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

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

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國泰君安證券股份有限公司
GUOTAI JUNAN SECURITIES CO., LTD.

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

(Stock Code: 02611)

**DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION
TO THE ACQUISITION OF 8% EQUITY INTERESTS IN
HUAAN FUNDS
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND
NOTICE OF THE 2022 FIRST
EXTRAORDINARY GENERAL MEETING**

Independent Financial Adviser
ALTUS CAPITAL LIMITED

Notice convening the EGM to be held at Room 405, 768 Nanjing West Road, Jingan District, Shanghai, PRC at 2:00 p.m. on Friday, 8 July 2022, is set out on pages 107 to 108 of this circular.

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

20 June 2022

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DEFINITIONS

In this circular, unless the context otherwise requires, the following terms shall have the meanings set out below:

“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 Renminbi and are listed for trading on the Shanghai Stock Exchange
“Articles of Association”	the articles of association of the Company, as amended from time to time
“Board”	the board of directors of the Company
“China” or “PRC”	the People’s Republic of China, excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Closing Date”	the date on which the payment of consideration for the Proposed Acquisition is fully settled
“Company”	Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司), a joint stock company with limited liability incorporated in the PRC in August 1999, the A Shares of which are listed on the Shanghai Stock Exchange (stock code: 601211)
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	director(s) of the Company
“EGM”	the Company’s extraordinary general meeting to be held at Room 405, 768 Nanjing West Road, Jingan District, Shanghai, PRC at 2:00 p.m. on Friday, 8 July 2022
“Equity Transfer Agreement I”	the equity transfer agreement entered into between the Company and Shanghai SITICO on 27 October 2021, pursuant to which the Company agreed to acquire and Shanghai SITICO agreed to sell 15% equity interests in HuaAn Funds

DEFINITIONS

“Equity Transfer Agreement II”	the equity transfer agreement to be entered into between the Company and Shanghai Industrial, pursuant to which the Company agrees to acquire and Shanghai Industrial agrees to sell 8% equity interests in HuaAn Funds
“GTJA Investment”	Guotai Junan Investment Management Co., Ltd. (國泰君安投資管理股份有限公司), a joint stock company with limited liability incorporated in the PRC in December 2001, an associate of International Group
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HuaAn Funds”	HuaAn Funds Management Co., Ltd. (華安基金管理有限公司), a limited liability company incorporated in the PRC in June 1998
“H Share(s)”	ordinary shares in the share capital of the Company with nominal value of RMB1.00 each, which are listed on the Stock Exchange and traded in Hong Kong dollars
“Independent Board Committee”	the independent committee of the Board constituted by the independent non-executive Directors, namely Mr. XIA Dawei, Mr. DING Wei, Mr. LI Renjie, Mr. BAI Wei, Mr. LEE Conway Kong Wai and Mr. CHAI Hongfeng, for the purpose of considering and advising the Independent Shareholders in connection with the Proposed Acquisition
“Independent Financial Adviser”	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance of Hong Kong, being the independent financial adviser appointed by the Board to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the Proposed Acquisition

DEFINITIONS

“Independent Shareholder(s)”	the independent shareholders of the Company, and for the purpose of this circular, to the best knowledge, information and belief of the Directors and having made all reasonable enquiries means shareholders other than International Group and its associates and Shanghai Industrial
“Independent Third Part(ies)”	part(ies) not connected with the Company or its subsidiaries within the meaning of the Listing Rules as far as the Directors are aware after having made all reasonable enquiries
“Independent Valuer”	Shanghai Orient Appraisal Co., Ltd. (上海東洲資產評估有限公司), an independent qualified valuer
“International Group”	Shanghai International Group Co., Ltd. (上海國際集團有限公司), a limited liability company incorporated in the PRC in April 2000
“Jin Jiang International Investment”	Shanghai Jin Jiang International Investment and Management Company Limited (上海錦江國際投資管理有限公司), a limited liability company incorporated in the PRC in February 1990
“Latest Practicable Date”	14 June 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Proposed Acquisition”	the proposed acquisition of 8% equity interests in HuaAn Funds by the Company from Shanghai Industrial pursuant to the Equity Transfer Agreement II
“Proposed Amendments”	the proposed amendments to the Articles of Association and the Rules of Procedure for Meetings of the Board approved by the Board to be submitted to the EGM for consideration and approval
“Reference Date”	30 September 2021
“RMB”	Renminbi, lawful currency of the PRC

DEFINITIONS

“Rules of Procedure for Meetings of the Board”	the rules of procedure for meetings of the board of directors of Guotai Junan Securities Co., Ltd. set out in the appendix to the Articles of Association, as amended from time to time
“Shanghai Industrial”	Shanghai Industrial Investment (Group) Co., Ltd. (上海工業投資(集團)有限公司), a limited liability company incorporated in the PRC in November 1998
“Shanghai SASAC”	the Shanghai State-owned Assets Supervision and Administration Commission (上海市國有資產監督管理委員會)
“Shanghai SITICO”	Shanghai SITICO Asset Management Co., Ltd. (上海上國投資產管理有限公司), a limited liability company incorporated in the PRC in March 2015, a non-wholly owned subsidiary of International Group
“Shareholder(s)”	the holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Equity”	the 8% equity interests in HuaAn Funds held by Shanghai Industrial to be transferred to the Company pursuant to the Equity Transfer Agreement II
“Valuation Report”	the valuation report in respect of the valuation of 100% equity interests in HuaAn Funds as of the Reference Date issued by the Independent Valuer, as set out in Appendix II to this circular which has been filed with the competent state-owned assets supervisory authority of the PRC in June 2022

In addition, the terms “associate(s)”, “connected person(s)”, “connected transaction(s)”, “percentage ratio(s)” and “subsidiary(ies)” shall have the meanings ascribed to them under the Listing Rules.

LETTER FROM THE BOARD OF DIRECTORS



國泰君安證券股份有限公司
GUOTAI JUNAN SECURITIES CO., LTD.

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

(Stock Code: 02611)

Executive Directors

Mr. HE Qing
Mr. WANG Song
Mr. YU Jian

Registered Office

No. 618, Shangcheng Road
China (Shanghai) Pilot Free-Trade Zone
Shanghai
PRC

Non-Executive Directors

Mr. LIU Xinyi
Ms. GUAN Wei
Mr. ZHONG Maojun
Mr. CHEN Hua
Mr. WANG Wenjie
Mr. ZHANG Zhan
Mr. ZHANG Yipeng
Mr. AN Hongjun

Principal Place of Business in Hong Kong

40th Floor
Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

Independent Non-Executive Directors

Mr. XIA Dawei
Mr. DING Wei
Mr. LI Renjie
Mr. BAI Wei
Mr. LEE Conway Kong Wai
Mr. CHAI Hongfeng

20 June 2022

To the Shareholders,

Dear Sir or Madam,

I. INTRODUCTION

Reference is made to the announcements of the Company dated 24 May 2022 in relation to (i) the proposed acquisition of 8% equity interests in HuaAn Funds by the Company from Shanghai Industrial under the Equity Transfer Agreement II, and (ii) the proposed amendments to the Articles of Association and its appendix, the Rules of Procedure for Meetings of the Board.

LETTER FROM THE BOARD OF DIRECTORS

The purpose of this circular is to provide you with, among other things, (i) details of the Equity Transfer Agreement II and the Proposed Acquisition contemplated thereunder; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) details of the Proposed Amendments; and (v) a notice of the EGM.

II. PROPOSED ACQUISITION OF 8% EQUITY INTERESTS IN HUAAN FUNDS

1. PRINCIPAL TERMS OF THE EQUITY TRANSFER AGREEMENT II

Target:	8% equity interests in HuaAn Funds
Parties:	<ul style="list-style-type: none">• The Company, as the purchaser; and• Shanghai Industrial, as the vendor
Method of implementation of the Proposed Acquisition:	By way of non-public agreement-based transfer on The Shanghai United Assets and Equity Exchange

Consideration

The consideration of the Target Equity is RMB1,012 million, which is determined after arm's length negotiation and with reference to the appraised value of the Target Equity in the Valuation Report by way of market approach, being RMB1,012 million. Please refer to the section headed "Valuation" below for more details of the market approach and the Valuation Report set out in Appendix II to this circular.

The consideration for the acquisition of 15% equity interests in HuaAn Funds under the Equity Transfer Agreement I was RMB1,812 million. The consideration for the Proposed Acquisition of 8% equity interests in HuaAn Funds under the Equity Transfer Agreement II was RMB1,012 million, representing a 4.72% increase for every 1% equity interests in HuaAn Funds compared with the previous acquisition under the Equity Transfer Agreement I. Such increase is mainly due to the increase in the appraised value of HuaAn Funds, which increased from RMB12,080 million as set out in the valuation report issued by the Independent Valuer with the reference date of 30 April 2021 for the previous acquisition under the Equity Transfer Agreement I to RMB12,650 million as set out in the Valuation Report with the reference date of 30 September 2021, representing a 4.72% increase.

According to the Independent Valuer, such increase in the appraised value of HuaAn Funds was mainly due to the increase in the size of mutual funds under management of HuaAn Funds from RMB511.96 billion available as at 30 April 2021 (i.e. the size of mutual funds under management of HuaAn Funds as at 31 March 2021) to RMB553.27 billion as at 30 September 2021, representing a 8.1% increase.

LETTER FROM THE BOARD OF DIRECTORS

Taking into account of the appraised value of HuaAn Funds and works done by the Independent Valuer in relation to the valuations set out in the relevant valuation reports and the financial performance of HuaAn Funds mentioned above, the Board is of the view that consideration for the Proposed Acquisition is fair and reasonable and in the interest of the Company and its shareholders as a whole.

Payment

The consideration of the transaction will be paid in cash by internal resources of the Company and the payment of consideration shall be through bank transfer within five business days after the Equity Transfer Agreement II becomes effective.

Transitional Period

The proportion of profits or losses in respect of the Target Equity to be accrued from the first day after the Reference Date to the last day of the month prior to the Closing Date shall be attributed to Shanghai Industrial; and the proportion of distributed profits in respect of the Target Equity shall be attributed to the Company in the event that HuaAn Funds resolves to distribute profits during the period between the first day after the Reference Date and the Closing Date.

Board of Directors of HuaAn Funds and Director Nomination Right

The director nomination right of HuaAn Funds that Shanghai Industrial is entitled to before the Proposed Acquisition shall remain with Shanghai Industrial after the completion of the Proposed Acquisition after arm's length negotiation between the Company and Shanghai Industrial given Shanghai Industrial will still hold a substantial interest in HuaAn Funds upon the completion of the Proposed Acquisition.

Pursuant to the articles of associations of HuaAn Funds, each of the five shareholders of HuaAn Funds is entitled to nominate one director of HuaAn Funds. The general manager of HuaAn Funds shall be a director. HuaAn Funds shall also have three independent directors. Directors' appointments will be subject to approval at shareholders' meeting by a majority vote. The chairman of the board of HuaAn Funds shall be recommended by its major shareholder (i.e. single largest shareholder with 25% or more shareholding) and subject to the board approval. The general manager of HuaAn Funds shall be recommended by its major shareholder, nominated by the chairman of the board of HuaAn Funds and appointed or removed by the board of directors. No shareholders' agreement has been or is currently intended to be entered into among the shareholders of HuaAn Funds after the completion of the Proposed Acquisition and the board structure of HuaAn Funds is intended to remain the same.

LETTER FROM THE BOARD OF DIRECTORS

As of the Latest Practicable Date, the board of directors of HuaAn Funds has nine seats, which consists of one director who is the general manager of HuaAn Funds, five directors who were nominated by each of the shareholders of HuaAn Funds, and three independent directors.

Despite the current board structure of HuaAn Funds, according to the articles of associate of HuaAn Funds as mentioned above, the Company, as a major shareholder of HuaAn Funds, is entitled to nominate the general manager (who will become a director) and chairman of the board of HuaAn Funds, which allows the Company to exercise relatively significant influence at the level of board and management of HuaAn compared to other shareholders. In addition, given the Company expects to be interested in 51% equity interests in HuaAn Funds and therefore controls HuaAn Funds after completion of the Proposed Acquisition, the Company, if circumstances require and permitted by relevant laws and regulations, will be able to control the composition of the board of HuaAn Funds by exercising its majority vote at shareholders' meeting as it desires.

In light of the above, the Board is of the view that the terms of the Proposed Acquisition (including that Shanghai Industrial will remain to have its director nomination right in HuaAn Funds) is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

Conditions Precedent

The Equity Transfer Agreement II shall become effective upon the fulfillment of the following conditions:

- the Equity Transfer Agreement II and the Proposed Acquisition contemplated thereunder being considered and approved at the general meeting of the Company;
- the Equity Transfer Agreement II having been signed and sealed by the parties; and
- the Equity Transfer Agreement II and the Proposed Acquisition contemplated thereunder being approved by each of Shanghai SASAC and the CSRC.

Valuation

To determine the consideration of the Target Equity, Shanghai Orient Appraisal Co., Ltd. has been engaged as the Independent Valuer by Shanghai Industrial to issue the valuation report in respect of the appraised value of the entire equity interests of HuaAn Funds as at the Reference Date, which has been filed with the competent state-owned assets supervisory authority of the PRC in June 2022. The Valuation Report is set out in Appendix II of this circular.

The Company and Shanghai Industrial first exchanged the intention for the Proposed Acquisition in late 2021 which was still subject to further negotiation on transaction terms (especially the determination of the consideration) and relevant PRC regulatory approvals.

LETTER FROM THE BOARD OF DIRECTORS

According to relevant PRC regulations, the method of implementation of the Proposed Acquisition, i.e. by way of non-public agreement-based transfer between two state-owned enterprises, is subject to approval by competent state-owned assets management authorities, and the consideration shall be based on the appraised value approved by or filed with competent state-owned assets management authorities as well. Accordingly, to enable both parties to proceed with the negotiation on the Proposed Acquisition and the PRC regulatory approval process, the Independent Valuer was engaged to prepare the Valuation Report of which the then latest practicable reference date was 30 September 2021.

Only after the draft Valuation Report and the initial appraised value of HuaAn Funds became available were the Company and Shanghai Industrial able to resume the formal negotiation over the transaction terms of the Proposed Acquisition early this year. The transaction terms were drafted by both parties in April 2022 and both parties started to go through their respective internal approval procedures afterwards. Considering the time required for both parties internal approval procedures and PRC regulatory procedures in connection with the Proposed Acquisition, it would be impracticable and unduly burdensome for both parties to request for an updated valuation report with an updated reference date which could take another few months, and to go through the whole process based on the updated valuation report again.

As of the Latest Practicable Date, the Company is not aware of any material adverse change in the business and operation of HuaAn Funds since the Reference Date.

Taking into accounts of factors mentioned above, and (i) that the conclusion of the Valuation Report remains valid for one year from the Reference Date, i.e. till 29 September 2022; (ii) transitional arrangements in relation to the allocations of profits and losses of HuaAn Funds for the period from the Reference Date to the Closing Date have been provided in the Equity Transfer Agreement II; and (iii) based on the information on the revenue, profits, net assets and size of assets under management of HuaAn Funds available to the Board, the financial performance of HuaAn Funds since the Reference Date was generally in line with expectation, the Board is of the view that it is fair and reasonable to determine the consideration with reference to the appraised value of the Target Equity in the Valuation Report with 30 September 2021 as the Reference Date.

The Independent Valuer carried out valuations based on income approach and market approach respectively in the Valuation Report and finally adopted the results using market approach as the appraised value. Pursuant to the Valuation Report, the value of the entire equity interests in HuaAn Funds as at the Reference Date derived from the market approach was RMB12,650 million.

In carrying out the market approach, the Independent Valuer selected comparable equity transfer transactions of fund management companies comprising Wanjia Asset Management Co., Ltd., First-Trust Fund Management Co., Ltd. and Morgan Stanley Huaxin Fund Management Co., Ltd. in recent years and used P/AUM (valuation/effective scale), an indicator generally accepted in the industry, as a comparable quantitative indicator.

LETTER FROM THE BOARD OF DIRECTORS

Taking into account changes in macro-economic conditions, trading conditions and industry conditions and the P/AUM value of the selected comparable transactions, and based on the profitability and competitiveness of HuaAn Funds, the Independent Valuer set the P/AUM value of HuaAn Funds as 5.71%. Based on the effective AUM of RMB221.6 billion of HuaAn Funds as at the Reference Date, the appraised value of the entire equity interests of HuaAn Funds was determined to be RMB12,650 million by the Independent Valuer.

2. CHANGE IN SHAREHOLDING STRUCTURE OF HUAAN FUNDS

The shareholding structures of HuaAn Funds before and after the completion of the Proposed Acquisition are set out as follows:

Shareholders	Shareholding before the completion of the Proposed Acquisition (%)	Shareholding after the completion of the Proposed Acquisition (%)
The Company	43	51
Shanghai SITICO	5	5
Shanghai Industrial	20	12
Jin Jiang International Investment	12	12
GTJA Investment	20	20
Total	100	100

As shown in the table above, upon the completion of the Proposed Acquisition, the Company will hold 51% of the total equity interests in HuaAn Funds, and HuaAn Funds will become a subsidiary of the Company and the financial results of HuaAn Funds will be consolidated into those of the Group.

3. FINANCIAL INFORMATION OF HUAAN FUNDS

Set out below is the relevant audited financial information of HuaAn Funds for the years ended 31 December 2020 and 2021 prepared in accordance with the China Enterprise Accounting Standards (the “**PRC GAAP**”):

	For the year ended 31 December 2020 (RMB million)	For the year ended 31 December 2021 (RMB million)
Profit before taxation	917	1,322
Profit after taxation	711	1,006

The audited net assets of HuaAn Funds as at 31 December 2021 were approximately RMB4,148 million in accordance with the PRC GAAP.

LETTER FROM THE BOARD OF DIRECTORS

After the completion of the Proposed Acquisition, the Company expects to record a one-off equity revaluation gain of no more than 10% audited profits attributable to equity holders of the Company for 2021 subject to factors including the date of consolidation of financial results of HuaAn Funds into the Company's financial statements and the financial performance of HuaAn Funds.

The information disclosed above is based on the preliminary assessment by the management of the Company according to the information currently available which has not been reviewed or audited by the Company's auditors. Details of the financial impact of the consolidation of HuaAn Funds' financial results will be further evaluated after the completion of relevant acquisitions by the Company and disclosed in the annual results announcement of the Company following the consolidation of HuaAn Funds.

4. REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

HuaAn Funds is one of the first five fund management companies established in the PRC as approved by the CSRC, mainly engaged in the mutual fund and specific asset management businesses. The mutual fund products under its management mainly consist of open-end fund products. As disclosed in the 2021 annual report of the Company, as of the end of 2021, the size of mutual funds under HuaAn Funds' management amounted to RMB596.86 billion. As at the end of 2021, 188 mutual funds were managed by HuaAn Funds in total, including 37 stock funds with the fund-raising scale of RMB46.5 billion, 85 hybrid funds with the fund-raising scale of RMB183.9 billion, 40 bond funds with the fund-raising scale of RMB119.8 billion, 5 money market funds with the fund-raising scale of RMB214.6 billion and 21 funds of other types with the fund-raising scale of RMB32.2 billion.

Meanwhile, the Group provides wealth management services to its individual and institutional clients, which primarily offers financial products developed by the Group. The Group also distributes financial products developed by other financial institutions, including HuaAn Funds, to offer a more diversified and comprehensive products portfolio to its clients.

The Company has been continuously strengthening its cooperation with HuaAn Funds since 2021 and become an important distribution channel of HuaAn Funds by distributing the mutual fund products to clients of the Group. Owing to the comprehensive and high-quality services provided by HuaAn Funds, considerable returns have been brought to wealth management clients of the Group which strengthened the connection and trust between the Company and its clients.

In recent years, the CSRC has encouraged and guided securities companies to expand their business layout, actively promoted the establishment of aircraft-level security companies, and promoted the sustainable and healthy development of the securities industry. After taking control of HuaAn Funds, the Company will continue to improve its services in comprehensive asset management business, as well as its ability to serve the construction of Shanghai as an international financial center and a global asset management center. HuaAn Funds will also help enhance the financial performance of the Group and contribute to the Group's overall competitiveness.

LETTER FROM THE BOARD OF DIRECTORS

The Board (including the independent non-executive Directors who have considered the advice from the Independent Financial Adviser) considers that the Equity Transfer Agreement II and the Proposed Acquisition contemplated thereunder are on normal commercial terms, and the terms of the Equity Transfer Agreement II are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

As of the Latest Practicable Date, the Company has no intention to further acquire or dispose of any interests in HuaAn Funds.

5. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, International Group directly and indirectly holds 33.34% of the total share capital of the Company, and therefore International Group is a controlling shareholder and a controller of the Company as defined under the Listing Rules.

On the other hand, International Group holds 33.57% and 80% equity interests in GTJA Investment and Shanghai SITICO, respectively, and therefore each of GTJA Investment and Shanghai SITICO is an associate of International Group as defined under the Listing Rules. As GTJA Investment and Shanghai SITICO holds 20% and 5% equity interests in HuaAn Funds, respectively, the associates of International Group are interested in more than 10% in HuaAn Funds, therefore, the Proposed Acquisition constitutes a connected transaction of the Company pursuant to Rule 14A.28(2) of the Listing Rules.

As the Proposed Acquisition contemplated under the Equity Transfer Agreement II is expected to take place within 12 months of the Equity Transfer Agreement I, such transactions shall be aggregated for the calculation of the percentage ratios pursuant to Rule 14.22 and Rule 14A.81 of the Listing Rules.

As the highest percentage ratio applicable to such transactions upon aggregation is more than 5% but less than 25%, the Proposed Acquisition constitutes a discloseable transaction for the Company which is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules, and is also a connected transaction for the Company which is subject to the reporting, announcement, circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The consideration of the Target Equity was determined with reference to the Valuation Report prepared by the Independent Valuer using the market approach. However, as the Independent Valuer is required under applicable PRC laws and regulations to conduct the valuation of the equity interests in HuaAn Funds using at least two valuation approaches, in addition to a valuation based on market approach, the Valuation Report also has a valuation based on the income approach in respect of the equity interests in HuaAn Funds. The Valuation Report is set out in Appendix II to this circular.

LETTER FROM THE BOARD OF DIRECTORS

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, waiver from strict compliance with the requirements under the Rules 14.62, 14A.68(7), 14A.70(13) and paragraph 29(2) of Appendix 1B of the Listing Rules mainly on the following basis: (a) the Valuation Report adopted market approach eventually (which does not involve a profit forecast) in respect of the appraised value of equity interests in HuaAn Funds; (b) the Valuation is required by the applicable PRC laws and regulations rather than pursuant to the Listing Rules; (c) the Valuation is conducted by the Independent Valuer independently and the involvement of the Company in the process of the Valuation is limited to discussion with the Independent Valuer to understand how the Independent Valuer has proceeded with the Valuation; and (d) the financial impact of the Proposed Acquisition has been set out in the announcement of the Company dated 24 May 2022 in relation to the Proposed Acquisition and this circular.

6. INFORMATION OF RELEVANT PARTIES

The Company

The Company is a joint stock company with limited liability incorporated in the PRC. The principal businesses of the Company are securities brokerage, proprietary securities trading, securities underwriting and sponsorship and relevant financial services.

HuaAn Funds

HuaAn Funds is a limited liability company incorporated in the PRC and is primarily engaged in fund management. As at the Latest Practicable Date, HuaAn Funds is held as to 43%, 5%, 20%, 20% and 12% by the Company, Shanghai SITICO, Shanghai Industrial, GTJA Investment and Jin Jiang International Investment, respectively.

HuaAn Funds, Shanghai SITICO and the Company are all headquartered in Shanghai and therefore the competent authority of the industrial and commercial registration of the equity transfer under the Equity Transfer Agreement I is the Municipal Administration for Market Regulation of China (Shanghai) Pilot Free-Trade Zone in Shanghai. Due to the COVID-19 pandemic situation in Shanghai during which people in Shanghai were mostly working from home previously, the industrial and commercial registration in respect of the acquisition of 15% equity interests in HuaAn Funds by the Company from Shanghai SITICO pursuant to the Equity Transfer Agreement I has been delayed and completed in June 2022.

Shanghai Industrial

Shanghai Industrial is a limited liability company incorporated in the PRC and is primarily engaged in project construction. As at the Latest Practicable Date, the ultimate beneficial owners of Shanghai Industrial are Shanghai SASAC and Nanhui District State-owned Assets Supervision and Administration Office (南匯區國有資產管理辦公室), ultimately holding 98.7272% and 1.2728% equity interests in Shanghai Industrial, respectively. Shanghai Industrial and its ultimate beneficial owners are Independent Third Parties.

LETTER FROM THE BOARD OF DIRECTORS

International Group

International Group is a limited liability company incorporated in the PRC and is primarily engaged in financial-oriented investment, capital operation and asset management and other relevant financial business. As at the Latest Practicable Date, International Group holds directly and indirectly 33.34% of the total equity interests of the Company in aggregate and is a controlling shareholder of the Company. The ultimate beneficial owner of International Group is Shanghai SASAC.

Shanghai SITICO

Shanghai SITICO is a limited liability company incorporated in the PRC and is primarily engaged in investment and asset management. As at the Latest Practicable Date, Shanghai SITICO is held as to 80% and 20% by International Group and Shanghai Jiushi (Group) Co., Ltd. (上海久事(集團)有限公司), respectively, which are both wholly owned by Shanghai SASAC. As Shanghai SITICO is a subsidiary of International Group, the controlling shareholder of the Company, Shanghai SITICO is an associate of International Group and a connected person of the Company. The ultimate beneficial owner of Shanghai SITICO is Shanghai SASAC.

GTJA Investment

GTJA Investment is a joint stock company with limited liability incorporated in the PRC and is primarily engaged in asset management, enterprise investment and consulting. As at the Latest Practicable Date, the shareholders of GTJA Investment holding more than 5% equity interest in GTJA Investment are Shanghai State-owned Assets Management Co., Ltd. (上海國有資產經營有限公司, “**Shanghai State-owned Assets Management**”), Central Huijin Investment Ltd. (中央匯金投資有限責任公司, “**Central Huijin**”) and Shenzhen Investment Holdings Co., Ltd. (深圳市投資控股有限公司, “**Shenzhen Investment**”), holding approximately 33.53%, 14.54% and 11.49% equity interests in GTJA Investment, respectively. The ultimate beneficial owners of Shanghai State-owned Assets Management, Central Huijin and Shenzhen Investment are Shanghai SASAC, the State Council of the PRC and Shenzhen State-owned Assets Supervision and Administration Commission (深圳市國有資產監督管理委員會), respectively. As Shanghai State-owned Assets Management is a wholly-owned subsidiary of International Group, the controlling shareholder of the Company, and in addition to Shanghai State-owned Assets Management, International Group is also indirectly interested in approximately 0.04% of the registered share capital of GTJA Investment through its subsidiaries, SIG Asset Management Co., Ltd. (上海國際集團資產管理有限公司) and Shanghai SITICO, GTJA Investment is an associate of International Group and a connected person of the Company.

LETTER FROM THE BOARD OF DIRECTORS

Jin Jiang International Investment

Jin Jiang International Investment is a limited liability company incorporated in the PRC and is primarily engaged in investment and asset management. As at the Latest Practicable Date, Jin Jiang International Investment is a wholly-owned subsidiary of Jin Jiang International (Holdings) Co., Ltd. (錦江國際(集團)有限公司), which is in turn wholly owned by Shanghai SASAC. The ultimate beneficial owner of Jin Jiang International Investment is Shanghai SASAC. Jin Jiang International Investment is an Independent Third Party.

7. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising all the independent non-executive Directors, namely, Mr. XIA Dawei, Mr. DING Wei, Mr. LI Renjie, Mr. BAI Wei, Mr. LEE Conway Kong Wai and Mr. CHAI Hongfeng, has been established to advise the Independent Shareholders on the Equity Transfer Agreement II and the Proposed Acquisition contemplated thereunder. Altus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

8. ABSTENTION FROM VOTING ON BOARD RESOLUTION AND AT THE EGM

As each of Mr. Liu Xinyi, Ms. Guan Wei, Mr. Zhong Maojun and Mr. Chen Hua holds certain positions in International Group and/or its associates, they have abstained from voting on the Board resolution approving the Proposed Acquisition. For more details, please refer to the section headed “Directors’ Positions in Substantial Shareholders” as set out in Appendix I. Save as disclosed above, none of the Directors has a material interest in the transactions in connection with the Proposed Acquisition or holds any position in International Group and/or its associates which required them to abstain from voting on the relevant Board resolution.

International Group, being the controlling shareholder of the Company, together with its associates and Shanghai Industrial, who has a material interest in the Proposed Acquisition, will be required to abstain from voting in respect of the resolution to approve the Equity Transfer Agreement II and the Proposed Acquisition contemplated thereunder. As at the Latest Practicable Date, International Group together with its associates directly and indirectly holds approximately 33.34% of the issued share capital of the Company, and Shanghai Industrial directly holds approximately 0.58% of the issued share capital of the Company.

Save as disclosed above, as at the Latest Practicable Date, to the best knowledge, information and belief of the Directors and having made all reasonable enquiries, no other Shareholder had any material interest in the Equity Transfer Agreement II and the Proposed Acquisition contemplated thereunder, and no other Shareholder was required to abstain from voting at the EGM in respect of the Equity Transfer Agreement II and the Proposed Acquisition contemplated thereunder.

The above proposal will be submitted to the EGM for consideration and approval by way of an ordinary resolution.

LETTER FROM THE BOARD OF DIRECTORS

III. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

We refer to the announcement of the Company dated 24 May 2022 in relation to the proposed amendments to relevant provisions of the Articles of Association and its appendix, the Rules of Procedure for Meetings of the Board.

Details of the Proposed Amendments are set forth in the Appendix III to this circular.

The above proposal will be submitted to the EGM for consideration and approval by way of a special resolution.

IV. THE EGM

A notice convening the EGM to be held at Room 405, 768 Nanjing West Road, Jingan District, Shanghai, PRC at 2:00 p.m. on Friday, 8 July 2022 is set out on pages 107 to 108 of this circular.

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

The address of the Board's office is at 768 Nanjing West Road, Jingan District, Shanghai, the PRC, Postal code: 200041 (Tel: (8621) 3867 6798, Fax: (8621) 3867 0798). The address of the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, is at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (Fax: (852) 2865 0990).

In order to determine the holders of H Shares who are entitled to attend the EGM, the H Share register of members of the Company will be closed from Tuesday, 5 July 2022 to Friday, 8 July 2022 (both days inclusive). Holders of H Shares who wish to attend the EGM are required to deposit the transfer documents together with the relevant share certificates at the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at or before 4:30 p.m. on Monday, 4 July 2022.

LETTER FROM THE BOARD OF DIRECTORS

V. RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 18 to 19 of this circular, (ii) the letter from the Independent Financial Adviser set out on pages 20 to 34 of this circular and (iii) the additional information set out in the appendices to this circular.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, is of the view that (i) the entering into of the Equity Transfer Agreement II and the Proposed Acquisition contemplated thereunder are in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole; and (ii) the terms of the Equity Transfer Agreement II and the Proposed Acquisition contemplated thereunder are on normal commercial terms and are fair and reasonable as far as the Company and the Independent Shareholders are concerned. As such, the Board (including the Independent Board Committee having taken into account the advice of the Independent Financial Adviser) considers that the resolutions set out in the notice of the EGM are in the interest of the Company and its Shareholders as a whole and accordingly recommends you to vote in favor of the resolutions mentioned above.

By Order of the Board
Guotai Junan Securities Co., Ltd.
HE Qing
Chairman



國泰君安證券股份有限公司
GUOTAI JUNAN SECURITIES CO., LTD.

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

(Stock Code: 02611)

20 June 2022

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION
TO THE ACQUISITION OF 8% EQUITY INTERESTS IN
HUAAN FUNDS**

We refer to the circular dated 20 June 2022 issued by Guotai Junan Securities Co., Ltd. (the “**Circular**”), of which this letter forms part. Unless otherwise defined, terms used in this letter shall have the same meanings as those defined in the Circular.

We have been appointed as the Independent Board Committee by the Board to advise the Independent Shareholders in respect of the terms of the Equity Transfer Agreement II and the Proposed Acquisition contemplated thereunder, details of which are set out in the “Letter from the Board” contained in the Circular. Altus Capital Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in the same regard. We wish to draw your attention to the letter from the Board set out on pages 5 to 17 of the Circular and the letter from the Independent Financial Adviser as set out on pages 20 to 34 of this Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered (a) the reasons for and benefits of the Equity Transfer Agreement II and the Proposed Acquisition contemplated thereunder set out in the Circular and (b) the terms of the Equity Transfer Agreement II, and taken into account the advice from the Independent Financial Adviser, we are of the view that (i) the entering into of the Equity Transfer Agreement II and the Proposed Acquisition contemplated thereunder are in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole; and (ii) the terms of the Equity Transfer Agreement II and Proposed Acquisition contemplated thereunder are on normal commercial terms and are fair and reasonable as far as the Company and the Independent Shareholders are concerned. Therefore, we recommend the Independent Shareholders to vote for the relevant resolution proposed at the EGM to approve Equity Transfer Agreement II and the Proposed Acquisition contemplated thereunder.

Yours faithfully,

For and on behalf of

Independent Board Committee

Mr. XIA Dawei

Mr. DING Wei

Mr. LI Renjie

Mr. BAI Wei

Mr. LEE Conway Kong Wai

Mr. CHAI Hongfeng

(Independent non-executive Directors)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Equity Transfer Agreement II and the Proposed Acquisition contemplated thereunder, which has been prepared for the purposes of incorporation in this circular.

ALTUS

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

20 June 2022

To the Independent Board Committee and the Independent Shareholders

Guotai Junan Securities Co., Ltd.
768 Nanjing West Road, Jingan District
Shanghai, the PRC

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 8% EQUITY INTERESTS IN HUAAN FUNDS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Equity Transfer Agreement II and the Proposed Acquisition contemplated thereunder. Details of which are set out in the “Letter from the Board” contained in the circular of the Company dated 20 June 2022 (the “**Circular**”). Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 24 May 2022, the Board approved the Company to enter into the Equity Transfer Agreement II with Shanghai Industrial, pursuant to which, the Company agrees to acquire and Shanghai Industrial agrees to sell 8% equity interests in HuaAn Funds.

Upon completion of the Proposed Acquisition, the Company will hold 51% of the total equity interests in HuaAn Funds, HuaAn Funds will become a subsidiary of the Company and the financial results of HuaAn Funds will be consolidated into those of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, International Group directly and indirectly holds 33.34% of the total share capital of the Company, and therefore International Group is a controlling shareholder and a controller of the Company as defined under the Listing Rules.

On the other hand, International Group holds 33.57% and 80% equity interests in GTJA Investment and Shanghai SITICO, respectively, and therefore each of GTJA Investment and Shanghai SITICO is an associate of International Group as defined under the Listing Rules. As GTJA Investment and Shanghai SITICO holds 20% and 5% equity interests in HuaAn Funds, respectively, the associates of International Group are interested in more than 10% in HuaAn Funds, therefore, the Proposed Acquisition constitutes a connected transaction of the Company pursuant to Rule 14A.28(2) of the Listing Rules.

As the Proposed Acquisition contemplated under the Equity Transfer Agreement II is expected to take place within 12 months of the Equity Transfer Agreement I, such transactions shall be aggregated for the calculation of the percentage ratios pursuant to Rule 14.22 and Rule 14A.81 of the Listing Rules.

As the highest percentage ratio applicable to such transactions upon aggregation is more than 5% but less than 25%, the Proposed Acquisition constitutes a discloseable transaction for the Company which is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules, and is also a connected transaction for the Company which is subject to the reporting, announcement, circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Xia Dawei, Mr. Ding Wei, Mr. Li Renjie, Mr. Bai Wei, Mr. Lee Conway Kong Wai and Mr. Chai Hongfeng, has been established to advise the Independent Shareholders as to whether (i) the entering into of the Equity Transfer Agreement II and Proposed Acquisition contemplated thereunder are in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole; (ii) the terms of the Equity Transfer Agreement II and Proposed Acquisition contemplated thereunder are on normal commercial terms and are fair and reasonable as far as the Company and the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote in respect of the proposed resolution at the EGM to approve the entering into of the Equity Transfer Agreement II and Proposed Acquisition, taking into account the recommendation from the Independent Financial Adviser.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to whether (i) the entering into of the Equity Transfer Agreement II and Proposed Acquisition contemplated thereunder are in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole; (ii) the terms of the Equity Transfer Agreement II and Proposed Acquisition contemplated thereunder are on normal commercial terms and are fair and reasonable as far as the Company and the Independent Shareholders are concerned; and (iii) how the Independent Shareholders should vote in respect of the proposed resolution at the EGM to approve the entering into of the Equity Transfer Agreement II and Proposed Acquisition.

