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(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 6806)

CONTINUING CONNECTED TRANSACTION RENEWAL OF THE SECURITIES AND FINANCIAL PRODUCTS, TRANSACTIONS AND SERVICES FRAMEWORK AGREEMENT

BACKGROUND

Reference is made to the Prospectus in relation to, among others, the Framework Agreement entered into between the Company and JIC on March 29, 2019 and the annual caps set for 2019, 2020 and 2021. References are made to the announcement dated March 27, 2020 and the circular dated June 3, 2020 of the Company, in relation to, among other things, proposed amendments to the annual caps for 2020 and 2021 under the Framework Agreement. Pursuant to the Framework Agreement, the Group and JIC and/or its associates shall provide securities and financial products and transactions to each other in their respective ordinary course of business based on normal commercial terms and market practices at prevailing market prices or rates and the Group shall provide Securities and Financial Services to JIC and/or its associates.

As the Framework Agreement will expire on December 31, 2021, the Company has entered into the New Framework Agreement with JIC on December 6, 2021 for a term of three years effective from January 1, 2022 and expiring on December 31, 2024 upon approval at the EGM.

LISTING RULES IMPLICATIONS

As at the date of this announcement, JIC directly holds approximately 26.34% of the total issued share capital of the Company. Therefore, JIC is a Substantial Shareholder of the Company, and according to Chapter 14A of the Listing Rules, a connected person of the Company. Accordingly, the transactions contemplated under the New Framework Agreement entered into between the Company and JIC constitute the continuing connected transactions of the Company under the Listing Rules. As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the New Framework Agreement and the transactions contemplated thereunder exceeds 5%, such transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

EGM

The Company proposes to present relevant proposal at the EGM to be held for the Shareholders to consider and, if thought fit, approve, among others, the renewal of the Framework Agreement and the transactions contemplated thereunder and the proposed annual caps for the three years ending December 31, 2024.

JIC and Central Huijin will abstain from voting on the resolution regarding the renewal of the Framework Agreement and the transactions contemplated thereunder and the proposed annual caps for the three years ending December 31, 2024 at the EGM. As at the date of this announcement, JIC directly holds 6,596,306,947 Shares with voting rights of the Company (representing approximately 26.34% of the total issued share capital of the Company) and Central Huijin directly holds 5,020,606,527 Shares with voting rights of the Company (representing approximately 20.05% of the total issued share capital of the Company). To the best knowledge, information and belief of Directors having made all reasonable enquiries, other than JIC and Central Huijin, no other Shareholders are required to abstain from voting on the resolution regarding the renewal of the Framework Agreement and the transactions contemplated thereunder and the proposed annual caps for the three years ending December 31, 2024 at the EGM.

The Company has established the Independent Board Committee comprising all independent non-executive Directors, i.e. Ms. Yeung Siuman Shirley, Mr. Wu Changqi, Mr. Chen Hanwen and Mr. Zhao Lei, to advise the Independent Shareholders in respect of the renewal of the Framework Agreement and the transactions contemplated thereunder and the proposed annual caps for the three years ending December 31, 2024. The Company has appointed Somerley Capital Limited as its Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

A circular containing, among others, (1) details of the renewal of the Framework Agreement and the transactions contemplated thereunder and the proposed annual caps for the three years ending December 31, 2024; (2) a letter from the Independent Board Committee to Independent Shareholders in respect of the renewal of the Framework Agreement and the transactions contemplated thereunder and the proposed annual caps for the three years ending December 31, 2024; (3) a letter from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders in the same regard; and (4) the notice of the EGM, is expected to be dispatched to the Shareholders on or before December 10, 2021.

I. RENEWAL OF THE SECURITIES AND FINANCIAL PRODUCTS, TRANSACTIONS AND SERVICES FRAMEWORK AGREEMENT

(I) BACKGROUND

Reference is made to the Prospectus in relation to, among others, the Framework Agreement entered into between the Company and JIC on March 29, 2019 and the annual caps set for 2019, 2020 and 2021. References are made to the announcement dated March 27, 2020 and the circular dated June 3, 2020 of the Company, in relation to, among other things, proposed amendments to the annual caps for 2020 and 2021 under the Framework Agreement. Pursuant to the Framework Agreement, the Group and JIC and/or its associates shall provide securities and financial products and transactions to each other in their respective ordinary course of business based on normal commercial terms and market practices at prevailing market prices or rates and the Group shall provide Securities and Financial Services to JIC and/or its associates.

As the Framework Agreement will expire on December 31, 2021, the Company has entered into the New Framework Agreement with JIC on December 6, 2021 for a term of three years effective from January 1, 2022 and expiring on December 31, 2024 upon approval at the EGM.

