period of the resolutions

NOTICE OF THE H SHAREHOLDERS' CLASS MEETING

2. Resolution on the execution of the transaction agreement with effective conditions.
3. Resolution on proposing at the shareholders' meeting to authorize the Board and its authorized person(s) to deal with matters relating to the major assets reorganisation.

By Order of the Board
Guolian Securities Co., Ltd.
Ge Xiaobo
Chairman

Wuxi, Jiangsu Province, the PRC
20 August 2024

Notes:

1. In order to determine the entitlement to attend and vote at the H Shareholders' Class Meeting of the Company to be held on Wednesday, 4 September 2024, the register of members of the Company will be closed from Friday, 30 August 2024 to Wednesday, 4 September 2024 (both days inclusive) during which period no transfer of shares of the Company will be effected.

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2. Shareholders who are entitled to attend and vote at the H Shareholders' Class Meeting may appoint one or more proxies to attend and, in the event of a poll, vote on their behalves. A proxy need not be a Shareholder.
3. The instrument appointing a proxy must be in writing under the hand of a shareholder or his/her attorney duly authorised in writing. If the shareholder is a corporation, that instrument must be executed either under its seal or under the hand of its director or other attorneys duly authorised to sign the same.
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NOTICE OF THE H SHAREHOLDERS' CLASS MEETING

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

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor,
Hopewell Centre,
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As at the date of this notice, the executive director of the Company is Mr. Ge Xiaobo; the non-executive directors of the Company are Mr. Hua Weirong, Mr. Zhou Weiping, Mr. Wu Weihua, Ms. Li Suo and Mr. Liu Hailin; and the independent non-executive directors of the Company are Mr. Wu Xingyu, Mr. Chu, Howard Ho Hwa and Mr. Gao Wei.