We have not acted as an independent financial adviser in relation to any transactions of the Company in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the discloseable and connected transaction under the Equity Transfer Agreement II and Proposed Acquisition contemplated thereunder is at market level and not conditional upon successful passing of the resolution, and that our engagement is on normal commercial terms, we are independent of and not associated with the Company, its controlling shareholder(s) or connected person(s).

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others, (i) the Equity Transfer Agreement II; (ii) the Valuation Report of HuaAn Funds conducted by the Independent Valuer; (iii) the annual report of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”); and (iv) other information as set out in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and will continue to be so up to the date of the EGM. The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regards 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 facts the omission of which would make any statement in the Circular misleading.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have been provided with, and have reviewed, sufficient information to reach an informed view and provide a reasonable basis for our opinion. We have not, however, conducted an independent investigation into the business, financial conditions and affairs or future prospects of the Group. The Company will notify the Shareholders of any material change after the Latest Practicable Date and after the despatch of the Circular.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background information of the Group and HuaAn Funds

1.1 Principal businesses of the Company

The Company is a joint stock company with limited liability incorporated in the PRC. The principal businesses of the Company are securities brokerage, proprietary securities trading, securities underwriting and sponsorship and relevant financial services.

1.2 Financial information of the Group

Set out below is a table summarising certain key financial information of the Group extracted from the 2021 Annual Report.

Extract of consolidated statement of profit or loss and other comprehensive income

	For the year ended	
	31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)
Total revenue and other income	56,411,187	46,445,340
<i>Fee and commission income</i>	<i>19,880,642</i>	<i>16,719,616</i>
<i>Interest income</i>	<i>15,752,963</i>	<i>14,495,682</i>
<i>Net investment gains</i>	<i>10,300,204</i>	<i>8,901,197</i>
<i>Other income and gains</i>	<i>9,338,609</i>	<i>6,328,845</i>
<i>Gain on losing control of a subsidiary</i>	<i>1,138,769</i>	–
Share of profits of associates and joint ventures	538,723	155,525
Profit for the year	15,302,542	11,737,070

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Extract of consolidated statement of financial position

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)
Total assets	791,272,815	702,899,172
– Cash and bank balances	31,656,227	25,275,458
– Investments in associates	7,434,717	1,169,765
Total liabilities	640,636,223	556,661,354
Net assets	150,636,592	146,237,818

Source: 2021 Annual Report

The Group's total revenue and other income increased by approximately 21.5% from approximately RMB46.4 billion for the year ended 31 December 2020 to approximately RMB56.4 billion for the year ended 31 December 2021, among which: (i) fee and commission income, accounting for approximately 35.2% of total revenue and other income in 2021, increased by approximately 18.9% to approximately RMB19.9 billion for the year ended 31 December 2021, primarily due to the rapid growth in the brokerage business and revenue from investment banking business; (ii) net investment gains accounting for approximately 18.3% of the total revenue and other income in 2021, increased by approximately 15.7% to approximately RMB10.3 billion for the year ended 31 December 2021, primarily due to the increase in investment gains from financial assets held for trading; (iii) gain on losing control of a subsidiary, accounting for approximately 2.0% of the total revenue and other income in 2021, representing gains on revaluation of the equity interests in Shanghai Securities Co., Ltd; and (iv) other income and gains, accounting for approximately 16.6% of the total revenue and other income in 2021, increased by 47.6% to approximately RMB9.3 billion for the year ended 31 December 2021, primarily due to the increase in subsidiaries' transaction volume of commodities. In addition, we noted that total revenue and other income generated from the wealth management business had increased by approximately 18.0% for the year ended 31 December 2021 as compared to the previous year.

Share of profits of associates and joint ventures increased by approximately 246.4% from approximately RMB155.5 million for the year ended 31 December 2020 to approximately RMB538.7 million for the year ended 31 December 2021. For details of the financial information of HuaAn Funds, please refer to the paragraph headed "1.6 Financial information of HuaAn Funds" in this letter below. Profit for the year increased by approximately 30.4% from approximately RMB11.7 billion for the year ended 31 December 2020 to approximately RMB15.3 billion for the year ended 31 December 2021. In particular, the institutional and trading business and wealth management business of the Group recorded a year-on-year growth of approximately 45.1% and 18.0%, respectively, which were the main factors driving the growth of the performance for the year ended 31 December 2021.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group's total assets increased from approximately RMB702.9 billion as at 31 December 2020 to approximately RMB791.3 billion as at 31 December 2021; while cash and bank balances increased from approximately RMB25.3 billion as at 31 December 2020 to approximately RMB31.7 billion as at 31 December 2021; and investment in associates increased from approximately RMB1.2 billion as at 31 December 2020 to approximately RMB7.4 billion as at 31 December 2021 mainly due to Shanghai Securities Co., Ltd ceased to be a subsidiary of the Company and was instead recorded as an associate of the Company as at 31 December 2021. Net assets of the Group improved from approximately RMB146.2 billion as at 31 December 2020 to approximately RMB150.6 billion as at 31 December 2021. Such improvement in the overall financial position of the Group was generally in line with the Group's business growth and profitability recorded.

1.3 Outlook of the Group

According to the 2021 Annual Report, the Group will proactively take advantage of opportunities in the market arising from the comprehensive registration-based reform and other fundamental system reforms, continue to promote innovation and transformation, and accelerate to overcome the weaknesses in core business capability. The Group has further stated in its 2021 Annual Report that it will continue to implement its "Nine-Year Strategic Plan in 3 Three-Year Steps". In the first three-year (2020-2022), the Group will focus on laying the foundation to improve the Group's weaknesses and consolidate the Group's leading position among securities companies in the market.

For wealth management business, the Group will continue to improve the ability to identify, acquire and allocate high-quality products through the sales of financial products, systematically improve professional service capabilities of investment advisory team, accelerate the transformation of digital wealth management, and promote the continuous growth of AUM of retail customers.

1.4 Principal activities of HuaAn Funds

HuaAn Funds is a limited liability company incorporated in the PRC and is primarily engaged in fund management. As at the Latest Practicable Date, HuaAn Funds is held as to 43%, 5%, 20%, 20% and 12% by the Company, Shanghai SITICO, Shanghai Industrial, GTJA Investment and Jin Jiang International Investment, respectively.

HuaAn Funds, Shanghai SITICO and the Company are all headquartered in Shanghai and therefore the competent authority of the industrial and commercial registration of the equity transfer under the Equity Transfer Agreement I is the Municipal Administration for Market Regulation of China (Shanghai) Pilot Free-Trade Zone in Shanghai. Due to the COVID-19 pandemic situation in Shanghai during which people in Shanghai were mostly working from home previously, the industrial and commercial registration in respect of the acquisition of 15% equity interests in HuaAn Funds by the Company from Shanghai SITICO pursuant to the Equity Transfer Agreement I had been delayed and completed in June 2022.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

1.5 Change in shareholding structure of HuaAn Funds

Set out below are the shareholding structures of HuaAn Funds before and after the completion of the Proposed Acquisition:

	Shareholding before the completion of the Proposed Acquisition (%)	Shareholding after completion of the Proposed Acquisition (%)
The Company	43	51
Shanghai SITICO	5	5
Shanghai Industrial	20	12
Jin Jiang International Investment	12	12
GTJA Investment	20	20
Total	100	100

1.6 Financial information of HuaAn Funds

Set out below is the summary of the key audited financial information of HuaAn Funds for the years ended 31 December 2020 and 2021 prepared in accordance with the PRC GAAP:

	For the year ended 31 December	
	2021	2020
	RMB million (audited)	RMB million (audited)
Profit before taxation	1,322	917
Profit after taxation	1,006	711
Net asset value	4,148	3,445

For the year ended 31 December 2021, HuaAn Funds recorded profit after taxation of approximately RMB1,006 million, representing an increase of approximately 41.5%. As at 31 December 2021, net asset value of HuaAn Funds was approximately RMB4,148 million.

2. Reasons for and benefits of entering into the Equity Transfer Agreement II

As set out in the paragraph headed “4. Reasons and benefits of the Proposed Acquisition” in the “Letter from the Board” of the Circular, owing to the comprehensive and high-quality services provided by HuaAn Funds, considerable returns have been brought to wealth management clients of the Group which strengthened the connection and trust between the Company and its clients. The Proposed Acquisition will (i) improve its services in

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

comprehensive asset management businesses, as well as its ability to serve the construction of Shanghai as an international financial center and a global asset management center; and (ii) help to enhance the financial performance of the Group and contribute to the Group's overall competitiveness.

In this regard, we noted that the entering into of the Equity Transfer Agreement II, which in essence is to further enhance the Company's competitiveness and enable the Company's wealth management business to benefit from high-quality financial products provided by HuaAn Funds, is in line with the Group's strategy of expanding their wealth management business by "continuing to improve the ability to identify, acquire, and allocate high-quality products through the sales of financial products" which is in accordance with the 2021 Annual Report and is in the ordinary and usual course of business of the Group.

As such, we concur with the Management's view that the entering into the Equity Transfer Agreement II is in line with the strategy of the Group and in the interests of the Company and its Shareholders as a whole.

3. Principal terms of the Equity Transfer Agreement II

The principal terms of the Equity Transfer Agreement II are summarised as follows. For further details, please refer to the paragraph headed "Principal terms of the Equity Transfer Agreement II" in the "Letter from the Board" of the Circular.

Target:	8% equity interests in HuaAn Funds
Parties:	<ul style="list-style-type: none">• The Company, as the purchaser; and• Shanghai Industrial, as the vendor
Method of implementation of the Proposed Acquisition:	By way of non-public agreement-based transfer on The Shanghai United Assets and Equity Exchange
Consideration:	The consideration of the Target Equity is RMB1,012 million, which is determined after arm's length negotiation and with reference to the appraised value of the Target Equity in the Valuation Report by way of market approach, being RMB1,012 million. Please refer to the section headed "Valuation" from the "Letter from the Board" of the Circular and the Valuation Report set out in Appendix II to the Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Payment: The consideration of the transaction will be paid in cash by internal resources of the Company and the payment of consideration shall be through bank transfer within five business days after the Equity Transfer Agreement II becomes effective.

Conditions Precedent The Equity Transfer Agreement II shall become effective upon the fulfillment of the following conditions:

- the Equity Transfer Agreement II and the Proposed Acquisition contemplated thereunder being considered and approved at the general meeting of the Company;
- the Equity Transfer Agreement II having been signed and sealed by the parties; and
- the Equity Transfer Agreement II and the Proposed Acquisition contemplated thereunder being approved by each of Shanghai SASAC and the CSRC.

4. Evaluation of the Consideration of the Proposed Acquisition

According to the “Letter from the Board” contained in the Circular, the consideration of the Proposed Acquisition (the “**Consideration**”) is RMB1,012 million, which is determined after arm’s length negotiation and with reference to the appraised value of the Target Equity in the Valuation Report by way of market approach, being RMB1,012 million. Shanghai Orient Appraisal Co., Ltd. has been engaged as the Independent Valuer to issue the valuation report in respect of the appraised value of the entire equity interests of HuaAn Funds as at the Reference Date, which has been filed with the competent state-owned assets supervisory authority of the PRC in June 2022.

We noted that the determination of the Consideration by making reference to the valuation report prepared by a qualified valuation institution for state-owned enterprises is a requirement specified under 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), the State-Owned Assets of Enterprises Law of the People’s Republic of China (中華人民共和國國有資產法) and the Provisional Measures for the Administration of Valuation of State-Owned Asset of Enterprises (企業國有資產評估暫行管理辦法).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4.1. Independent Valuer's qualification

In assessing the competence of the Independent Valuer, we have reviewed and enquired into (i) the qualification and experience of the Independent Valuer; and (ii) the steps and due diligence measures taken by the Independent Valuer in relation to the preparation of the Valuation Report.

Regarding the qualifications of the Independent Valuer, based on our interview with the Independent Valuer and relevant licenses cited from the website of China Appraisal Society, we noted that the Independent Valuer possessed relevant qualifications to undertake the valuation of HuaAn Funds. This includes (i) registered as a member with the China Appraisal Society; (ii) obtained relevant approvals by the CSRC and the Ministry of Finance to conduct securities and futures-related appraisal work; and (iii) completed filing with the Shanghai Municipal Bureau of Finance.

Regarding the competence of the Independent Valuer, based on internet search on other valuation reports issued by the Independent valuer, we noted that the Independent Valuer is equipped with relevant expertise in valuing equity interests of PRC companies such as fund management companies. We noted that the Independent Valuer has issued one valuation report on equity interests of a fund management company in the PRC in 2021. In addition, each of the two signing principals of the Valuation report has accredited as certified public valuer.

Based on the above, we are satisfied with the competence of the Independent Valuer in respect of the preparation of the Valuation Report.

Having considered that:

- (i) as required under provision four of Basis Principles for Asset Valuation (資產評估基本準則, the “**Valuation Principles**”) issued by Ministry of Finance of the PRC in 2017, asset appraisal institution and its professional staff shall carry out asset appraisal activities in accordance with provisions of laws and administrative regulations, uphold to the principle of independence, objectivity and impartiality;
- (ii) as required under provision six of the Valuation Principles, when asset appraisal institution and its professional staff shall carry out asset appraisal activities, they (a) should perform independently in analysing, evaluating and forming their opinion; (b) should not be affected by client or other relevant persons involved; and (c) should not determine the value on pre-setting basis; and
- (iii) the Independent Valuer has confirmed it is independent from the Company and Shanghai Industrial during the interview,

we are satisfied with the objectivity of the Independent Valuer in the preparation of the Valuation Report.

4.2. Valuation methodology

According to the Valuation Report, as required by the Asset Appraisal Practice Guidelines – Enterprise Value (資產評估執業準則-企業價值) (the “**Practice Guidelines**”) issued by China Appraisal Society, when performing any valuation of enterprise value, the suitability of three basic asset valuation methods, namely the income approach, the market approach and the asset-based approach, shall be considered based on the purpose of valuation, the subject of the valuation and the available information, etc., so as to ensure of the application of the most appropriate valuation method(s). If different valuation methods are applicable, asset appraising professionals should adopt two or more valuation methods when conducting the valuation.

In selecting appropriate valuation approach for the preparation of the Valuation Report, the Independent Valuer has considered the following valuation approaches and has the following views:

- (i) **Market approach:** According to the Practice Guidelines, the market approach in enterprise value evaluation refers to the valuation approach that compares the valuation target with comparable listed companies on stock exchanges (the “**Listed Companies Comparison Method**”) or comparable transaction cases (the “**Transaction Cases Comparison Method**”) to determine the value of the valuation target. According to the Valuation Report, the two methods commonly used in the market approach are the Listed Companies Comparison Method and the Transaction Cases Comparison Method.

We understand from the Independent Valuer that, as there is no relevant comparable listed mutual fund management company in China, the Listed Companies Comparison Method cannot be used. Nonetheless, given that there is a number of transaction cases of fund management companies in recent years and the information of such equity transactions is generally publicly accessible, the market approach utilising Transaction Cases Comparison Method is selected.

Based on our independent research, we identified (i) only one mutual fund management company listed in the National Equities Exchange and Quotations (NEEQ) in China; and (ii) at least four approved transactions of equity interests in mutual fund management companies during the six month prior to the date of this letter on the website of the CSRC. Therefore, we concur with the Independent Valuer that the market approach utilising Transaction Case Comparison Method is appropriate.

According to the “Letter from the Board”, in carrying out the market approach, the Independent Valuer used P/AUM, an indicator generally accepted in the industry, as a comparable quantitative indicator. Based on our independent research, we have identified two valuation reports issued in 2021 and 2022

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

regarding equity transactions of mutual fund management companies in the PRC, which adopted P/AUM as comparable quantitative indicator to arrive at the value of equity interests. As such, we are of the view that the use of P/AUM indicator is reasonable.

- (ii) **Income approach:** According to the Practice Guidelines, the income approach in enterprise value evaluation refers to the valuation approach that capitalises or discounts the expected income to determine the value of the valuation target. According to the Valuation Report, the income approach evaluates assets from the perspective of the expected profitability, which can fully reflect the overall value of the enterprise.

As the principal business of HuaAn Funds is fund management, the expected profit used in valuation by income approach of this kind of company is greatly affected by capital market conditions. As the transaction cases selected for valuation by market approach have similar business model with the subject of valuation, the valuation result based on market approach is therefore more applicable. As such, the Independent Valuer is of the view that market approach is more appropriate for conducting the valuation of HuaAn Funds as compared to the income approach.

- (iii) **Asset-based approach:** Based on the Valuation Report, we noted that the valuation target contains intangible assets such as mutual fund qualification, brand image, investment and research capabilities of the team, goodwill. Secondly, HuaAn Funds has development and growth expectations in the future which cannot be factored in the valuation by asset-based approach. Therefore, the asset-based approach cannot fully and reasonably reflect the intrinsic value of the enterprise and is not applicable in this case.

Having considered that (i) the Valuation Report was prepared by the Independent Valuer in accordance with applicable laws, regulations and standards; and (ii) the aforesaid reasons for not adopting income approach and asset-based approach to conclude the valuation of HuaAn Funds, we concur with the Independent Valuer on the adoption of market approach for conducting the valuation as most appropriate and reasonable approach.

4.3. Assumptions

The Valuation Report has set out certain assumptions under the paragraph headed “Valuation assumptions” in Appendix II to the Circular. We are of the view that the major assumptions of the Valuation Report are fair and reasonable.

4.4. Comparable transaction cases

We understand from the Independent Valuer that the comparable transaction cases were identified based on principle criteria which are summarised below:

- (i) transaction cases within the same industry as HuaAn Funds; and
- (ii) transaction nature (i.e. equity transaction).

Considering that for the purpose of comparable analysis: (i) comparable transaction cases regarding companies within the same industry can more accurately reflect the market condition of the industry that HuaAn Funds is operating in; and (ii) comparison with recent transaction cases can better reflect the market perception on the valuation of similar type of transactions, we are of the view that the above criteria for selecting comparable transaction cases are fair and reasonable.