(II) NEW FRAMEWORK AGREEMENT

1. *Date*

December 6, 2021

2. *Parties*

(1) the Company; and

(2) JIC

3. *Term*

From January 1, 2022 to December 31, 2024

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

A. *Securities and Financial Products and Transactions*

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

- equity-related products, including but not limited to, equity interest, funds, trust, asset management schemes, exchangeable bonds, convertible bonds and structured products;
- fixed-income products, including but not limited to, funds, trust, bonds, debt, and structured products with fixed income characteristics;
- hybrid products, including but not limited to, funds, trust, asset management schemes and structured products;
- financing transactions among financial institutions with or without guarantees; and
- other related securities and financial products and derivative products.

B. Securities and Financial Services

According to the New Framework Agreement, JIC agreed to purchase and the Company agreed to provide Securities and Financial Services to JIC and/or its associates in its ordinary course of business based on normal commercial terms and market practices at prevailing market prices. The Securities and Financial Services provided to JIC and/or its associates include (but are not limited to) the following (collectively the “**Securities and Financial Services**”):

- financial products agency sale services. The Group receives service fees and/or other fees for such services;
- leasing of trading units services. The Group leases its trading units to institutional clients and receives trading commission and/or other fees for such services;
- brokerage services including securities brokerage and related financial products brokerage services. The Group receives brokerage commissions for such services;
- investment banking services including, but not limited to, underwriting and sponsorship services for stock, equity interests, bonds and other products, and financial advisory services for other general corporate restructuring, mergers and acquisition. The Group receives underwriting commissions, sponsor fees, financial advisory fees and/or other fees for such services;
- asset management services. The Group manages the assets of customers and receives service fees for such services; and
- other comprehensive securities and financial advisory and consulting services. The Group receives advisory fees and/or other fees for such services.

5. *Pricing Basis*

A. *Pricing Basis for Securities and Financial Products and Transactions*

The market rates in respect of each of the Securities and Financial Products and Transactions are generally transparent and standardized across the market. The commission rates and fees charged for these products and transactions shall be determined based on arm's length negotiation with reference to the prevailing market price or the prevailing market rates normally applicable to Independent Third Parties for similar types of transactions at the time of the transactions.

The Securities and Financial Products and Transactions are mainly conducted through the PRC inter-bank bond market and the PRC exchange bond market, exchanges (including stock exchanges, futures exchanges, Shanghai Gold Exchange, etc.) and the open-ended fund market. The commission rates and fees charged for the Securities and Financial Products and Transactions conducted through such particular trading venues depend on the particular trading venue on which the relevant transaction is carried out.

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

The major types of securities and financial products traded on the PRC inter-bank bond market and the PRC exchange bond market include inter-bank lending, collateralized repurchase, buyout repurchase, spot trading, bond lending, asset securitization products and interest rate swap, etc. The pricing of the transactions conducted at the PRC inter-bank bond market and the PRC exchange bond market are based on the prices quoted in the PRC inter-bank bond market and the PRC exchange bond market. Such prices are mainly determined with reference to the valuation of the relevant securities and financial products published by China Central Depository & Clearing Co., Ltd. on the previous trading day ("**CCDC Valuation Data**"), yield curve and the turnover details published by China Foreign Exchange Trading System & National Interbank Funding Centre. The Company may subscribe for the CCDC Valuation Data each year, and get access to the data of China Foreign Exchange Trading System through the information channels and websites of official and voluntary industry regulatory authorities, such as <http://www.chinamoney.com.cn>; the Company may also get access to the relevant data through the database provided by information service providers, such as Wind Information.

- Securities and financial products traded on the exchanges

The major types of securities and financial products traded on the Shanghai Stock Exchange, Shenzhen Stock Exchange, Shanghai Gold Exchange and the PRC futures exchanges include stocks, funds, bonds, gold products, futures, etc. Share options are also traded on Shanghai Stock Exchange. Call auction mechanism is mainly adopted in these exchanges and the pricing is primarily determined with reference to the turnover of a particular securities and financial product. The Company has access to the trading systems of the relevant exchanges to obtain the real-time quotations of the relevant securities and financial products.

- Securities and financial products traded on the open-ended fund market

The major types of securities and financial products traded on the open-ended fund market include fund products, trust products, wealth management products and asset management products (collectively, the “**Fund Products**”). The pricing of transactions conducted through the open-ended fund market is determined based on the unit net value of the relevant Fund Products on the date of transaction. The unit net value of such Fund Products is calculated by dividing the net asset value of the Fund Products by the total number of the fund units. The net asset value of the Fund Products is determined based on the China Accounting Standards for Business Enterprises and in accordance with the relevant requirements of the CSRC and the Asset Management Association of China, and taking into account the fund portfolio consisting of securities, bank deposits, receivables and other investments. The calculation of the unit net value of the Fund Products is set forth in the relevant fund contract and prospectus, and equally applies to all investors of the Fund Products.

With respect to the pricing of securities and financial products without direct market quotations, the Company mainly refers to the prices of the transactions for similar products with two or more Independent Third Parties to determine if the pricing and terms of the transactions between the Company or its subsidiaries and JIC and/or its associates are fair, reasonable and no more favourable than those of the transactions between the Company or its subsidiaries and Independent Third Parties.

To ensure that the Securities and Financial Products and Transactions are entered into on normal commercial terms and to safeguard the interests of the Shareholders as a whole, the Group has put in place internal approval and monitoring procedures relating to the Group’s connected transactions, further details of which are set out in “III. Internal Monitoring Measures” below.

B. Pricing Basis for Securities and Financial Services

The pricing basis for the Securities and Financial Services is as follows:

- financial products agency sale services — service fees shall be determined based on factors including market prices, industry practice and the total amount of financial products under the agency sale arrangements with reference to the service fee rate for the last half year charged by the Group for comparable agency sale service provided to Independent Third Party and the service fee rate for the subsisting financial products agency sale services is generally in the range of 0% to 1.5%;
- leasing of trading units services — the Group charges a percentage of the trading volume in respect of each trade conducted through the Group's trading units as the Group's commission where such percentage shall be determined based on the market rates for the last half year and industry practice. The commission rates charged on the leasing of trading units are generally transparent across the market. The commission rates charged by the Group for the subsisting leasing of trading units services are basically consistent with the commission rates in the market and generally in the range of 0.02% to 0.1%;
- brokerage services — the commission rates for these services are generally transparent and standardized across the market. The commission rates charged by the Group are determined based on arm's length negotiation with reference to the prevailing market rates for the latest week for securities or futures similar to existing business and generally in the range of 0.013% to 0.3%;
- investment banking services — the fees are determined with reference to factors including the market rates for projects of a similar type for the last half year and the amount of proceeds raised from the offering through competitive bidding, business negotiation or based on arm's length negotiation;

with respect to the underwriting fees for fixed-income products (including corporate bonds, company bonds, asset securitization products, etc.), the fees are mainly determined through negotiations with issuer and competitive bidding according to the issuer, type and term of bonds;

with respect to the pricing for investment banking business, the CSRC published the Guidance on Internal Control of Investment Banking Business of Securities Companies (《證券公司投資銀行業務內部控制指引》) in 2018, pursuant to which in carrying out investment banking business, securities companies shall determine the price reasonably based on comprehensive assessment of execution cost. The price of the investment banking business of the Company is subject to regulation by the CSRC;

- asset management services — the fees charged for asset management services are determined based on arm’s length negotiations with reference to factors including the market rates for the last half year, the size of the assets and the complexity of the particular service provided. The market rates for these services are generally transparent across the market. The rates charged by the Group for the subsisting asset management services are basically consistent with the market rates and generally in the range of 0.01% to 3%; and
- other comprehensive securities and financial advisory and consulting services — the fees for such services are determined based on arm’s length negotiation with reference to the market rates for transactions of similar type and size for the last half year.

The terms (including pricing terms) in respect of the Securities and Financial Services to be provided by the Group to JIC and/or its associates shall be comparable to those provided to the Group’s other independent institutional clients of similar profile and transaction amount. The Securities and Financial Services shall be subject to the same or stricter internal approval and monitoring procedures and pricing policies applicable to independent clients, further details of which are set out in “III. Internal Monitoring Measures” below.

6. *Historical Transaction Amounts*

A. *Securities and Financial Products and Transactions*

For the three years ending December 31, 2021, the annual caps of the Securities and Financial Products and Transactions are set out below:

(Unit: RMB’000)

Securities and Financial Products and Transactions	For the year ended/ending December 31,		
	2019	2020	2021
In ⁽¹⁾⁽³⁾	4,690,721	8,108,500	9,718,500
Out ⁽²⁾⁽³⁾	<u>4,053,000</u>	<u>8,479,000</u>	<u>9,999,800</u>

For the two years ended December 31, 2020 and the nine months ended September 30, 2021, the historical transaction amounts of the Securities and Financial Products and Transactions are set out below:

	<i>(Unit: RMB'000)</i>		
	For the year ended December 31,		For the nine months ended September 30,
Securities and Financial Products and Transactions	2019	2020	2021
In ⁽¹⁾⁽³⁾	2,289,738	1,208,745	1,007,680
Out ⁽²⁾⁽³⁾	<u>1,557,666</u>	<u>948,000</u>	<u>923,124</u>

Notes:

- (1) “In” means the total cash inflow to the Group arising from the Securities and Financial Products and Transactions, including the sale and redemption of the relevant products, interests received from the relevant products.
- (2) “Out” means the total cash outflow from the Group arising from the Securities and Financial Products and Transactions, including the cash outflow arising from the purchase of the relevant products, interests paid for the relevant products and the repurchase of relevant products by the Group’s counterparties.
- (3) The “In” and “Out” reflect the capital flow between the Group and JIC and its subsidiaries. The contribution of such capital to the Group’s revenue is in the forms of bid-ask spread or interests accrued during the holding period or gain or loss on changes in fair value of securities, interests on financing, interest income from lending, management fee, handling fee, performance-based compensation, and other income from entrusted management of assets, investment income from investment asset management plan or other financial products, etc.