We have reviewed the list of the comparable transaction cases (the “**Comparable Transaction Cases**”). Based on this list and our independent research, we noted that each of the Comparable Transaction Cases (i) relates to the transfer of equity interests of fund management company in the PRC, which is operating in the same industry with HuaAn Funds; and (ii) was entered into within two years prior to the Reference Date, which can reflect the recent market reception on the valuation of fund management companies. We have obtained and reviewed relevant announcements made by the parties involved in the Comparable Transaction Cases and noted that the information in the list provided by the Independent Valuer is consistent with such announcements.

4.5. Section conclusion

Taking into account the analysis set out under the paragraphs 4.1 to 4.4 above, we are of the view that the Consideration, which is determined after arm’s length negotiation and with reference to the appraised value of the Target Equity in the Valuation Report by way of market approach, is fairly and reasonably arrived at.

5. Potential financial effects on the Group

Upon completion of the Proposed Acquisition, HuaAn Funds will become a subsidiary of the Company and its financial results will be consolidated into the financial statements of the Group. Should HuaAn Funds derive any revenue from its fund management business or incur any costs associated after the Proposed Acquisition, the Group’s profit after tax will be affected accordingly.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Given the consideration of the transaction will be settled in cash, it is expected that the cash position of the Group will decrease as a result of the Proposed Acquisition. Notwithstanding the decrease in cash position, based on the audited financial information of HuaAn Funds as set out in the paragraph headed “Financial information of HuaAn Funds” in this letter above, net asset value of the Group would also be enhanced accordingly after the Proposed Acquisition.

The Company expects to record a one-off equity revaluation gain after the completion of the Proposed Acquisition. For details, please refer to the paragraph headed “3. Financial information of HuaAn Fund” under the “Letter from the Board” of the Circular.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the view that (i) the entering into the Equity Transfer Agreement II and the Proposed Acquisition contemplated thereunder are in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole; and (ii) the terms of the Equity Transfer Agreement II and the Proposed Acquisition contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the proposed resolution at the EGM to approve the entering into of the Equity Transfer Agreement II and the Proposed Acquisition.

Yours faithfully,
For and on behalf of
Altus Capital Limited

Jeanny Leung
Executive Director

Leo Tam
Executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*Ms. Jeanny Leung (“**Ms. Leung**”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions.*

*Mr. Leo Tam (“**Mr. Tam**”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. He has over seven years of experience in corporate finance and advisory in Hong Kong, in particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions. Mr. Tam is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.*

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 giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, the interests and short positions of the Directors, Supervisors and chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name	Positions	Nature of Interest	Class	Number/ Nature of Shares Directly or Indirectly Held	As an Approximate Percentage of the Relevant Class of Shares (%)	As an Approximate Percentage of the Total Issued Share Capital (%)
WANG Song	Vice chairman of the Board, Executive Director, President	Beneficial owner	A Shares	722,000/ Long positions	0.0096	0.0081
YU Jian	Executive Director, Secretary of the Board	Beneficial owner	A Shares	595,000/ Long positions	0.0079	0.0067

Save as disclosed above, as at the Latest Practicable Date, the Company was not aware of any Directors, Supervisors and the chief executive of the Company who had any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which

were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

3. DIRECTORS' POSITIONS IN SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, save as disclosed below, none of the Directors or proposed Directors was a director or employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Name	Name of Shareholder	Position in the Shareholder
LIU Xinyi	International Group	Director, president
GUAN Wei	International Group	Vice president, chief financial officer
	Shanghai State-owned Assets Management Co., Ltd.	Chairman
ZHONG Maojun	International Group	Director, chief operation officer
	Shanghai State-owned Assets Management Co., Ltd.	Chairman of the supervisory board
CHEN Hua	Shanghai State-owned Assets Management Co., Ltd.	Executive deputy general manager
WANG Wenjie	Shenzhen Investment Holdings Co., Ltd.	Director, general manager
ZHANG Zhan	Shenzhen Investment Holdings Co., Ltd.	Deputy director of the capital operation department
ZHANG Yipeng	Shanghai Municipal Investment (Group) Corporation	Director and chief financial officer
AN Hongjun	New China Asset Management (Hong Kong) Limited	Executive director, president

4. SERVICE CONTRACTS OF THE DIRECTORS

As at the Latest Practicable Date, none of the Directors or the Supervisors has entered into any service contract with any member of the Group which does not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

5. COMPETING INTERESTS

Mr. AN Hongjun, a non-executive Director of the Company, has been an executive director and president of New China Asset Management (Hong Kong) Limited (新華資產管理(香港)有限公司) since April 2013. Since New China Asset Management (Hong Kong) Limited currently holds the licenses under the SFO for engaging in the regulated activities of Type 4 (Advising on Securities) and Type 9 (Asset Management), it competes or is likely to compete, either directly or indirectly, with certain businesses of Guotai Junan Financial Holdings Co., Ltd. and its subsidiaries.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the supervisors of the Company or their respective close associates (as if each of them was treated as a controlling shareholder under Rule 8.10 of the Listing Rules) had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS

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

As at the Latest Practicable Date, none of the Directors or supervisors of the Company was materially interested in any contract or arrangement subsisting at such date which was significant in relation to the business of the Group.

7. EXPERT AND CONSENT

The following are the qualifications of the experts who have given opinions or advice, which are contained or referred to in this circular:

Name	Qualifications
Altus Capital Limited	A corporation licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Shanghai Orient Appraisal Co., Ltd.	an independent certified PRC valuer

As of the Latest Practicable Date, each of Altus Capital Limited and Shanghai Orient Appraisal Co., Ltd.:

- (a) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name, in the form and context in which it appears;
- (b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (c) did not have any direct or indirect interests in any assets which have been acquired or disposed of by or leased to, any member of the Group, or which are proposed to be acquired or disposed of by or leased to, any member of the Group.

8. NO MATERIAL ADVERSE CHANGE

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

9. DOCUMENTS AVAILABLE ON DISPLAY

The draft of Equity Transfer Agreement II will be published on the website of the Stock Exchange (<https://www.hkexnews.hk>) and the website of the Company (<http://www.gtja.com>) for a period of 14 days from the date of this circular.

10. GENERAL

In the event of any inconsistencies between the Chinese version and the English version of this circular, other than Appendix II and Appendix III to this circular, the English version shall prevail.

This asset valuation report is prepared in accordance with the asset valuation standards of the PRC

ASSET VALUATION REPORT ON THE ENTIRE VALUE OF SHAREHOLDERS' EQUITY OF HUAAN FUNDS MANAGEMENT CO., LTD. (華安基金管理有限公司) IN RELATION TO THE PROPOSED TRANSFER OF 8% EQUITY INTERESTS IN HUAAN FUNDS MANAGEMENT CO., LTD. HELD BY SHANGHAI INDUSTRIAL INVESTMENT (GROUP) CO., LTD. (上海工業投資(集團)有限公司) TO GUOTAI JUNAN SECURITIES CO., LTD. (國泰君安證券股份有限公司) BY AGREEMENT

DONG ZHOU PING BAO ZI [2021] NO. 2554

**(REPORT)
VOLUME 1 of 1**



SHANGHAI ORIENT APPRAISAL CO., LTD.

3 June 2022

STATEMENT

1. This asset valuation report is prepared in accordance with the basic asset valuation standards issued by the Ministry of Finance and the asset valuation practice standards and professional ethics standards issued by the China Appraisal Society.
2. The appointer or other users of the asset valuation report shall use the asset valuation report in accordance with the provisions of the laws, administrative regulations and the scope of use specified in the asset valuation report. If the appointer or other users of the asset valuation report use the asset valuation report in violation of the foregoing provisions, the asset valuation agency and the asset valuation professionals shall not be liable.
3. The asset valuation report can only be used by the appointer, other users of the asset valuation report as agreed in the asset valuation entrustment contract and users of the asset valuation report as stipulated in the laws and administrative regulations. Save as aforesaid, other institutions or individuals are not allowed to use the asset valuation report.
4. The users of the asset valuation report shall correctly understand and use the valuation conclusion. The valuation conclusion is not equal to the realizable price of the valuation subject, and the valuation conclusion shall not be considered as a guarantee for the realizable price of the valuation subject.
5. The users of the asset valuation report shall pay attention to the assumptions for the establishment of the valuation conclusion, the description of special matters in the asset valuation report and the use restrictions.
6. The asset valuation agency and its asset valuation professionals shall abide by the laws, administrative regulations and the asset valuation standards, adhere to the principles of independence, objectivity and impartiality, and assume responsibility for the asset valuation report issued according to law.
7. The valuation agency has no existing or expected interest in the valuation subject in this asset valuation report. It has no existing or expected interest in the relevant parties, and has no prejudice against the relevant parties.
8. The list of assets and liabilities involved in the valuation subject shall be declared by the appointer and the Appraised Entity and confirmed by the same parties with signature, seal or other methods permitted by law. According to the Asset Valuation Law of the People's Republic of China (《中華人民共和國資產評估法》), "the appointer shall be responsible for the authenticity, completeness and legality of the ownership certificates, financial and accounting information and other materials provided by it."

9. The valuer has conducted on-site investigation on the valuation subject 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 assets involved has been verified. The matters that have been found that may have a significant impact on the valuation conclusion have been truthfully disclosed in this asset valuation report, and the appointer and other relevant parties have been requested to improve their title to meet the requirements for issuing the asset valuation report. However, the valuation agency only expresses opinions on the value of the valuation subject and the assets involved, and the valuation agency has no right to guarantee their legal ownership in any form. This report shall not be used as any form of title certificate.

10. The valuer's investigation of physical assets such as equipment and buildings (structures) is normally limited to their apparent quality, use condition, maintenance condition, etc., and does not include the covered, hidden and parts which are difficult to be observed inside. The valuer is unable to and has not accepted the engagement to carry out professional and technical inspection and appraisal on the internal quality of the above assets. The valuer's valuation is based on the information provided by the appointer and other relevant parties. If there are defects in the internal quality of the valuation subject, the valuation conclusion of this asset valuation report may be affected to varying degrees.

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ASSET VALUATION REPORT
DONG ZHOU PING BAO ZI [2021] NO. 2554
ON THE ENTIRE VALUE OF SHAREHOLDERS' EQUITY OF
HUAAN FUNDS MANAGEMENT CO., LTD.
(華安基金管理有限公司)
IN RELATION TO THE
PROPOSED TRANSFER OF 8% EQUITY INTERESTS IN
HUAAN FUNDS MANAGEMENT CO., LTD.
HELD BY
SHANGHAI INDUSTRIAL INVESTMENT (GROUP) CO., LTD.
(上海工業投資(集團)有限公司)
TO GUOTAI JUNAN SECURITIES CO., LTD.
(國泰君安證券股份有限公司)
BY AGREEMENT
SUMMARY

Special notice: This asset valuation report only provides value reference for the economic activities described in the report. The following contents are extracted from the main text of the asset valuation report. In order to understand the details of this valuation and correctly understand the valuation conclusion, you should read the main text of the valuation report.

Upon the engagement, subject to laws, administrative regulations and asset valuation standards, and on the principles of independence, objectivity and impartiality, Shanghai Orient Appraisal Co., Ltd. conducted an appraisal on the valuation subject under the economic activities, based on appropriate valuation approaches and necessary valuation process. The summary of the asset valuation report (the "Asset Valuation Report") is as follows:

Appointer: Shanghai Industrial Investment (Group) Co., Ltd. (上海工業投資(集團)有限公司).

Appraised Entity: HuaAn Funds Management Co., Ltd. (華安基金管理有限公司).

Valuation Purpose: Equity transfer by agreement.

Economic Activities: Shanghai Industrial Investment (Group) Co., Ltd. (上海工業投資(集團)有限公司) proposed to transfer its 8% equity interests in HuaAn Funds Management Co., Ltd. (華安基金管理有限公司) to Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司) by agreement.

Valuation Subject: The entire value of shareholders' equity of the Appraised Entity.

Scope of Valuation: Total assets and liabilities of the Appraised Entity, specifically including current assets, non-current assets and liabilities. The total carrying value of all assets, liabilities and shareholders' equity declared by the Appraised Entity on an individual basis amounted to RMB5,578,060,398.32, RMB1,805,730,107.69 and RMB3,772,330,290.63, respectively. The total carrying value of all assets, liabilities and shareholders' equity declared by the Appraised Entity on a consolidated basis amounted to RMB5,758,667,810.00, RMB1,892,402,283.30 and RMB3,866,265,526.70, respectively.

Type of Value: Market value

Reference Date: 30 September 2021

Valuation Approaches: The income approach and the market approach are adopted, and the conclusion of this valuation report is based on the valuation result under the market approach.

Valuation Conclusion: After the valuation, the entire value of shareholders' equity in the Appraised Entity is RMB12,650,000,000.00, being RENMINBI TWELVE BILLION AND SIX HUNDRED FIFTY MILLION ONLY.

Validity Period of the Valuation Conclusion: the valuation conclusion shall be valid for one year from the Reference Date, i.e. effective until 29 September 2022.

If this valuation project involves state-owned assets, and the filing and approval procedures of the state-owned assets management authorities need to be performed according to relevant regulations, this valuation report can only be officially used after being filed with the state-owned assets supervision and administration department, and the valuation conclusion is only applicable to the economic activities shown in this report.

Special matters:

The users of the valuation report should also pay attention to the impact of the special matters, valuation assumptions and subsequent major matters specified in the main text of the valuation report on the valuation conclusion, and make appropriate use of this valuation report.

ASSET VALUATION REPORT
DONG ZHOU PING BAO ZI [2021] NO. 2554
ON THE ENTIRE VALUE OF SHAREHOLDERS' EQUITY OF
HUAAN FUNDS MANAGEMENT CO., LTD.
(華安基金管理有限公司)
IN RELATION TO THE PROPOSED TRANSFER OF 8% EQUITY INTERESTS IN
HUAAN FUNDS MANAGEMENT CO., LTD.
HELD BY
SHANGHAI INDUSTRIAL INVESTMENT (GROUP) CO., LTD.
(上海工業投資(集團)有限公司)
TO GUOTAI JUNAN SECURITIES CO., LTD.
(國泰君安證券股份有限公司)
BY AGREEMENT
MAIN TEXT

To: Shanghai Industrial Investment (Group) Co., Ltd.

Dear Sir or Madam,

Upon acceptance of the commission of Shanghai Industrial Investment (Group) Co., Ltd., subject to laws, administrative regulations and asset valuation standards, and on the principles of independence, objectivity and impartiality, Shanghai Orient Appraisal Co., Ltd. conducted an appraisal on the market value as at 30 September 2021 of the entire value of shareholders' equity of HuaAn Funds Management Co., Ltd. (華安基金管理有限公司) in relation to the proposed transfer of 8% equity interests in HuaAn Funds Management Co., Ltd. held by Shanghai Industrial Investment (Group) Co., Ltd. (上海工業投資(集團)有限公司) to Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司) by agreement, based on the income approach, the market approach and necessary valuation process. The asset valuation is reported as follows:

1. THE APPOINTER, THE APPRAISED ENTITY AND OTHER USERS OF THE ASSET VALUATION REPORT

(1) Profile of the Appointer

Name of Enterprise: Shanghai Industrial Investment (Group) Co., Ltd. (上海工業投資(集團)有限公司)

Unified Social Credit Code: 91310000631319149J

Type of Enterprise: limited liability company (sole proprietorship of legal person invested or controlled by non-natural person)

Registered Address: Room 302-12, No. 337, Shahe Village, Jiangqiao Town, Jiading District, Shanghai

Legal Representative: Yuan Hang

Registered Capital: RMB4,603.161 million

Date of Establishment: 27 November 1998

Operating Period: 27 November 1998 to 26 November 2048

Scope of Operation: Licensed projects: various engineering construction activities. (For projects subject to approval according to law, business activities can be carried out only with the approval of relevant departments, and the specific business projects shall be subject to the approval documents or licenses of relevant departments.) General projects: park management services, real estate development and operation, land improvement services, and municipal facilities management; property management, implementation of special fund management for industrial systems, investment and asset operation and management, trade of production materials and industrial products (excluding specially regulated ones), investment consulting, self-operated and commissioned import and export business for textile and apparel, light industrial products, metal and mineral products, mechanical and electrical products (excluding those commodities and technologies that are restricted to be operated or prohibited from import and export by the State), operation of imported material processing and “three categories of processing and one category of compensatory trade business”, operation of counter trade and re-export trade, and import agent business of automobile. (except for the projects subject to approval according to law, the company shall independently carry out business activities with its business license according to law)

(2) Profile of the Appraised Entity

Name of Company: HuaAn Funds Management Co., Ltd. (華安基金管理有限公司)
(hereinafter referred to as “HuaAn Funds”, the “Appraised Entity” or the “Company”)

Unified Social Credit Code: 91310000630888761K

Type of Enterprise: limited liability company (state-controlled)

Registered Address: 31-32/F, Tower II, Shanghai International Financial Center, No. 8 Century Avenue, China (Shanghai) Pilot Free Trade Zone

Legal Representative: Zhu Xuehua

Registered Capital: RMB150 million

Date of Establishment: 4 June 1998

Operating Period: 4 June 1998 to no fixed term

Scope of Operation: Fund establishment, fund business management and other businesses approved by the CSRC. [For projects subject to approval according to law, business activities can be carried out only with the approval of relevant departments]

1. Shareholding Structure and Changes of the Appraised Entity

Founded in June 1998, HuaAn Funds Management Co., Ltd. (hereinafter referred to as “HuaAn Funds”) is a limited company invested and established by Shanghai International Trust Corp., Ltd., Shenyin & Wanguo Securities Co., Ltd. and Shandong Securities Co., Ltd., with a registered capital of RMB50 million. After the completion of this capital contribution, the shareholding of each shareholder is as follows:

No.	Name of Shareholder	Subscribed and paid-up capital (RMB10,000)	Proportion (%)
1	Shanghai International Trust Corp., Ltd.	3,000.00	60.00%
2	Shenyin & Wanguo Securities Co., Ltd.	1,000.00	20.00%
3	Shandong Securities Co., Ltd.	1,000.00	20.00%
	Total	5,000.00	100.00%

As of April 2000, according to the Reply of the CSRC on Approving the Shareholding Structure Adjustment Plan of HuaAn Funds Management Co., Ltd. (Zheng Jian Ji Jin Zi [2000] No. 29)(中國證監會批覆(證監基金字[2000]29號)《關於同意華安基金管理有限公司股權結構調整方案的批覆》), the registered capital of HuaAn Funds was increased from RMB50 million to RMB150 million, and Orient Securities Limited Liability Company (東方證券有限責任公司) and Zhejiang Securities Co., Ltd. (浙江證券有限責任公司) were agreed to become the new shareholders of the Appraised Entity.