For the two years ended December 31, 2020 and the nine months ended September 30, 2021, the utilisation rates of the inflow of the Securities and Financial Products and Transactions are 48.81%, 14.91% and 10.37%, respectively, and the utilisation rates of the outflow thereof are 38.43%, 11.18% and 9.23%, respectively.

B. Securities and Financial Services

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

(Unit: RMB'000)

Securities and Financial Services	For the year ended/ending December 31,		
	2019	2020	2021
The Group's revenue generated from providing the Securities and Financial Services to JIC and/or its associates	<u>19,000</u>	<u>107,300</u>	<u>135,360</u>

For the two years ended December 31, 2020 and the nine months ended September 30, 2021, the historical transaction amounts of the Securities and Financial Services are set out below:

(Unit: RMB'000)

Securities and Financial Services	For the year ended		For the nine
	December 31,		months ended
	2019	2020	September 30,
			2021
The Group's revenue generated from providing the Securities and Financial Services to JIC and/or its associates	<u>15,323</u>	<u>28,688</u>	<u>17,129</u>

For the two years ended December 31, 2020 and the nine months ended September 30, 2021, the utilisation rates of the Securities and Financial Services are 80.65%, 26.74% and 12.65%, respectively.

7. Proposed Annual Caps and Basis of Determination

A. Securities and Financial Products and Transactions

The proposed annual caps of the Securities and Financial Products and Transactions for the three years ending December 31, 2024 are set out below:

(Unit: RMB'000)

	For the year ending December 31,		
Securities and Financial Products and Transactions	2022	2023	2024
In ⁽¹⁾⁽³⁾	34,373,400	35,385,100	36,650,100
Out ⁽²⁾⁽³⁾	<u>37,303,400</u>	<u>38,315,100</u>	<u>39,580,100</u>

In estimating the annual caps of the total inflow amount and total outflow amount of the Securities and Financial Products and Transactions of the Group, the Company has considered, among others, the following key factors:

- (1) Historical data on the total cash inflows and total cash outflows of certain Securities and Financial Products and Transactions previously entered into by certain members of the Group with JIC and its associates for the two years ended December 31, 2020 and the nine months ended September 30, 2021, including the subscription for or redemption of funds, trust products and asset management products, securities trading, etc. by certain members of the Group with associates of JIC, with inflows and outflows of approximately RMB2,200 million and RMB1,500 million for 2019, approximately RMB1,200 million and RMB900 million for 2020, and approximately RMB1,000 million and RMB900 million for the nine months ended September 30, 2021, respectively. Historically, the fluctuation of such transactions was relatively high, and once they occurred, the transaction amount was significant. Based on the preliminary transaction intention reached or solicited by the Company with JIC and its associates, the intended subscription amount of the Group is approximately RMB1,000 million. Considering the Group's high demand for liquidity management, the scale of cash management may reach the level of RMB10,000 million, and the Group needs to seek some monetary funds with liquidity management function from the market as investment targets. According to the public data of Wind Information, so far, the total size of the monetary funds managed by the associates of JIC has been approximately RMB230,000 million, among which the total size of each of 3 monetary funds has exceeded RMB10,000 million, and thus the relevant monetary fund products meet the investment criteria on liquidity management. The Group's Exchange-traded Fund ("ETF") market-making business continues to grow, with the size of domestic non-monetary ETFs growing at a compound grown rate of 26.58% from 2013 to October 30, 2021, and the size of ETFs managed by the associates of JIC increased at a compound grown rate of 60.49% over the same period. Based on a cap of RMB1,440 million in 2021

and a 30% annual increase over the previous year from 2022 onwards, at the same time, the bond issuance volume of the associates of JIC continues to grow, for example, JIC Leasing Co., Ltd., an associate of JIC, issued bonds of RMB5,600 million in 2019, RMB6,700 million in 2020 and RMB8,600 million from January to September 2021, the Company is more likely to subscribe for the financial products issued by the associates of JIC. In addition, as of October 2021, the outstanding market capitalization of gold ETFs managed by JIC and its associates was approximately RMB500 million with an average daily trading volume of RMB150 million. According to the historical market-making data of the Company for gold, non-ferrous metal and monetary funds, the Company usually accounted for 5.00% to 12.50% of the total trading volume of fund market makers, and based on the middle-point of 6.67% on that day and the frequent market price fluctuations throughout the year, the annual accumulated trading volume was approximately RMB2,500 million (i.e. an average daily trading volume of RMB150 million * annual trading days of approximately 250 days * 6.67%). In summary, although the actual transaction amounts were not high historically, in view of the future development trend of the Company's businesses and the gradually solid cooperative relationship with JIC and its associates, it is expected that the inflow and outflow of such transactions such as subscription for or redemption of funds, trust products and asset management products, and securities trading by the Group with JIC and its associates will be capped at RMB11,373 million and RMB9,303 million in 2022, respectively, and will increase by 10% in each subsequent year, respectively.

- (2) The Company and JIC and its associates have the needs for innovative business and other securities trading business, mainly due to the potential for rapid growth in the amount of derivative transactions. According to the report on OTC business development disclosed by the Securities Association of China, in terms of OTC derivatives, the overall existing size of OTC derivative financial products of securities dealers amounted to a total of approximately RMB1.28 trillion as of the end of 2020, and it reached RMB1.90 trillion at the end of September 2021, exceeding that of last year by 48%. In terms of income certificates, as of the end of September 2021, the existing size of the income certificate business of securities dealers was RMB408,100 million. With the successive acquisition of qualifications including the qualification for conducting cross-border business and the qualification of OTC options and dealers by the Company in recent years, the Company's overall OTC derivatives business has developed rapidly, and its customers base, counterparties, product structure and application scenarios have been further enriched. Focusing on the capital intermediary business such as derivatives and quantitative trading, and with the main objective of serving customers, the Company continues to use derivatives to provide effective risk management, wealth management and asset allocation tools to the market, providing professional investors with differentiated and one-stop integrated financial services solutions. As of June 30, 2021, the Company's OTC options business ranked among the top in the industry in terms of both new and existing business scales, with the market share of individual stock options increasing rapidly, and the scale of cross-border business growing by over 300% from the end of the previous year.

Currently, the Company has been in contact with JIC and its associates regarding OTC derivatives, income certificates and other business, and intends to have more frequent and larger-scale dealings with JIC and its associates. In view of the rapid development in the size of the derivatives trading market and increasing customer demand, the scale of the Company's derivatives trading business will increase significantly in the next three financial years; and as the Group's cooperation with JIC and its associates continues to grow, the Company expects to generate larger-scale derivatives and other innovative business transactions with JIC and its associates.

Considering the future development of OTC derivatives and income certificate business and other innovative business of the Company, together with the characteristics of large amount of single transaction, high frequency and strong timeliness of such businesses, the Company has made a higher estimate of the proposed transaction cap for the next three years, with the inflow and outflow caps of RMB23,000 million and RMB28,000 million respectively for the next three years.

The Company considers that it is impracticable and extremely difficult to set a separate annual cap for each type of the Securities and Financial Products and Transactions for the following key reasons:

- each of the Securities and Financial Products and Transactions is entered into at the then prevailing market price in the ordinary course of the Group's business with high frequency and significant fluctuations in the value of such transactions. Such transactions are market-driven and are entered into depending on various factors including, among others, the bidding price and timing of the bids. The value of each of these transactions is determined by the market and varies from time to time and from year to year depending on various external factors that are out of the Group's control, including the then economic conditions as well as the fluctuations in the financial markets. Accordingly, historical data for each type of these transactions may not be a fair indication as to the expected aggregate value of these transactions for the three years ending December 31, 2024;
- setting an annual cap for each type of the Securities and Financial Products and Transactions may adversely affect the Group's business. Most of the Securities and Financial Products and Transactions are entered into in a very short timeframe and are very sensitive to market prices. If an annual cap is set for each type of the Securities and Financial Products and Transactions, it may cause significant delay to such transactions and undue disruption to the Group's existing operations and potential growth to the detriment of the Company and the Shareholders as a whole and restrict the Group's overall competitiveness in a highly competitive securities industry. Setting an annual cap for each type of these transactions will therefore be impracticable and extremely difficult for the Company;

- constant emergence of new products. The variety and characteristics of products are changing frequently in the ever-changing PRC securities and financial market, hence it is difficult to practically estimate with accuracy when new products will be launched;
- the Group plays a relatively passive role in some of these transactions. As such, it is impracticable for the Group to estimate the expected annual value of such transactions with accuracy. For example, JIC and/or its associates may purchase products of the Group based on their own business needs. The Group handles such transactions with JIC and/or its associates in a manner similar to that of the Group's transactions with Independent Third Parties, and the Group has no control over whether and which products of the Group JIC or its associates purchase or the timing or amount of their purchases; and
- all Securities and Financial Product and Transactions will continue to be entered into at the then prevailing market prices or market rates in the ordinary course of the Group's business and the business of JIC and/or its associates.

In light of the above, the Company considers that it is more practicable to set annual caps for the total inflow and outflow of all the Securities and Financial Products and Transactions under the New Framework Agreement, instead of a separate annual cap for each type of those products and transactions.