In addition, Shanghai International Trust Corp., Ltd. transferred 6.67% equity interest of HuaAn Funds held by it to Orient Securities Limited Liability Company and 3.33% equity interest of HuaAn Funds to Zhejiang Securities Co., Ltd. After this capital increase and equity transfer, the shareholding of each shareholder is as follows:

No.	Name of Shareholder	Subscribed and paid-up capital (RMB10,000)	Proportion (%)
1	Shanghai International Trust Corp., Ltd.	4,500.00	30.00%
2	Shenyin & Wanguo Securities Co., Ltd.	3,000.00	20.00%
3	Shandong Securities Co., Ltd.	3,000.00	20.00%
4	Orient Securities Limited Liability Company	3,000.00	20.00%
5	Zhejiang Securities Co., Ltd.	1,500.00	10.00%
	Total	15,000.00	100.00%

As of December 2004, according to the Reply of the CSRC on Approving the Transfer of Equity Interest of HuaAn Funds Management Co., Ltd. and Amendments to the Articles of Association (Zheng Jian Ji Jin Zi [2004] No. 207) (中國證監會批覆(證監基金字[2004]207號)《關於同意華安基金管理有限公司股權轉讓及修改公司章程的批覆》), Tiantong Securities Co., Ltd. (formerly known as Shandong Securities Co., Ltd.) was approved to transfer 20.00% equity interest of HuaAn Funds held by it to Shanghai Electric (Group) Corporation, Shenyin & Wanguo Securities Co., Ltd. was approved to transfer 20.00% equity interest of HuaAn Funds held by it to SVA (Group) Co., Ltd., Shanghai International Trust Corp., Ltd. was approved to transfer 20.00% equity interest of HuaAn Funds held by it to Shanghai Feidian Investment Development Co., Ltd., Founder Securities Co., Ltd. (formerly known as Zhejiang Securities Co., Ltd.) was approved to transfer 10.00% equity interest of HuaAn Funds held by it to Shanghai International Trust Corp., Ltd., and Orient Securities Limited Liability Company was approved to transfer 20.00% equity interest of HuaAn Funds held by it to Shanghai Industrial Investment (Group) Co., Ltd. After the completion of this equity transfer, the shareholding of each shareholder is as follows:

No.	Name of Shareholder	Subscribed and paid-up capital (RMB10,000)	Proportion (%)
1	Shanghai International Trust Corp., Ltd.	3,000.00	20.00%
2	Shanghai Electric (Group) Corporation	3,000.00	20.00%
3	SVA (Group) Co., Ltd.	3,000.00	20.00%
4	Shanghai Feidian Investment Development Co., Ltd.	3,000.00	20.00%
5	Shanghai Industrial Investment (Group) Co., Ltd.	3,000.00	20.00%
	Total	15,000.00	100.00%

As of October 2007, according to the Reply of the CSRC on Approving the Transfer of Equity Interest of HuaAn Funds Management Co., Ltd. and Amendments to the Articles of Association (Zheng Jian Ji Jin Zi [2007] No. 282) (中國證監會批覆(證監基金字[2007]282號)《關於同意華安基金管理有限公司股權轉讓及修改公司章程的批覆》), SVA (Group) Co., Ltd. was approved to transfer 20.00% equity interest of HuaAn Funds held by it to Shanghai Jin Jiang International Investment and Management Company Limited (上海錦江國際投資管理有限公司). After the completion of this equity transfer, the shareholding of each shareholder is as follows:

No.	Name of Shareholder	Subscribed and paid-up capital (RMB10,000)	Proportion (%)
1	Shanghai International Trust Corp., Ltd.	3,000.00	20.00%
2	Shanghai Electric (Group) Corporation	3,000.00	20.00%
3	Shanghai Feidian Investment Development Co., Ltd.	3,000.00	20.00%
4	Shanghai Industrial Investment (Group) Co., Ltd.	3,000.00	20.00%
5	Shanghai Jin Jiang International Investment and Management Company Limited	3,000.00	20.00%
	Total	15,000.00	100.00%

As of October 2009, according to the Reply of the CSRC on Approving the Change of Equity Interest of HuaAn Funds Management Co., Ltd. (Zheng Jian Xu Ke [2009] No. 1087) (中國證監會批覆(證監許可[2009]1087號)《關於核准華安基金管理有限公司變更股權的批覆》), Shanghai Feidian Investment Development Co., Ltd. was approved to transfer 20.00% equity interest of HuaAn Funds held by it to Guotai Junan Investment Management Co., Ltd. (國泰君安投資管理股份有限公司). After the completion of this equity transfer, the shareholding of each shareholder is as follows:

No.	Name of Shareholder	Subscribed and paid-up capital (RMB10,000)	Proportion (%)
1	Shanghai International Trust Corp., Ltd.	3,000.00	20.00%
2	Shanghai Electric (Group) Corporation	3,000.00	20.00%
3	Shanghai Industrial Investment (Group) Co., Ltd.	3,000.00	20.00%
4	Shanghai Jin Jiang International Investment and Management Company Limited	3,000.00	20.00%
5	Guotai Junan Investment Management Co., Ltd	3,000.00	20.00%
	Total	15,000.00	100.00%

As of October 2017, according to the Reply of the CSRC on Approving the Change of Equity Interest of HuaAn Funds Management Co., Ltd. (Zheng Jian Xu Ke [2017] No. 1809) (中國證監會批覆(證監許可[2017]1809號)《關於核准華安基金管理有限公司變更股權的批覆》), Shanghai Electric (Group) Corporation was approved to transfer 20.00% equity interest of HuaAn Funds held by it to Guotai Junan Innovation Investment Co., Ltd. (國泰君安創新投資有限公司). After the completion of this equity transfer, the shareholding of each shareholder is as follows:

No.	Name of Shareholder	Subscribed and paid-up capital (RMB10,000)	Proportion (%)
1	Shanghai International Trust Corp., Ltd.	3,000.00	20.00%
2	Shanghai Industrial Investment (Group) Co., Ltd.	3,000.00	20.00%
3	Shanghai Jin Jiang International Investment and Management Company Limited	3,000.00	20.00%
4	Guotai Junan Investment Management Co., Ltd.	3,000.00	20.00%
5	Guotai Junan Innovation Investment Co., Ltd.	3,000.00	20.00%
	Total	15,000.00	100.00%

As of December 2018, according to the Reply of the CSRC on Approving the Change of Equity Interest of HuaAn Funds Management Co., Ltd. (Zheng Jian Xu Ke [2018] No. 2012) (中國證監會批覆(證監許可[2018]2012號)《關於核准華安基金管理有限公司變更股權的批覆》), Guotai Junan Innovation Investment Co., Ltd. was approved to transfer 20.00% equity interest of HuaAn Funds held by it to Guotai Junan Securities Co., Ltd., and Shanghai International Trust Corp., Ltd. was approved to transfer 20.00% equity interest of HuaAn Funds held by it to Shanghai SITICO Asset Management Co., Ltd.. After the completion of this equity transfer, the shareholding of each shareholder is as follows:

No.	Name of Shareholder	Subscribed and paid-up capital (RMB10,000)	Proportion (%)
1	Shanghai Industrial Investment (Group) Co., Ltd.	3,000.00	20.00%
2	Shanghai Jin Jiang International Investment and Management Company Limited	3,000.00	20.00%

No.	Name of Shareholder	Subscribed and paid-up capital (RMB10,000)	Proportion (%)
3	Guotai Junan Investment Management Co., Ltd.	3,000.00	20.00%
4	Guotai Junan Securities Co., Ltd.	3,000.00	20.00%
5	Shanghai SITICO Asset Management Co., Ltd.	3,000.00	20.00%
	Total	15,000.00	100.00%

As of March 2021, according to the Reply of the CSRC on Approving the Change of Equity Interest of HuaAn Funds Management Co., Ltd. (Zheng Jian Xu Ke [2021] No. 669) (中國證監會批覆(證監許可[2021]669號)《關於核准華安基金管理有限公司變更股權的批覆》), Shanghai Jin Jiang International Investment and Management Company Limited was approved to transfer 8.00% equity interest of HuaAn Funds held by it to Guotai Junan Securities Co., Ltd.. After the completion of this equity transfer, the shareholding of each shareholder is as follows:

No.	Name of Shareholder	Subscribed and paid-up capital (RMB10,000)	Proportion (%)
1	Shanghai Industrial Investment (Group) Co., Ltd.	3,000.00	20.00%
2	Shanghai Jin Jiang International Investment and Management Company Limited	1,800.00	12.00%
3	Guotai Junan Investment Management Co., Ltd.	3,000.00	20.00%
4	Guotai Junan Securities Co., Ltd.	4,200.00	28.00%
5	Shanghai SITICO Asset Management Co., Ltd.	3,000.00	20.00%
	Total	15,000.00	100.00%

In September 2021, according to the Minutes of the Office Meeting of the President of Guotai Junan Securities Co., Ltd. (2021 No. 7) and the Minutes of the Party Branch Meeting of Shanghai SITICO Asset Management Co., Ltd. (Dang Zhi Bu Hui (2021) No. 19), Shanghai SITICO Asset Management Co., Ltd. proposed to transfer 15% equity interest of HuaAn Funds held by it to Guotai Junan Securities Co., Ltd.. This equity transfer has been filed to SASAC

(Filing number: Bei Hu Shanghai Guo Ji Ji Tuan 202100025), but as of the Reference Date, the approval of the CSRC on the industrial and commercial change has not been obtained. After the completion of this equity transfer, as of Reference Date, i.e. 30 September 2021, the shareholding of each shareholder is as follows:

No.	Name of Shareholder	Subscribed and paid-up capital (RMB10,000)	Proportion (%)
1	Shanghai Industrial Investment (Group) Co., Ltd.	3,000.00	20.00%
2	Shanghai Jin Jiang International Investment and Management Company Limited	1,800.00	12.00%
3	Guotai Junan Investment Management Co., Ltd.	3,000.00	20.00%
4	Guotai Junan Securities Co., Ltd.	6,450.00	43.00%
5	Shanghai SITICO Asset Management Co., Ltd.	750.00	5.00%
	Total	15,000.00	100.00%

2. *Businesses of the Appraised Entity*

HuaAn Funds was established in June 1998 and is one of the first fund management companies in China. Its business scope includes fund establishment, fund business management and other businesses approved by the CSRC. It has the business qualifications of public offering securities investment fund management, specific client asset management, and provision of asset management in Hong Kong.

(1) *Operation Model and Products*

HuaAn Funds mainly manages fund operation activities such as fund raising, subscription and redemption of fund units, investment of fund assets, income distribution, etc., so as to generate income from charging management fees. At present, the Appraised Entity has a total of 174 public fund products with complete product lines, including monetary funds, equity funds, bond funds, hybrid funds, FOF funds, etc.

(2) *Business Scale and Development*

As of September 2021, the size of public funds under management of HuaAn Funds was RMB553.2 billion (including RMB332 billion of non-monetary funds). From 2016 to September 2021, the size of public funds under management of HuaAn Funds and its ranking in the industry are as follows:

Unit: RMB100 million

Item/Year	End of 2016	End of 2017	End of 2018	End of 2019	End of 2020	September 2021
Size of public funds under management	1,617	1,808	2,779	3,517	4,702	5,532
<i>Growth rate</i>		12%	54%	27%	34%	
Size of non- monetary funds under management	1,290	1,188	1,158	1,606	2,439	3,320
<i>Growth rate</i>		-8%	-2%	43%	67%	
Industry ranking	11	14	13	14	13	14

(3) *Comparison of Advantages*

Compared with competitors in the same industry, the Appraised Entity's features and advantages are mainly reflected in the following:

Firstly, the brand influence of the Appraised Entity. As one of the first ten companies in the industry, the Appraised Entity has a good market image and position from the investors' perspective, and has won an excellent reputation and public praise in many years of business development.

Secondly, the Appraised Entity has accumulated large-scale assets and full product line management capability in its development over the past two decades. The Appraised Entity's assets under management involve public funds, special account portfolios, RQFII funds, etc., and its investment scope covers domestic and overseas investments. It has the ability to invest across markets, varieties and regions.

Thirdly, the Appraised Entity's innovation and development ability. The Appraised Entity has a good tradition in innovation. In the development of China's fund industry over the past two decades, it has created seven types of fund products, including open-end funds, open-end index funds, money market funds, QDII funds, ETF feeder funds, short-term wealth management funds and gold ETFs. In the new stage of the development of the fund industry, the Appraised Entity adheres to leadership in innovation by making a series of fruitful explorations in innovation and making breakthroughs in innovation in management, mechanisms, businesses and models.

3. Equity Investments

On the Reference Date, the Appraised Entity has equity investments in 3 enterprises, including 2 controlled subsidiaries and 1 joint stock company. The shareholding structure chart is as follows:

	HuaAn Funds Management Co., Ltd.	
100%	100%	0.9926%
HuaAn Asset Management (Hong Kong) Limited	HuaAn Future Asset Management (Shanghai) Co., Ltd.	E-Capital Transfer Co., Ltd.

(1) Details of Long-term Investments are as follows:

No.	External Investee	Company's Abbreviation	Grade	Shareholding Percentage
1	HuaAn Future Asset Management (Shanghai) Co., Ltd.	HuaAn Future	Second	100%
2	HuaAn Asset Management (Hong Kong) Limited	HuaAn Hong Kong	Second	100%
3	E-Capital Transfer Co., Ltd.	E-Capital Transfer	Second	0.9926%

(2) Summary of Long-term Investments

No.	Name of Investee	Type of Company	Registered Address	Legal Representative	Registered Capital
1	HuaAn Future	Limited liability company (sole proprietorship of legal person invested or controlled by non-natural person)	Room 368, Part 302, No. 211 Fute North Road, China (Shanghai) Pilot Free Trade Zone	Du Xuanjun	RMB500 million
2	HuaAn Hong Kong	Limited liability company	/	/	HK\$100 million

No.	Name of Investee	Type of Company	Registered Address	Legal Representative	Registered Capital
3	E-Capital Transfer	Other joint stock limited company (unlisted)	Building 1, No. 27 Xinqinqiao Road, China (Shanghai) Pilot Free Trade Zone	Wang Guanrong	RMB2,518.75 million

(3) Business Scopes of Long-term Investments

No.	Name of Investee	Business Scope
1	HuaAn Future	Specific client asset management business, and other businesses permitted by the CSRC. [For projects subject to approval according to law, business activities can be carried out only with the approval of relevant departments]
2	HuaAn Hong Kong	Advising on securities, asset management
3	E-Capital Transfer	Software development, software and information technology services, engaged in technology development, technology transfer, technical consulting, and technical services in the field of Internet technology, telecommunications business, financial information services, construction of an Internet interoperable platform for the securities industry, e-commerce, investment and asset management, real estate development and operation, gold and silver products and jewelry sales, warehousing services (excluding dangerous goods), freight forwarding, self-owned equipment leasing, domestic trade (unless otherwise specified by the State). [For projects subject to approval according to law, business activities can be carried out only with the approval of relevant departments]

4. Assets, Liabilities and Financial Position of the Appraised Entity

(1) As of the Reference Date, the total assets of the parent company amounted to RMB5,578.0604 million, the total liabilities amounted to RMB1,805.7301 million, and the shareholders' equity amounted to RMB3,772.3303 million. The financial position of the Appraised Entity in recent years is as follows:

Assets, Liabilities and Financial Position of the Parent Company

Unit: RMB10,000

Item/Year	31 December 2019	31 December 2020	30 September 2021
Total assets	366,759.93	480,797.02	557,806.04
Total liabilities	82,354.15	143,621.40	180,573.01
Owners' equity	284,405.78	337,175.61	377,233.03
			January to September 2021
Item/Year	2019	2020	2021
Operating revenue	178,155.91	261,426.23	258,558.80
Total profit	56,524.49	91,020.70	92,079.90
Net profit	44,941.51	70,269.83	70,082.33

(2) As of the Reference Date, the total assets in the consolidated financial statements amounted to RMB5,759.2707 million, the total liabilities amounted to RMB1,893.0051 million, and the shareholders' equity amounted to RMB3,866.2655 million, of which equity attributable to owners of the parent company amounted to RMB3,866.2655 million. The financial position is as follows:

Consolidated Assets, Liabilities and Financial Position

Unit: RMB10,000

Item/Year	31 December 2019	31 December 2020	30 September 2021
Total assets	381,145.00	496,633.88	575,866.78
Total liabilities	89,598.27	152,114.69	189,240.23
Owners' equity	291,546.74	344,519.19	386,626.55
Equity attributable to owners of the parent company	291,546.74	344,519.19	386,626.55

Item/Year	2019	2020	January to September 2021
Operating revenue	185,169.58	267,010.99	262,617.84
Total profit	57,165.78	91,697.43	94,790.45
Net profit	44,993.14	71,061.34	72,232.20
Net profit attributable to owners of the parent company	44,993.14	71,061.34	72,232.20

The above data are extracted from this special audit report issued by Shanghai Certified Public Accountants (Special General Partnership).

HuaAn Funds implemented the Accounting Standards for Enterprises. The main taxes and tax rates are as follows:

Type of Tax	Tax Basis	Tax Rates
Value-added tax	Taxable service income	6%
Urban maintenance and construction tax	Turnover tax payable	7%,1%
Education surcharges	Turnover tax payable	3%
Local education surcharges	Turnover tax payable	2%
Enterprise income tax	Taxable income	25%,16.5%

(3) Relationship between the Appointer and the Appraised Entity

The appointer, Shanghai Industrial Investment (Group) Co., Ltd., is the shareholder of HuaAn Funds (the Appraised Entity) and the transferor of this equity transfer.

(4) Other Users of the Asset Valuation Report

According to the asset valuation entrustment contract, the users of this asset valuation report are the appointer, relevant administration and regulatory units, other users of the asset valuation report as agreed in the entrustment contract, as well as the users of the asset valuation report stipulated by national laws and administrative regulations. No other third party can become the legal users of this asset valuation report as a result of the receipt of this asset valuation report.

2. PURPOSE OF VALUATION

Shanghai Industrial Investment (Group) Co., Ltd. (上海工業投資(集團)有限公司) proposed to transfer 8% equity interests in HuaAn Funds Management Co., Ltd. held by it to Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司) by agreement. The purpose of this valuation is to reflect the market value of the entire shareholders' equity of HuaAn Funds Management Co., Ltd. on the Reference Date and provide value reference for such economic activities.

3. VALUATION SUBJECT AND SCOPE OF VALUATION

(1) Valuation Subject

The valuation subject is the entire value of shareholders' equity of the Appraised Entity. The valuation subject is consistent with the economic activities to be implemented.

(2) Scope of Valuation

Scope of Valuation is the total assets and liabilities of the Appraised Entity, specifically including current assets, non-current assets and liabilities. The total carrying value of all assets, liabilities and shareholders' equity declared by the Appraised Entity on an individual basis amounted to RMB5,578,060,398.32, RMB1,805,730,107.69 and RMB3,772,330,290.63, respectively. The total carrying value of all assets, liabilities and shareholders' equity declared by the Appraised Entity on a consolidated basis amounted to RMB5,758,667,810.00, RMB1,892,402,283.30 and RMB3,866,265,526.70, respectively. The scope of the entrusted valuation is consistent with the scope of the valuation involved in the economic activities to be implemented.

The carrying value of assets and liabilities within the scope of valuation has been audited by Shanghai Certified Public Accountants (Special General Partnership) and a special audit report has been issued with the report no. Shang Kuai Shi Bao Zi (2022) No. 4544. The audit organization issued a standard unqualified audit opinion.

(3) Main Information of the Appraised Assets

Within the scope of this valuation, the total assets on a consolidated basis amounted to RMB5,758,667,810.00, including monetary funds of RMB195,767,431.46, accounts receivable of RMB358,506,252.96, financial assets held for trading of RMB2,036,400,022.82, debt investments of RMB2,619,727,384.73, investment in other equity instruments of RMB25,000,000.00, investment properties of RMB56,957,515.23, fixed assets of RMB75,042,638.19, construction in progress of RMB6,217,526.39, right-of-use assets of RMB58,681,256.30, intangible assets of RMB5,211,534.23, deferred income tax assets of RMB255,569,444.92, and other assets of RMB65,586,802.77. The details are as follows:

1. Investment Properties

The original carrying value of investment properties amounted to RMB108,093,940.04, and the net carrying value amounted to RMB56,957,515.23. The properties are office buildings purchased by enterprises. The carrying value and specific locations of the assets are shown in the following table:

No.	Item	Original Carrying Value (RMB)	Net Carrying Value (RMB)	Location
1	Investment properties	108,093,940.04	56,957,515.23	360 Pudong South Road, 1398 Siping Road
	Total:	108,093,940.04	56,957,515.23	

The buildings are located on the whole 2nd floor of the building at 360 Pudong South Road, Shanghai (New Shanghai International Building), the whole 16th and 17th floor of the office building at 1398 Siping Road (Block B, Tongji Union Square), and four underground parking spaces. Details are as follows:

List of Buildings

No.	No. of Title Certificate	Name of Building	Structure	Date of Completion	Gross Floor Area (m ²)
1	Hu Fang Di Shi Zi (2002) No. 001144	2nd floor office building, 360 Pudong South Road	Steel and concrete	2002.02	3,143.99
2	Hu Fang Di Yang Zi (2008) No. 015023	No. 1601, 16th floor, Tongji Union Square	Steel and concrete	2007	531.79
3	Hu Fang Di Yang Zi (2008) No. 015023	Parking space (civil defense) 031 on B2	Steel and concrete	2007	39.94
4	Hu Fang Di Yang Zi (2008) No. 015024	No. 1602, 16th floor, Tongji Union Square	Steel and concrete	2007	613.18
5	Hu Fang Di Yang Zi (2008) No. 015024	Parking space (civil defense) 034 on B2	Steel and concrete	2007	39.94
6	Hu Fang Di Yang Zi (2008) No. 015027	No. 1701, 17th floor, Tongji Union Square	Steel and concrete	2007	531.79
7	Hu Fang Di Yang Zi (2008) No. 015027	Parking space (civil defense) 072 on B2	Steel and concrete	2007	39.94
8	Hu Fang Di Yang Zi (2008) No. 015028	No. 1702, 17th floor, Tongji Union Square	Steel and concrete	2007	610.13
9	Hu Fang Di Yang Zi (2008) No. 015028	Parking space (civil defense) 073 on B2	Steel and concrete	2007	39.94

After on-site investigation by the valuers:

At present, the whole 2nd floor of 360 Pudong South Road (New Shanghai International Building) is leased to Guotai Junan Futures Co., Ltd.; No. 1601, 1602, 16th floor and No. 1702, 17th floor, 1398 Siping Road (Block B, Tongji Union Square) are leased to CCTN Architectural Design Co., Ltd., Shanghai Branch (杭州中聯築境建築設計有限公司上海分公司), and No. 1701, 17th floor, 1398 Siping Road is leased to Shanghai Feien Culture Communication Co., Ltd. (上海費恩文化傳播有限公司). The four underground parking spaces are all for the enterprise's own use and are not for rent.

2. Buildings

The original carrying value of fixed assets – buildings amounted to RMB99,617,260.51, and the net carrying value amounted to RMB53,442,481.55. The buildings are office buildings purchased by enterprises. The carrying value and specific locations of the assets are shown in the following table:

No.	Item	Original Carrying Value (RMB)	Net Carrying Value (RMB)	Location
1	Buildings	99,617,260.51	53,442,481.55	360 Pudong South Road, 1398 Siping Road
	Total:	<u>99,617,260.51</u>	<u>53,442,481.55</u>	

The buildings are located on the 37th and 38th floors, 360 Pudong South Road (New Shanghai International Building), the whole 14th and 15th floors of the office building at 1398 Siping Road (Block B, Tongji Union Square), and one underground parking space. Details are as follows:

List of Buildings

No.	No. of Title Certificate	Name of Building	Structure	Date of Completion	Gross Floor Area (m ²)
1	Hu Fang Di Shi Zi (2002) No. 001145	37th floor office building, 360 Pudong South Road	Steel and concrete	2002.02	1,416.52
2	Hu Fang Di Shi Zi (2002) No. 001146	38th floor office building, 360 Pudong South Road	Steel and concrete	2002.02	1,416.52

No.	No. of Title Certificate	Name of Building	Structure	Date of Completion	Gross Floor Area (m ²)
3	Hu Fang Di Yang Zi (2008) No. 014880	No. 1401, 14th floor, Tongji Union Square	Steel and concrete	2007	157.44
4	Hu Fang Di Yang Zi (2008) No. 014882	No. 1402, 14th floor, Tongji Union Square	Steel and concrete	2007	374.35
5	Hu Fang Di Yang Zi (2008) No. 014881	No. 1403, 14th floor, Tongji Union Square	Steel and concrete	2007	283.58
6	Hu Fang Di Yang Zi (2008) No. 014883	No. 1405, 14th floor, Tongji Union Square	Steel and concrete	2007	329.59
7	Hu Fang Di Yang Zi (2008) No. 014879	No. 1501, 15th floor, Tongji Union Square	Steel and concrete	2007	531.79
8	Hu Fang Di Yang Zi (2008) No. 015022	No. 1502, 15th floor, Tongji Union Square	Steel and concrete	2007	610.13
9	Hu Fang Di Yang Zi (2008) No. 015022	Parking space (civil defense) 030 on B2	Steel and concrete	2007	39.94

After on-site investigation by the valuers:

At present, the properties are used as the office of the Appraised Entity.

3. *Equipment*

The enterprise has a total of 3,701 sets of equipment, which can be divided into two categories, namely, transportation equipment, and electronic equipment and other equipment, according to their different purposes.

- (1) 19 sets of transportation equipment, mainly including cars of various models and brands.
- (2) 3,682 sets of electronic equipment and other equipment, mainly including computers, air conditioners, printers, projectors, servers, etc., which are mainly distributed in various functional departments and places of the enterprise.

According to the on-site investigation by the valuers, the equipment accounts, cards and objects are basically consistent, and are all in normal use.

4. *Construction in Progress*

The carrying value of construction in progress amounted to RMB6,217,526.39, which is an equipment installation project, namely a software trading and monitoring software platform under development.

(4) Other Intangible Assets Declared by the Appraised Entity

Intangible assets – the original book value of other intangible assets amounted to RMB44,049,242.00, and the carrying value amounted to RMB5,211,534.23. The assets are a total of 122 software systems purchased by HuaAn Funds and its subsidiary HuaAn Future. Other intangible assets declared by the Appraised Entity in this valuation mainly include registered trademarks, software copyrights, domain names, wireless web addresses, etc. that are not recorded in the book.

As of the Reference Date, the intangible assets not recorded in the book of the Appraised Entity involved 9 registered trademarks, 13 software copyrights, 9 domain names (including wireless web addresses) and 3 qualifications. The above assets are owned by the Appraised Entity and its subsidiaries and will be included in the scope of this valuation. Details are as follows:

1. Registered Trademarks

No.	Name of Trademark	International Classification	Application/Registration No.	Date of Registration	Valid Until	Registrant
1	藏金寶	36	22424116	7 February 2018	6 February 2028	HuaAn Funds
2	華安藏金寶	36	22424223A	7 March 2018	6 March 2028	HuaAn Funds
3		36	22424190	7 February 2018	6 February 2028	HuaAn Funds
4	HUAAN FUNDS	36	22424138A	7 March 2018	6 March 2028	HuaAn Funds
5	華安	41	6828030	7 December 2012	6 December 2022	HuaAn Funds
6	華安	35	6827833	28 April 2011	27 April 2021	HuaAn Funds
7	易富	36	8417723	14 November 2011	13 November 2021	HuaAn Funds
8	華安易富	36	8417724	14 September 2011	13 September 2021	HuaAn Funds
9	智能再平衡	36	11483752	14 February 2014	13 February 2024	HuaAn Funds

2. *Software Copyrights*

No.	Name of Copyright	Registration Number of Software Copyright	Development Completion Date	First Release Date	Owner of Copyright
1	HuaAn Funds Distributed Big Data Center and Data Laboratory Software V1.0 (華安基金分佈式大數據中心及數據實驗室軟件V1.0)	2019SR0255726	22 October 2018	14 December 2018	HuaAn Funds
2	HuaAn Investment Research Whole Process Management System V1.0 (華安投資研究全過程管理系統V1.0)	2019SR0255967	10 November 2018	15 November 2018	HuaAn Funds
3	HuaAn Funds Fund Direct Selling and Payment Platform Based on Real-time Account Structure V1.0 (華安基金基於實時賬戶架構的基金直銷和支付平台V1.0)	2019SR0255979	18 September 2017	28 October 2017	HuaAn Funds
4	HuaAn E-commerce Massive Customer Business Platform V1.0 (華安電子商務海量客戶業務平台V1.0)	2019SR0255552	26 April 2018	21 May 2018	HuaAn Funds
5	HuaAn Funds NLP and AI Customer Service System (華安基金NLP及AI客服系統)	2019SR0255546	28 May 2018	30 June 2018	HuaAn Funds
6	HuaAn Funds Financier Real-time Order System V1.0 (華安基金理財通實時訂單系統V1.0)	2019SR0255957	12 October 2017	25 November 2017	HuaAn Funds
7	HuaAn Funds APP V3.1.4 (華安基金APP V3.1.4)	2018SR199098	10 January 2018	Unknown	HuaAn Funds
8	HuaAn Direct Selling Business System (“Direct Selling System”) V1.0 (華安直銷業務系統(簡稱直銷系統)V1.0)	2007SR04522	Unknown	Unknown	HuaAn Funds
9	HuaAn Fixed Income Management System (“Fixed Income System”) V1.0 (華安固定收益管理系統(簡稱固定收益系統)V1.0)	2007SR04521	Unknown	Unknown	HuaAn Funds
10	HuaAn Funds Visual Customer Management System Based on Public Offering Business Scenarios V1.0 (華安基金基於公募業務場景的可視化客戶管理系統V1.0)	2020SR0356910	20 December 2019	28 December 2019	HuaAn Funds

No.	Name of Copyright	Registration Number of Software Copyright	Development Completion Date	First Release Date	Owner of Copyright
11	HuaAn Funds Investment Risk Control System Based on Fund Data Modeling V1.0 (華安基金基於基金數據建模的投資風控系統V1.0)	2020SR0371389	18 November 2019	30 November 2019	HuaAn Funds
12	HuaAn Funds Mobile E-commerce Platform Based on Customer Profile V1.0 (華安基金基於客戶畫像的移動電商平台V1.0)	2020SR0371395	18 October 2019	31 October 2019	HuaAn Funds
13	HuaAn Funds Investment Research Data Center System V1.0 (華安基金投研數據中心系統V1.0)	2020SR0371402	20 September 2019	28 September 2019	HuaAn Funds

Note: The above items No. 7-9 fail to provide the computer software copyright registration certificates.

3. Domain Name/Wireless Web Address

No.	Domain name/wireless web address	Date of Registration	Expiry Date	Use Condition	Owner
1	huaan.com.cn	11 October 1999	11 October 2030	Online content is available (Company homepage)	HuaAn Funds
2	銀基通	16 May 2008	16 May 2024	Unavailable online	HuaAn Funds
3	銀聯通	16 May 2008	16 May 2024	Unavailable online	HuaAn Funds
4	手機基金	16 May 2008	16 May 2024	Unavailable online	HuaAn Funds
5	掌上基金	16 May 2008	16 May 2024	Unavailable online	HuaAn Funds
6	huaanfund.com	15 December 2010	15 December 2030	Unavailable online	HuaAn Funds
7	huaanfund.net	15 December 2010	15 December 2030	Unavailable online	HuaAn Funds
8	huaanfunds.net	15 December 2010	15 December 2030	Unavailable online	HuaAn Funds
9	huaanfunds.cn	15 December 2010	15 December 2030	Unavailable online	HuaAn Funds

4. Qualification

No.	Name of Company	License Number or Approval Number	Name of License	Licensed Business Type	Issuing Authority
1	HuaAn Funds	000000000836	License for securities and futures business	Publicly offered securities investment fund management, fund sales, specific client asset management	China Securities Regulatory Commission
2	HuaAn Future	000000043028	License for securities and futures business	Specific client asset management	China Securities Regulatory Commission
3	HuaAn Hong Kong	AVW363	License under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)	Advising on securities, asset management	Hong Kong Securities and Futures Commission

(5) Type and Quantity of Off-Balance Sheet Assets Declared by the Appraised Entity

There is no declaration of off-balance sheet assets. The assets and liabilities related to the Appraised Entity have been declared and included in the scope of asset valuation.

(6) Type, Quantity and Carrying Value of Assets Involved in Reference to the Conclusion of Reports Issued by Other Institutions

This asset valuation report does not refer to the conclusion of reports issued by other institutions.

4. VALUE TYPES AND ITS DEFINITION

The value type of the valuation subject is market value.

Market value refers to the estimated value of the valuation subject in an arm's length transaction in the ordinary course of business on the Reference Date between a willing buyer and a willing seller who has each acted rationally and without compulsion.

An "arm's length transaction" refers to a transaction between parties who do not have a specific or special relationship, that is, a transaction between the parties who are presumed to be unrelated and acting independently.

5. REFERENCE DATE

The Reference Date of this project is 30 September 2021.

The Reference Date is determined between the asset appraiser and the appointer after negotiation by taking into account the need for the implementation of economic activities, the convenience provided by the information at the end of the accounting period, and the changes in interest rates and exchange rates before and after the Reference Date.

6. BASIS OF VALUATION

The basis of valuation followed in this asset valuation is as follows:

(1) Basis of Economic Activities

1. Request for Instructions on the Preliminary Work on Transfer of 8% Equity Interests in HuaAn Funds Management Co., Ltd. Held by Gongtou Company (Hu Gongtou Group Zi [2022] No. 26);
2. Reply on Approval of Initiating the Relevant Work for Gongtou Company's Transfer of 8% Equity Interests in HuaAn Funds Management Co., Ltd. (Hu Lin Gang Tou [2022] No. 102);
3. Minutes of Office Meeting of President of Shanghai Lingang Economic Development (Group) Co., Ltd. (No. 1, 2022);
4. Resolution of the 20th board meeting of the third session of the board of directors of Shanghai Industrial;
5. Resolution of the 76th shareholders' meeting of HuaAn Funds.

(2) Basis of Laws and Regulations

1. The Assets Valuation Law of the People's Republic of China (Adopted at the 21st Meeting of the Standing Committee of the 12th National People's Congress on 2 July 2016);
2. The Company Law of the People's Republic of China (Revised at the 6th Meeting of the Standing Committee of the 13th National People's Congress on 26 October 2018);
3. The Securities Law of the People's Republic of China (Revised at the 15th Meeting of the Standing Committee of the 13th National People's Congress on 28 December 2019);

4. Measures for the Financial Supervision and Administration of the Asset Valuation Industry (Promulgated by Order No. 86 of the Ministry of Finance, revised by Order No. 97 of Ministry of Finance);
5. The Urban Real Estate Administration Law of the People's Republic of China (Revised at the 12th Meeting of the Standing Committee of the 13th National People's Congress on 26 August 2019);
6. The Law of the People's Republic of China on the State-owned Assets of Enterprises (Adopted at the 5th Meeting of the Standing Committee of the 11th National People's Congress on 28 October 2008);
7. Provisional Regulations on the Supervision and Administration of State-owned Assets of Enterprises (Decree No. 378 of the State Council, revised by Decree No. 588 of the State Council);
8. Measures for the Administration of State-owned Assets Valuation (Decree No. 91 of the State Council);
9. Notice on Issuing Detailed Rules for the Implementation of the Administrative Measures for State-owned Assets Valuation (Guo Zi Ban Fa [1992] No. 36);
10. Interim Measures for the Administration of State-owned Assets Valuation of Enterprises (Decree No. 12 of the State-owned Assets Supervision and Administration Commission of the State Council);
11. Notice on Strengthening the Administration of State-owned Assets Valuation of Enterprises (Guo Zi Wei Chan Quan [2006] No. 274);
12. Measures for the Supervision and Administration of State-owned Equity Interests of Listed Companies (Order No. 36 of SASAC, CSRC, Ministry of Finance);
13. Notice on Relevant Matters Concerning the Examination of Valuation Report on State-owned Assets of Enterprises (Guo Zi Chan Quan [2009] No. 941);
14. Guidelines on the Filing of State-owned Assets Valuation Projects for Enterprises (Guo Zi Fa Chan Quan [2013] No. 64);
15. Audit Manual for Valuation Report of State-owned Assets of Shanghai Municipal Enterprises (Hu Guo Zi Wei Ping Gu [2018] No. 353);
16. Interim Measures for Appraisal Administration of State-owned Assets of Shanghai Municipal Enterprises (Hu Guo Zi Wei Ping Gu [2019] No. 366);

17. Operating Manual for Appraisal Approval Filing of State-owned Assets of Shanghai Municipal Enterprises (Hu Guo Zi Wei Ping Gu [2020] No. 100);
18. Enterprise Income Tax Law of the People's Republic of China (revised for the second time at the 7th Meeting of the Standing Committee of the 13th National People's Congress on 29 December 2018);
19. Decision of the State Council on abolishing the Provisional Regulations of the People's Republic of China on Business Tax and amending the Provisional Regulations of the People's Republic of China on Value-Added Tax (Decree No. 691 of the State Council);
20. Detailed Rules for the Implementation of the Provisional Regulations of the People's Republic of China on Value-added Tax (Order No. 50 of the Ministry of Finance and the State Administration of Taxation, revised by Order No. 65 of the Ministry of Finance and the State Administration of Taxation in 2011);
21. Notice on Comprehensively Launching the Pilot Program of Levying Value-Added Tax in lieu of Business Tax (Cai Shui Di [2016] No. 36);
22. Circular of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (Cai Shui [2018] No. 32);
23. Announcement on Relevant Policies on Deepening Value-Added Tax Reform (Announcement No. 39 of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs in 2019);
24. The Trademark Law of the People's Republic of China (revised for the fourth time at the 10th Meeting of the Standing Committee of the 13th National People's Congress on 23 April 2019);
25. The Copyright Law of the People's Republic of China (revised for the second time at the 13th Meeting of the Standing Committee of the 11th National People's Congress on 26 February 2010);
26. Other relevant laws and regulations regarding the valuation.