B. Securities and Financial Services

The proposed annual caps of the Securities and Financial Services for the three years ending December 31, 2024 are set out below:

(Unit: RMB'000)

Securities and Financial Services	Annual caps for the year ending December 31,		
	2022	2023	2024
The Group's revenue generated from providing the Securities and Financial Services to JIC and/or its associates	<u>186,270</u>	<u>223,360</u>	<u>273,310</u>

In estimating the annual caps of the revenue to be generated from the Securities and Financial Services of the Group, the Company has considered, among others, the following key factors:

- (1) For the two years ended December 31, 2020 and the nine months ended September 30, 2021, the Group's historical transaction amounts arising from the provision of financial services to JIC and its associates (including different service fees and commission and fees, etc. charged for the provision

of various financial services) amounted to approximately RMB15 million in 2019, RMB29 million in 2020 and RMB17 million for the nine months ended September 30, 2021. In addition, considering that most of the financial services provided by the Group to JIC and its associates are market-oriented, the determination of the proposed annual caps needs to take sufficient account of market fluctuations and changes. Otherwise, an excessively tight annual cap may result in disruption to the Group's business and impair the Group's ability to respond promptly to a highly active financial market.

- (2) The growing and diversifying businesses of JIC and its associates, plus the Group's plan to deepen cooperation with JIC and its associates in the future, will create more opportunities for the Group to provide financial services.

The fees charged for certain services will likely to increase, taking into account market conditions. For example:

- China's stock market has picked up since 2019 as the trading volume of stocks hit record high repeatedly, with trillions of trading volume for dozens of consecutive trading days in 2021. For example, the trading amount of Shanghai Securities Composite Index was RMB92.4 trillion as at the end of October 2021, representing a year-on-year increase of 35.68% as compared to RMB68.1 trillion for the same period in 2020. In addition, as the stock market continues to expand, with the opening of the STAR Market in 2019 and the launch of the Beijing Stock Exchange in 2021, it is expected that the Company's commission and fees for stock trading will continue to increase in the future. Therefore, it is proposed that the securities services such as agency trading of securities and leasing of trading units related to the brokerage business be capped at RMB50 million in 2022, with an annual increase of approximately 50% thereafter;
- The cooperation in investment advisory business will be deepened gradually. At the initial stage of business, the Company has commenced investment advisory business with JIC and its associates for a product scale of RMB600 million. With the development of business, the growth in scale is estimated at RMB6,000 million, which will generate RMB12 million of fixed investment advisory fee income if calculated at 2‰ of the investment advisory fee. In addition, pursuant to provisions of the contract, the Company may be entitled to a floating investment advisory fee, which is based on the account income. In conclusion, although there is no historical transaction amount for this type of business, it is proposed to apply for an investment advisory service income quota of RMB30 million for the next three years;
- In 2021, the Company's investment banking business achieved further development. Although the Company has not provided investment banking services to JIC and its associates in its history, considering that among JIC and its subsidiaries there are trust companies, leasing companies,

technology companies and cultural companies, it is likely for the Company to provide bond underwriting, issuance of asset-backed securities, underwriting sponsorship, mergers and acquisition and restructuring, recommendation for listing and other investment banking services to JIC and its subsidiaries in the future. The income from investment banking business of the Company in 2020 was RMB1,494 million, representing an increase of 22.56% over 2019. If the investment banking business of the Company grows at a rate of 20% per annum for the next three years, based on that the income from investment banking services provided by the Company to JIC and its subsidiaries accounted for 3.8% of the income from investment banking business, and will grow at a rate of approximately 10% per annum, the income from investment banking business is expected to be RMB80 million, RMB90 million and RMB100 million, respectively for the future three years;

- In recent years, the Company has achieved faster development in services such as investment management, fund custody or fund operation and agency sale. For example, the Company's agency sale of third-party financial products amounted to RMB110,314 million in 2020, representing an increase of 136.76% over the previous year. The Company's investment management business segment achieved operating income of RMB1,884 million in 2020, representing an increase of 15.36% over the previous year. There is a possibility for the Company to provide relevant Securities and Financial Services to JIC and its associates. Taking into account the cooperation in the past three years and the future business development trend, it is proposed that the relevant service income be capped at RMB26 million, RMB28 million and RMB29.5 million, respectively, in the future three years.

In line with economic growth and market reforms, the Chinese securities market is expected to develop further and the Company will continue to expand its financial services.

8. Reasons for and Benefits of Entering into the New Framework Agreement

In the ordinary course of business, the Group regularly engages in various kinds of Securities and Financial Products and Transactions with various counterparties, including JIC and its associates. The Group purchases suitable securities and financial products from different providers (including JIC and its associates, which are the Group's connected persons, and Independent Third Parties) based on the Group's internal evaluation system and procedures with reference to various factors including the cost, market condition and the Group's risk exposure, business needs and development requirements. JIC and/or its associates also purchase securities and financial products from the Group in their ordinary course of business from time to time, taking into account their business needs and the suitability of the products the Group offered.

Meanwhile, in the ordinary course of business, the Group provides Securities and Financial Services to its customers, which include JIC and its associates. Due to their business needs and the Group's expertise and professional capabilities, the Group has been engaged by JIC and its associates to provide Securities and Financial Services from time to time.