(3) Basis of Valuation Standards

1. Basic Standards for Asset Valuation (Cai Zi [2017] No.43);
2. Code of Ethics for Asset Valuation (Zhong Ping Xie [2017] No. 30);
3. Guidelines for Business Quality Control of Asset Valuation Agencies (Zhong Ping Xie [2017] No.46);

4. Practice Guidelines for Asset Valuation – Asset Valuation Procedures (Zhong Ping Xie [2018] No. 36);
5. Practice Guidelines for Asset Valuation – Asset Valuation Engagement Contract (Zhong Ping Xie [2017] No.33);
6. Practice Guidelines for Asset Valuation –Asset Valuation Report (Zhong Ping Xie [2018] No. 35);
7. Practice Guidelines for Asset Valuation – Asset Valuation Methods (Zhong Ping Xie [2019] No. 35);
8. Guiding Opinions on Types of Value under Asset Valuation (Zhong Ping Xie [2017] No. 47);
9. Guiding Opinions on Legal Ownership of Asset Valuation Subject (Zhong Ping Xie [2017] No. 48);
10. Guidelines for Valuation Reports on State-owned Assets of Enterprises (Zhong Ping Xie [2017] No. 42);
11. Guidelines for Valuation Reports on State-owned Assets of Financial Enterprises (Zhong Ping Xie [2017] No. 43);
12. Practice Guidelines for Asset Valuation – Enterprise Value (Zhong Ping Xie [2018] No. 38);
13. Practice Guidelines for Asset Valuation – Real Estate (Zhong Ping Xie [2017] No. 38);
14. Guiding Opinions on Valuation of Investment Properties (Zhong Ping Xie [2017] No. 53);
15. Practice Guidelines for Asset Valuation – Engagement of Experts and Relevant Reports (Zhong Ping Xie [2017] No. 35);
16. Practice Guidelines for Asset Valuation –Asset Valuation Files (Zhong Ping Xie [2018] No. 37);

(4) Basis of Asset Ownership

1. Real estate title certificates;
2. Copyright certificates;

3. Trademark registration certificate, etc.;
4. Vehicle registration certificate;
5. Contract for purchase of material assets or journal voucher;
6. Ledgers for fixed assets, book and paper, etc.;
7. Other asset ownership certificates.

(5) Pricing Basis of Valuation

1. The latest loan prime rate (LPR) announced by the National Interbank Funding Centre;
2. Middle rates of exchange announced by the Administration of Foreign Exchange under the People's Bank of China effective on the Reference Date;
3. Price information available on Dongzhou Intelligent Real Estate Appraisal System (《東洲智能房地產估價系統》);
4. Accounting statements, books, vouchers and asset valuation returns as at the Reference Date provided by the Appraised Entity and its management;
5. Historical annual financial statements and auditor's reports of the Appraised Entity;
6. Current and future annual market forecasts for the Appraised Entity's major products;
7. Financial data and capital market information from the Royal Flush Analysis System (同花順資訊系統);
8. On-site survey records and other relevant valuation information collected by the asset appraiser.

(6) Other References

1. Statistics and analysis on the PRC macroeconomy, industries, regional markets and enterprises;
2. Technical statistics of Shanghai Orient Appraisal Co., Ltd.;
3. Other relevant references.

7. VALUATION APPROACHES

(1) Overview of Valuation Approaches

In accordance with the Basic Standards on Assets Valuation (《資產評估基本準則》), the valuation methods used to determine the value of assets include three basic approaches and their derivatives, namely the market approach, the income approach and the cost approach.

In accordance with the Practice Guidelines for Asset Valuation – Enterprise Value (《資產評估執業準則—企業價值》), there are three basic approaches that can be used to perform a valuation on enterprise value: the income approach, the market approach, and the cost approach (asset-based approach).

The income approach refers to a valuation method that determines the value of the valuation subject through capitalisation or discounting of expected income. The adoption of income approach in appraising enterprise value emphasizes the overall expected profitability of the enterprise.

The market approach refers to a valuation method that compares the valuation subject with a comparable listed company or comparable transaction case to determine the value of the valuation subject. The adoption of market approach in appraising enterprise value is characterized by the direct selection of valuation data from the market and strong persuasiveness of the valuation results.

The cost approach (also known as the asset-based approach) refers to a valuation method that uses the balance sheet as at the Reference Date of the Appraised Entity as the basis for determining the value of the valuation subject by reasonably appraising the value of the enterprise's on-balance sheet and identifiable off-balance sheet assets and liabilities. The adoption of the asset-based approach in appraising enterprise value may lead to situations where not every asset and liability can be fully identified and appraised individually.

(2) Selection of Valuation Approaches

In accordance with the Practice Guidelines for Asset Valuation – Enterprise Value (《資產評估執業準則—企業價值》), “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 cost approach (asset-based approach), shall be analyzed based on the purpose of valuation, the valuation subject, the type of value, the collected information, etc., so as to ensure the selection of appropriate valuation methods”. “If different valuation methods are suitable for valuation of enterprise value, asset appraising professionals should adopt two or more valuation methods for their valuation”.

The Appraised Entity is a public fund management company. It is difficult to identify many intangible resources, including public fund qualification, brand image, investment and research capabilities of the team and goodwill formed after years of operation of the Appraised Entity, and quantify their characteristics to reflect value item by item. Secondly, the Appraised Entity has future development and growth expectations. The asset-based approach cannot reflect the growth potential of an enterprise. Therefore, the cost approach (asset-based approach) cannot fully and reasonably reflect the intrinsic value of an enterprise and is generally not adopted.

The income approach is to evaluate assets from the perspective of expected profitability of assets, which can fully reflect the overall value of an enterprise. Its valuation conclusion is usually reliable and convincing. Meanwhile, the Appraised Entity has met the preconditions for the adoption of the income approach: sustainable operation in the future, predictable future profit period, stable relationship between shareholders' equity and operating income of the enterprise, predictable and quantifiable operating income in the future, and the risk rewards related to the enterprise's expected revenue can be estimated and measured, and therefore valuation using the income approach is appropriate.

The preconditions for the adoption of the market approach are a developed, fair and active open market with sufficient market information and the availability of comparable transactions on the open market. There are two commonly used specific methods under the market approach, which are listed-company comparison and transaction cases comparison. At present, there are no fund companies listed in the secondary market in China, so the listed company comparison method cannot be used. However, there are many transaction cases of fund companies, and such fund management companies are highly homogenous in their operation model. Information on similar transaction cases required for market approach valuation can be obtained through the open market. Therefore, it is suitable to adopt the market approach for considering the valuation.

In summary, it is determined that the income approach and the market approach will be adopted for consideration for the valuation.

In view of the fact that HuaAn Funds and its subsidiary HuaAn Future (華安未來) and HuaAn Hong Kong (華安香港) have similar business forms and business models, they all make profit by charging management fees. From the perspective of income approach, the individual operation risk of HuaAn Future and HuaAn Hong Kong is greater than the operation risk of being subsidiaries of HuaAn Funds, and separate valuation will underestimate the value of the subsidiaries. From the perspective of market approach, a horizontal comparison of HuaAn Future and HuaAn Hong Kong as individuals will weaken their competitiveness as subsidiaries of HuaAn Funds and underestimate their value. Therefore, compared with making separate assessments and accumulating the assessment values, the adoption of a consolidated assessment, whether from the perspective of the income approach or the market approach, can better reflect the value of HuaAn Funds (including its subsidiaries). This assessment adopts the income approach and the market approach on a consolidated basis.

(3) Introduction of the Income Approach

1. Overview

In accordance with the Practice Guidelines for Asset Valuation – Enterprise Value (《資產評估執業準則—企業價值》), the discounted cash flow method (DCF) is a commonly used method under the income approach, that is, by estimating the future expected cash flow of the enterprise and applying an appropriate discount rate, the expected cash flow converted to their current value to arrive at the entire value of shareholders' equity. The discounted cash flow method usually includes a discounted free cash flow model and a discounted equity free cash flow model of an enterprise. The asset valuation professionals will appropriately select the cash flow discount model depending on the industry, business model, capital structure, development trend of the Appraised Entity.

2. Basic Concept

According to the asset composition and business characteristics of the Appraised Entity and the due diligence of the valuation, the basic concept of this valuation is based on the audited financial statements of the Appraised Entity: firstly, the discounted cash flow method (DCF) is adopted to estimate the value of operating assets of the enterprise; then plus the value of other non-operating or surplus assets, liabilities and surplus assets as at the Reference Date to arrive at the entire value of shareholders' equity.

3. Valuation Model

According to the actual situation of the Appraised Entity, the equity cash flow discount model is selected under the discounted cash flow method (DCF). The basic formula is:

Entire value of shareholders' equity = value of operating assets+value of surplus assets+value of non-operating assets and liabilities

Of which:

Value of operating assets = P, namely, sum of the present value of equity cash flows during the definite forecast period + the present value of equity cash flows after the definite forecast period as follows:

$$P = \sum_{i=1}^n \frac{F_i}{(1+r)^i} + \frac{F_n * (1+g)}{(r-g) * (1+r)^n}$$

Of which: r: discount rate selected:

Asset valuation professionals determine the discount rate by comprehensively considering relevant information on the capital market such as the interest rate level and market investment return as at the Reference Date, as well as relevant factors such as the industry and the specific risks of the Appraised Entity.

F_i : expected future income (cash flow) of the valuation subject in the i-th year;

n: definite forecast period refers to the period from the Reference Date to the date on which the enterprise reaches a relatively stable operating condition.

g – annual growth rate of future income. The income trend after the forecast period is analyzed based on the factors of enterprises entering the stable period and it is assumed in this valuation that F_i will remain unchanged after n years, and g is taken as zero.

4. Valuation Procedures

- (1) Determination of amount of expected income. In combination with the human resources, technical level, capital structure, operating conditions, historical performance, development trends of the Appraised Entity, as well as macroeconomic factors, the current conditions and development prospects of the industry, necessary analysis, review, judgment and adjustment shall be carried out on the forecast data of future income provided by the appointer or the management of the Appraised Entity, on which basis, the valuation assumptions shall be reasonably determined to arrive at the amount of future expected income.
- (2) Confirmation of income indicator. In this valuation, the equity free cash flow is used as the income indicator of the valuation subject, the basic definition of which is as follows:

Equity free cash flow = net profit – increase in equity + other comprehensive income

Of which: the main component of the increase in equity is the accrual of risk reserve. According to the Interim Measures for the Supervision and Administration of Risk Reserve of Investment Funds Publicly Offering Securities (《公開募集證券投資基金風險準備金監督管理暫行辦法》) (CSRC Order No. 94 dated 24 September 2013), the risk reserve can be used for investment in bank deposits, treasury bonds and other investment products specified by the CSRC. HuaAn Funds mainly invests in treasury bonds and the investment interest constitutes “risk reserve cash flow”.

Considering that the risk reserve is accrued for the purpose of enhancing the risk prevention capability of the funds due to policy requirements and has no direct relationship with the profitability of principal businesses of the fund companies, the equity free cash flow is split into the “equity free cash flow of principal businesses of the Appraised Entity” and the “cash flow of risk reserve”.

The “equity free cash flow of principal businesses of the Appraised Entity”: It is mainly composed of income from the Appraised Entity’s daily operation. Before the risk reserve balance reaches 1% of the fund size (it is predicted in this valuation that the risk reserve balance will reach 1% of the fund size in 2032), the equity free cash flow of principal businesses of the Appraised Entity = net profit – equity increase + other comprehensive income, and the risk reserve will not be accrued after the risk reserve balance reaches 1% of the fund size.

The “cash flow of risk reserve”: Before the risk reserve balance reaches 1% of the fund size (i.e. before 2032), the accrued amount of risk reserve and the interest of risk reserve will not be allocated, and will be included in the risk reserve account. As HuaAn Funds temporarily loses the income right of risk reserve, the cash flow of risk reserve is zero; after the risk reserve balance reaches 1% of the fund size (that is, in 2032), the interest of risk reserve can be distributed among the shareholders who regain the right to income of risk reserve. The current risk reserve balance is regarded as the current risk reserve cash inflow.

The expected future free cash flow of the valuation subject is estimated based on its operating history and future profit forecast. The free cash flow in the future operating period is discounted and added to arrive at the value of operating assets.

- (3) Determination of the future income period. The valuation staff determines the forecast period based on a comprehensive analysis of the enterprise’s revenue structure, cost structure, capital structure, capital expenditure, investment income and risk level combined with macro policies, industry cycles and other factors that affect the enterprise entering a stable period. In this valuation, the finite forecast period, namely n, is 13 years, that is, the forecast is until 2033.

In the first stage, being the growth period, the fund size will continue to grow for five years, that is, the fund size is forecasted to reach the peak by 2025.

In the second stage, being the stable period, the fund size will no longer be forecasted to grow. According to the requirements of the Measures, the risk reserve will continue to be forecasted and accrued at 10% of the management fee income until the risk reserve balance reaches 1% of the fund size. The risk reserve balance accounted for 0.44% of the fund size as at the Reference Date.

According to the current situation and development prospects of the industry in which the Appraised Entity operates, agreements and articles of association, operating conditions, asset characteristics and resource, it is determined that the income period after the forecast period is determined to be indefinite.

(4) Determination of discount rate.

The capital asset pricing model (CAPM) method is adopted in this valuation to determine the discount rate with the calculation formula as follows:

$$R_e = R_f + \beta_e \times MRP + \varepsilon$$

Of which: R_f : risk-free interest rate;

MRP : market risk premium;

ε : specific risk return rate;

β_e : expected market risk factor of the equity capital of the valuation subject;

$$\beta_e = \beta_t \times \left(1 + (1-t) \times \frac{D}{E}\right)$$

Of which: β_t is the expected unleveraged market risk factor of comparable companies;

D,E: is debt capital and equity capital of the Appraised Entity, respectively.

(4.1) Determination of R_f , risk-free interest rate: According to the overseas and domestic industry research results and in combination with the requirements of the Guidelines for Experts in Asset Appraisal No. 12 – Calculation of Discount Rate in the Evaluation of Enterprise Value by Income Approach (《資產評估專家指引第12號–收益法評估企業價值中折現率的測算》) issued by China Appraisal Society, the risk-free interest rate in this valuation is calculated as the average yield of 10-year China's treasury bonds. The data source is the China Treasury Bond Yield Curve (《中國國債收益率曲線》) published by China Appraisal Society online and provided by China Central Depository & Clearing Co., Ltd. (CCDC).

The treasury bond yield curve is a curve used to describe treasury bonds of various maturities and the corresponding interest rate levels. The China treasury bond yield curve is a curve compiled based on the market interest rate of RMB treasury bonds issued in mainland China.

The risk-free interest rate adopted in this valuation is 3.23%.

(4.2) Calculation of market risk premium (MRP, i.e. $R_m - R_f$): The market risk premium refers to the expected excess return required by investors for the equity investment with same overall market average risk, that is, the risk compensation that exceeds the risk-free interest rate. The market risk premium can usually be calculated using historical market risk premium data. The valuation agency uses the historical risk premium data of China's securities market index to calculate the market risk premium.

Calculation of R_m : The yield is calculated based on China's securities market index.

Selection of index: According to the Guidelines for Experts in Asset Appraisal No. 12 – Calculation of Discount Rate in the Evaluation of Enterprise Value by Income Approach (《資產評估專家指引第12號-收益法評估企業價值中折現率的測算》) issued by China Appraisal Society and considering that the CSI 300 Total Return Index has revised the dividend distribution of the sample stocks, the CSI 300 Index is relatively more accurate in calculating the rate of return, the valuation agency selects the CSI 300 Total Return Index to calculate the rate of return. The base period index is 1000 points and the date is 31 December 2004.

Time span: The calculation period is from January 2005 to the end of one year before the Reference Date.

Data frequency: Weekly. Considering that China's capital market has existed for about 30 years and the index fluctuates greatly, if the calculation is simply based on weekly closing index, the yield will fluctuate greatly without value of reference. The valuation agency calculates the annualized rate of return based on the 200-week average of the trading days before the weekly closing price (for less than 200 weeks, the average is calculated from the week the index was released).

Average annualized rate of return: The valuation agency calculated and analyzed the arithmetic and geometric average annualized rate of return and finally selected the geometric average annualized rate of return.

Calculation of R_f : The risk-free interest rate is calculated using the yield to maturity of 10-year treasury bonds for the same period (data source is the same as above). In line with the index yield, it is calculated using the average of the current full year.

Calculation of market risk premium (MRP, $R_m - R_f$):

The valuation agency arrives at the basic data of market risk premium in China for each year through the above calculation. Considering that China's economy is currently shifting from a high-speed growth stage to a high-quality development stage and the growth rate is gradually slowing down, the valuation agency uses the average of the last five years to calculate the MRP as follows:

Period	Social average yield	Yield to maturity of 10-year treasury bonds	MRP, $R_m - R_f$
Average			7.00%
2020	9.90%	2.94%	6.96%
2019	9.87%	3.18%	6.69%
2018	10.48%	3.62%	6.86%
2017	10.53%	3.58%	6.95%
2016	10.38%	2.86%	7.52%

That is, the current market risk premium in China is approximately 7.00%.