9. Listing Rules Implications

As at the date of this announcement, JIC directly holds approximately 26.34% of the total issued share capital of the Company. Therefore, JIC is a Substantial Shareholder of the Company, and according to Chapter 14A of the Listing Rules, a connected person of the Company. Accordingly, the transactions contemplated under the New Framework Agreement entered into between the Company and JIC constitute the continuing connected transactions of the Company under the Listing Rules. As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the New Framework Agreement and the transactions contemplated thereunder exceeds 5%, such transactions are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(III) INTERNAL MONITORING MEASURES

The Group has taken a series of internal monitoring measures to regulate the continuing connected transactions under the New Framework Agreement. The main internal monitoring measures include the followings:

- (1) The Company has prepared internal guidelines in accordance with the Listing Rules, which provide approval procedures for connected transactions;
- (2) For the Securities and Financial Products and Transactions, the Company has established its internal guidelines and policies for conducting transactions of different types of the Securities and Financial Products and Transactions. Such policies and guidelines set out the requirements for pre-trading pricing enquiries, applicable interest rate, the procedures for price determination, approval authority and procedures, record keeping, supervision and review procedures for conducting transactions of different types of the Securities and Financial Products and Transactions;
- (3) For the provision of the Securities and Financial Services to JIC and/or its associates, the Company or its subsidiaries shall refer to the prices offered to two or more Independent Third Parties for similar services to determine if the pricing and terms offered by the Company or its subsidiaries to JIC and/or its associates are fair, reasonable and no more favourable than those offered by the Company or its subsidiaries to Independent Third Parties;
- (4) In order to strengthen the management of the Company's connected transactions, the Company has designated specific departments such as the legal and compliance department and the Board office to take the lead in management of the Company's

connected transactions and to remind the business departments and the Company's subsidiaries to supervise and control such connected transactions. Meanwhile, each of the Company's business departments and subsidiaries designate specific person to be the contact person for the management of connected transactions, responsible for establishing the connected transaction ledger of each department and subsidiary, summarizing and conducting statistics on the Company's connected transactions on a quarterly basis. The business departments are responsible for real-time monitor on the amounts of connected transactions incurred, and back-end departments such as the legal and compliance department and the Board office will summarize and monitor the actual amount of connected transactions on a quarterly basis according to the data provided by the business departments. A transaction alert will be launched to inform the legal and compliance department of the Company in advance if the business department discovers that the amount of connected transactions within the quarter will or are expected to exceed annual caps. The legal and compliance department of the Company will strengthen the subsequent approval and control of connected transactions and review such transactions on a case-by-case basis. Connected transactions may be suspended if necessary, or be proceeded with upon the performance of the consideration and disclosure procedures for the revision of annual caps by the Company according to relevant rules, so as to ensure that the annual caps will not be exceeded;

- (5) The continuing connected transactions are subject to annual review by all the independent non-executive Directors and the auditors of the Company. The results of the review conducted by the independent non-executive Directors of the Company, and the work undertaken by the auditors of the Company in respect of the continuing connected transactions and the outcome of that work are disclosed in the annual report of the Company; and
- (6) Documents and records with respect to the connected transactions are required to be maintained and kept properly.

(IV) OPINIONS OF THE BOARD

As Ms. Ge Rongrong, Mr. Ren Xiaotao and Ms. Zhang Ying, being the Directors of the Company, are Directors despatched by Central Huijin, they are therefore deemed to have material interest in the New Framework Agreement and the transactions contemplated thereunder. Thus, they have abstained from voting on the Board resolution to approve the renewal of the continuing connected transactions under the Framework Agreement and the proposed annual caps thereof. Save as disclosed above, none of the other Directors have any material interest in the relevant Board resolution, and none of the other Directors are required to abstain from voting on the relevant Board resolution.

Having considered the abovementioned pricing basis, the basis for the proposed annual caps, reasons for and benefits of entering into the New Framework Agreement and internal monitoring measures, the Board (including independent non-executive Directors) are of the opinion that the terms of the New Framework Agreement and the proposed annual caps thereof are entered into in the ordinary and usual course of business of the Company on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

(V) INFORMATION ON THE PARTIES

The Group is an investment holding group focused on securities businesses and mainly provides comprehensive financial services, including enterprise finance, personal finance, institutional services and trading, as well as investment management.

JIC is a company with limited liability incorporated in the PRC and a comprehensive investment group mainly engaged in equity investment. JIC is a wholly-owned subsidiary of Central Huijin.

II. EGM

The Company proposes to present relevant proposal at the EGM to be held for the Shareholders to consider and, if thought fit, approve, among others, the renewal of the Framework Agreement and the transactions contemplated thereunder and the proposed annual caps for the three years ending December 31, 2024.

JIC and Central Huijin will abstain from voting on the resolution regarding the renewal of the Framework Agreement and the transactions contemplated thereunder and the proposed annual caps for the three years ending December 31, 2024 at the EGM. As at the date of this announcement, JIC directly holds 6,596,306,947 Shares with voting rights of the Company (representing approximately 26.34% of the total issued share capital of the Company) and Central Huijin directly holds 5,020,606,527 Shares with voting rights of the Company (representing approximately 20.05% of the total issued share capital of the Company). To the best knowledge, information and belief of Directors having made all reasonable enquiries, other than JIC and Central Huijin, no other Shareholders are required to abstain from voting on the resolution regarding the renewal of the Framework Agreement and the transactions contemplated thereunder and the proposed annual caps for the three years ending December 31, 2024 at the EGM.

The Company has established the Independent Board Committee comprising all independent non-executive Directors, i.e. Ms. Yeung Siuman Shirley, Mr. Wu Changqi, Mr. Chen Hanwen and Mr. Zhao Lei, to advise the Independent Shareholders in respect of the renewal of the Framework Agreement and the transactions contemplated thereunder and the proposed annual caps for the three years ending December 31, 2024. The Company has appointed Somerley Capital Limited as its Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

A circular containing, among others, (1) details of the renewal of the Framework Agreement and the transactions contemplated thereunder and the proposed annual caps for the three years ending December 31, 2024; (2) a letter from the Independent Board Committee to Independent Shareholders in respect of the renewal of the Framework Agreement and the transactions contemplated thereunder and the proposed annual caps for the three years ending December 31, 2024; (3) a letter from the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders in the same regard; and (4) the notice of the EGM, is expected to be dispatched to the Shareholders on or before December 10, 2021.

III. DEFINITIONS

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

“A Share(s)”	domestic Shares of the Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in RMB and are listed for trading on the Shenzhen Stock Exchange (Stock Code: 000166)
“A Shareholder(s)”	holder(s) of A Share(s)
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board” or “Board of Directors”	the board of directors of the Company
“Central Huijin”	Central Huijin Investment Ltd. (中央匯金投資有限責任公司), a company incorporated in the PRC with limited liability on December 16, 2003 and ultimately owned by the PRC government, which is the controlling shareholder of the Company
“Company”	Shenwan Hongyuan Group Co., Ltd. (申萬宏源集團股份有限公司), a joint stock company incorporated in the PRC with limited liability, whose H Shares and A Shares are listed on the Hong Kong Stock Exchange and the Shenzhen Stock Exchange, respectively
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“EGM”	the 2021 second extraordinary general meeting of the Company to be held at 2:30 p.m. on Thursday, December 30, 2021 at the Company’s conference room, No. 19, Taipingqiao Street, Xicheng District, Beijing, the PRC

“Framework Agreement”	the Securities and Financial Products, Transactions and Services Framework Agreement entered into between the Company and JIC on March 29, 2019
“Group”	the Company and its subsidiaries
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“H Share(s)”	overseas listed foreign Shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for in HKD and are listed for trading on the Hong Kong Stock Exchange (Stock Code: 6806)
“H Shareholder(s)”	holder(s) of H Share(s)
“Independent Board Committee”	the independent board committee comprising all independent non-executive Directors
“Independent Financial Adviser”	Somerley Capital Limited, a corporation licensed by the Securities and Futures Commission to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the renewal of the Framework Agreement and the transactions contemplated thereunder and the proposed annual caps for the three years ending December 31, 2024
“Independent Shareholder(s)”	Shareholders other than JIC and its associates
“Independent Third Party(ies)”	has the meaning ascribed thereto under the Listing Rules
“JIC”	China Jianyin Investment Ltd. (中國建銀投資有限責任公司), a company incorporated in the PRC with limited liability, which is a Substantial Shareholder of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

“New Framework Agreement”	the Securities and Financial Products, Transactions and Services Framework Agreement entered into between the Company and JIC on December 6, 2021
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding the Hong Kong, the Macau Special Administrative Region and Taiwan of the PRC
“Prospectus”	the prospectus of H Shares of the Company dated April 12, 2019
“RMB”	Renminbi, the lawful currency of the PRC
“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)”	shareholder(s) of the Company, including A Shareholders and H Shareholders
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Wind Information”	Wind Information Co., Ltd. (萬得資訊技術股份有限公司), a service provider of financial data, information and software in the PRC
“%”	per cent

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

Beijing, the PRC
December 6, 2021

As at the date of this announcement, the Board comprises Mr. Chu Xiaoming and Mr. Huang Hao as executive directors; Ms. Ge Rongrong, Mr. Ren Xiaotao, Mr. Zhang Yigang, Mr. Zhu Zhilong and Ms. Zhang Ying as non-executive directors; Ms. Yeung Siuman Shirley, Mr. Wu Changqi, Mr. Chen Hanwen and Mr. Zhao Lei as independent non-executive directors.