- (4.3) Determination of beta value (β coefficient): This coefficient is an indicator to measure the risk premium of an appraised enterprise relative to the overall return of the capital market, and is also used to measure the degree to which individual stocks are affected by the overall economic environment including stock market price changes. Since the Appraised Entity is currently a non-listed company, it is generally difficult to directly calculate the index value of the coefficient for it. Therefore, the average β coefficient of the comparable listed companies in the same industry as the Appraised Entity as at the Reference Date (i.e. β_i) is used as a reference.

After comprehensively considering the comparability between comparable listed companies and the Appraised Entity in terms of business type, scale, profitability, growth potential, industry competitiveness and development stage, 29 comparable listed companies in the capital market service industry were finally selected. Hithink RoyalFlush Information Network Co., Ltd. is a professional Internet financial information service provider. The valuation agency found in its financial data terminal that the weighted average β_i of the 29 comparable listed companies is 1.1407.

The selection criteria for the β coefficient value is as follows:

Selection of underlying index: CSI 300

Calculation period: Week

Time frame: three years

Calculation method of yield: logarithmic yield

Exclusion of financial leverage: based on market value ratio

D is determined based on the interest-bearing liabilities of HuaAn Funds as at the Reference Date, and E is determined based on the entire value of shareholders' equity of HuaAn Funds as at the Reference Date.

Then, the estimated value of the expected risk coefficient of the equity capital of the valuation subject, i.e. β_e , is 1.141.

(4.4) Determination of specific risk return rate ε : After comprehensively considering factors such as the risk characteristics, scale, business model, operating stage, core competitiveness, reliance on major customers and suppliers of the Appraised Entity and the differences between it and comparable listed companies selected, the valuation agency determined primarily based on the professional experience of the valuation staff. The valuation agency finally determined the specific risk return rate ε to be -1% upon analysis and judgment.

(5) Determination of the value of surplus assets and the net appraised value of non-operating assets and liabilities. Upon analysis and determination of the scope of surplus assets, non-operating assets and liabilities based on the audited financial statements of the Appraised Entity, appropriate valuation method is adopted to determine its appraised value.

Surplus assets refer to the surplus assets that are not directly related to the operating income of the enterprise in the profit forecast and exceed the operating needs of the enterprise in the profit forecast, and the Appraised Entity has no surplus assets.

Non-operating assets and liabilities refer to assets and related liabilities that are not directly related to the normal operating income of the enterprise in the profit forecast, including assets and related liabilities that do not generate income, or can generate income but are not included in the scope of the profit forecast. They mainly include long-term investment in equity participation, deferred income tax assets and liabilities and investment properties.

(4) Introduction of the Market Approach

1. Overview

In accordance with the Practice Guidelines for Asset Valuation – Enterprise Value (《資產評估執業準則—企業價值》), the market approach in the appraisal of enterprise value refers to the valuation method that compares the valuation subject with comparable listed companies

or comparable transaction cases to determine the value of the valuation subject. Two methods commonly used under the market approach are the listed company comparison method and the transaction case comparison method.

The listed company comparison method refers to the specific method of identifying and analyzing the operating and financial data of comparable listed companies and calculating the value ratio to determining the value of the valuation subject on the basis of comparative analysis with the Appraised Entity.

The transaction case comparison method refers to the specific method of identifying and analyzing the sale, acquisition and merger case data of comparable companies and calculating the value ratio to determine the value of the valuation subject on the basis of comparative analysis with the Appraised Entity.

Currently, China Post Fund listed in China is a NEED company. Generally, a NEED company is not suitable as a comparable company due to inactive trading and weaker liquidity than a company listed on main board. Given that the Appraised Entity is a public fund management company and there is no other listed public fund management company in China, the listed company comparison method cannot be used. In recent years, there have been many transaction cases of fund companies, and the information of their equity transactions is relatively public. In this valuation, the transaction case comparison method is selected.

2. Calculation Formula

Entire value of shareholders' equity = value of operating assets + value of surplus assets
+ value of non-operating assets (liabilities)

Since it is not possible to identify whether there is a non-operating business in the transaction case and revise accordingly, the factors of surplus assets and non-operating assets (liabilities) are not taken into account in the market approach. Namely:

Entire value of shareholders' equity = relevant indicators of the appraised enterprise ×
value ratio of comparable enterprises × revised factor

3. Valuation Procedures

(1) Identification of comparable enterprises.

Transaction cases in the same industry or are affected by the same economic factors as the Appraised Entity, with the same or similar businesses and same transaction type, in close periods are analyzed and selected as the candidate comparable enterprises in an appropriate trading market. Such candidate comparable enterprises are screened based on applicability and an appropriate number of enterprises comparable to the Appraised Entity

are eventually selected taking into account factors such as business structure, business model, enterprise size, allocation and utilization of assets, operational stage, growth potential, operational risks and financial risks.

- (2) Necessary adjustment for the difference between the Appraised Entity and comparable enterprises.

Information of the comparable enterprises obtained from public and legal channels, including their operation and financial information, are compared and analyzed against the actual situation of the Appraised Entity. Necessary adjustments are made for differences.

- (3) Selection and determination of value ratio.

Value ratio normally includes earning ratio, asset ratio, income ratio and other specific ratios, such as equity ratios including price earning ratio (P/E ratio), price-to-book ratio (P/B ratio) and enterprise value-to-sales ratio (EV/Sales ratio), or enterprise value ratios (EV/EBIT, EV/EBITDA). In the course of selection, the following factors are fully considered: the chosen value ratio is beneficial to the reasonable determination of the value of the appraisal subject; the range of information and method used for calculating the value ratio are consistent; reasonable adjustments are made on the differences between the comparable enterprises and the Appraised Entity whenever possible while using the value ratio.

There are two major valuation methods for fund companies, namely, the price-to-AUM ratio method (Price/AUM) and the investment payback period method (Price/EBIT for the year of acquisition) which are the common valuation methods applied in the international capital markets. The valuation staff considered the availability of data, the EBIT of fund companies is often not available as public data, so the former method is adopted. The Price/AUM indicator is closely related to the investment performance, profitability, acquisition ratio, market environment and other factors of a fund company. Considering the contribution of different fund types to the management fee rate and the fund size to the revenue of a fund company, the effective AUM is selected as AUM.

Effective AUM = Σ management fee rates of various funds \times AUM of various funds/standard management fee rate of equity funds (1.5%)

- (4) Estimation of enterprise value.

After adjustments and calculations, the value ratios of the comparable enterprises were combined with the corresponding financial information or indicators of the appraised entity to arrive at the entire value of shareholders' equity of the Appraised Entity.

8. EXECUTION AND FINDINGS OF VALUATION PROCESS

The valuation agency has implemented the valuation process for this project in accordance with the asset valuation standards of the PRC and the relevant national principles and regulations on asset valuation. The entire valuation process is divided into the following four stages:

(1) Preparation of Valuation

1. Upon acceptance of the engagement for this project, discuss and reach an agreement with the appointer on the valuation purpose, the Reference Date, scope of valuation subject and other issues, enter into a business entrustment contract, and formulate an asset valuation plan for this project.
2. Collaborate with the enterprise in asset stocktaking, guide and assist the enterprise with declaration of asset within the valuation scope and prepare documents and information necessary for asset valuation.

(2) On-site Valuation

Based on the overall schedule of this project, on-site valuation and investigation phase is from mid-December to late-December 2021. After selecting the appropriate valuation method for this valuation, the following on-site valuation is conducted:

1. Verification and validation of the assets and related information declared by the enterprise in the scope of valuation:

- (1) Listen to overall enterprise introduction given by the appointer and the relevant person of the Appraised Entity, together with introduction of history and current status of assets to be valued, so as to have an overall picture about the enterprise's internal system, state of operation, and configuration of assets;
- (2) Verify statements for asset valuation and declaration provided by the enterprise, make reconciliation to relevant financial records and collaborate with the enterprise to make adjustment or provide supplemental information when issues are identified;
- (3) Conduct on-site inspection and test counts on physical assets based on the statements for asset valuation and declaration;
- (4) Review and collect property right supporting documents of assets within the scope of valuation, check the ownership information provided by the Appraised Entity and verify the ownership of the assets, count the defective assets, ask the Appraised Entity to verify and confirm the enterprise's ownership of such assets and that there are no property rights disputes;

- (5) Analyze the specific valuation methods for each type of assets based on the actual conditions and characteristics of the assets within the scope of valuation;
 - (6) For equipment, buildings and land use rights assets, understand the management system and actual implementation as well as the corresponding maintenance, review and collect relevant contract files, etc. For investment properties, conduct a research on market conditions data and information relating to real estate transaction cases by using market approach to determine the valuation;
 - (7) The liabilities within the scope of valuation are primarily based on an understanding of the actual liability incurred by the Appraised Entity.
2. ***Judging the potential development trend of the Appraised Entity over a period of time in the future by understanding the historical operation of the enterprise, its current operating status and the real status of the industry in which it operates, specifically as follows;***
- (1) Understand the legal situation relating to the continued operation of the Appraised Entity, mainly in relation to its articles of association, investment and capital contribution agreements, the place of operation and its ability to operate;
 - (2) Understand the accounting system, depreciation policy for fixed assets, the prevailing tax rate and tax status of the Appraised Entity;
 - (3) Understand the Appraised Entity's business type, business model and historical operating results, including the percentage of revenue from its principal operations, etc.;
 - (4) Obtain audited financial information such as balance sheets, income statements, cash flow statements and income and cost breakdowns in recent years;
 - (5) Understand the allocation and actual utilization of the enterprise's assets, analyze relevant surplus assets and non-operating assets and liabilities, and obtain consensus with the enterprise's management;
 - (6) Understand the core business strengths and weaknesses of the Appraised Entity through an interview with the management of the enterprise, business plans and operating strategies for the next few years, as well as the future income and cost components of principal operations and their changing trends, etc.; information on the major market competitors; and business risks faced, such as national policy risks, market (industry) competition risks, product (technology) risks, financial (debt) risks, and exchange rate risks, etc.;

- (7) Conduct necessary analysis and review of the future revenue forecast information, and discuss with the appointer and relevant parties various future possibilities, taking into account the Appraised Entity's human resources, technology level, capital structure, operating conditions, historical results, development trends, as well as macroeconomic factors and the current status and development prospects of the industry in which the Appraised Entity operates, and analyze the applicability and compatibility of the future revenue forecast information with the valuation assumptions;
- (8) Understand the number and underlying circumstances of comparable market transaction cases that are in the same industry as the Appraised Entity, or are affected by the same economic factors.

(3) Summarization of Valuation Conclusion

Analyze, summarize and collate the valuation data collected during the on-site valuation and investigation stage as necessary to form basis for valuation estimate; select the correct formula and reasonable valuation parameters based on the selected valuation method to form a preliminary valuation result; summarize the preliminary valuation conclusion and conduct an analysis of the reasonableness of the valuation conclusion when it is confirmed that there is no duplication or omission of valuation in the scope of assets under valuation.

(4) Preparation and Submission of the Report

Prepare the preliminary asset valuation report based on the above works performed; exchange views with the appointer on the contents of the preliminary valuation report, revise and improve the asset valuation report after taking into account all relevant views communicated; and submit a formal asset valuation report to the appointer after completing the enterprise's internal audit procedures.

9. VALUATION ASSUMPTIONS

Asset appraiser followed the following assumptions and restrictions in this valuation:

(1) Basic Assumptions

1. Transaction assumption

The transaction assumption is that all assets to be evaluated are in the process of transaction, and the asset appraiser will make estimation in a simulated market according to the transaction conditions of assets to be evaluated. The transaction assumption is a most fundamental assumption for the further implementation of the asset valuation.

2. *Open market assumption*

An open market assumption is an assumption about the market conditions into which an asset is intended to enter and what effects the asset will receive under such market conditions. An open market is a fully developed and comprehensive market condition, a competitive market with willing buyers and sellers, where buyers and sellers are on equal footing and have equal opportunity and time for access to adequate market information, and where transactions between buyers and sellers are conducted under voluntary, rational, non-compulsory or unrestricted conditions. The open market assumption is based on the assumption that assets are publicly tradable in the market.

3. *Going concern assumption*

Going concern assumption is assuming that the Appraised Entity can legally continue its production and operation business according to its current status within the foreseeable future operating period under the existing asset resources conditions and there will be no major adverse changes in the operating conditions.

4. *Assumption about the use of an asset for an existing purpose*

Assumption about the use of an asset for an existing purpose means that it is assumed that the asset will continue to be used for the current purpose. Firstly, it is assumed that the assets within the scope of valuation are in use. Then it is assumed that the assets will continue to be used for the current purpose and mode of use without considering asset use conversion or optimal utilization conditions.

(2) General Assumptions

1. This valuation assumes that there will be no unforeseen significant adverse changes in the external economic environment, including the relevant laws, macroeconomic, financial and industrial policies prevailing in the country after the Reference Date, and that there will be no significant impact caused by other human force majeure and unforeseen factors.
2. This valuation does not consider the impact on the Appraised Entity's valuation conclusion of any collateral or guarantee that the Appraised Entity and its assets may assume in the future, or any additional price that may be paid as a result of a special transaction method.
3. It is assumed that there will be no significant changes in the socio-economic environment in which the Appraised Entity is located or in the fiscal and taxation policies in place, such as taxes and tax rates, and that the credit policy, interest rate, exchange rate and other financial policies will be generally stable.

4. The current and future business operations of the Appraised Entity are and will be legal and in compliance with the relevant provisions of its business license and articles of association.

(3) Special Valuation Assumptions in the Income Approach

1. The future income of the Appraised Entity can be reasonably expected and measured in currency; the risk corresponding to the expected return can be measured; the term of the future return can be determined or reasonably expected.
2. The current and future management of the Appraised Entity is legally, compliantly and diligently performing its operation and management functions. After the implementation of the economic activities, there will be no serious impact on the development of the enterprise or damage to the interests of shareholders, and it will continue to maintain the existing operation management model and management level.
3. In the future forecast period, the core management and technical personnel of the Appraised Entity will be relatively stable, and there will be no major changes that affect the business development and profit realization of the enterprise.
4. The accounting policies adopted by the Appraised Entity after the Reference Date are consistent with the accounting policies adopted in the preparation of this valuation report in terms of importance.
5. It is assumed that the Appraised Entity will have even cash inflow and cash outflow after the Reference Date.
6. The office premises of the Appraised Entity and its subsidiaries and branches are obtained under a lease. It is assumed that upon the expiration of the lease contract, the Appraised Entity will be able to obtain a renewal for continued use in accordance with the terms of the lease contract, or will then be able to obtain operating premises of similar conditions and size at market rental rates.

(4) Special Valuation Assumptions in the Market Approach:

1. It is assumed that the Appraised Entity strictly follows relevant accounting standards, and the audit reports as at the Reference Date and for the years are true and reliable.
2. It is assumed that the relevant data of comparable listed companies is true and reliable.
3. It is assumed that, unless otherwise specified, all transactions in the capital market are open, equal, voluntary and fair.

4. Neither the impact of natural forces and other force majeure factors nor the possible impact of a special transaction method on the valuation conclusion are taken into consideration.
5. Mortgages and guarantees that may arise in the future are not taken into consideration.

The valuation conclusion of this asset valuation report is established at the Reference Date under the above assumptions, and in the event of a significant change in the above assumptions, the undersigning asset appraiser and this valuation agency shall not be liable for deriving a different valuation conclusion as a result of the change in the assumptions.

10. VALUATION CONCLUSION

In accordance with the national regulations on valuation of assets, we have implemented the necessary valuation procedures based on the principles of independence, impartiality and objectivity to obtain a valuation conclusion of the market value of the shareholders' entire interest of the Appraised Entity as at the Reference Date in accordance with the valuation purpose, valuation assumptions and restrictions described in this report.

(1) Relevant Valuation Results

1. Income Approach Valuation

The following valuation results are obtained for the Appraised Entity as at the Reference Date using the income approach to appraise the entire value of shareholders' equity of the enterprise:

The carrying value of shareholders' equity of the Appraised Entity on an individual basis is RMB3,772.3303 million and the appraised value is RMB11,816 million, representing an appreciation of RMB8,043.6697 million or 213.23%.

The carrying value of shareholders' equity of the Appraised Entity on a consolidated basis is RMB3,866.2655 million and the appraised value is RMB11,816 million, representing an appreciation of RMB7,949.7345 million or 205.62%.

2. Market Approach Valuation

The following valuation results are obtained for the Appraised Entity as at the Reference Date using the market approach to appraise the value of the entire value of shareholders' equity of the enterprise:

The carrying value of shareholders' equity of the Appraised Entity on an individual basis is RMB3,772.3303 million and the appraised value is RMB12,650 million, representing an appreciation of RMB8,877.6697 million or 235.34%.

The carrying value of shareholders' equity of the Appraised Entity on a consolidated basis is RMB3,866.2655 million and the appraised value is RMB12,650 million, representing an appreciation of RMB8,783.7345 million or 227.19%.

(2) Analysis of Differences in Valuation Results and Final Valuation Conclusion

1. Analysis of Different Valuation Results under Different Approaches

The entire value of shareholders' equity derived from the market approach is RMB12,650 million, representing an increase of RMB834 million, or 7.06% from the entire value of shareholders' equity of approximately RMB11,816 million derived from the income approach.

The difference in the valuation results between the different valuation methods is mainly due to the different perspectives on asset values considered by the various valuation methods. The income approach is based on the future comprehensive profitability of the enterprise, while the market approach evaluates the value from the perspective of the current market comparable prices, resulting in the difference in the valuation results of each valuation method.

2. Selection of Valuation Conclusion

According to Practice Guidelines for Asset Valuation – Enterprise Value, when multiple valuation methods are used for the same valuation subject, the conclusion of the valuation should be formed by combining the valuation purpose, the quality and quantity of data used in different valuation methods, and by using either a qualitative or quantitative approach.

HuaAn Funds is a public fund management company, and its main business is the fund raising and management of public funds. The profit forecast for this type of company is greatly affected by the capital market conditions during the income approach valuation, while the homogeneity of transaction cases chosen by the market approach with the operation model of the Appraised Entity is strong, and on this basis, the market approach valuation conclusion is better in terms of reference, rationality and objectivity. Therefore, the result of the market approach is preferred.

In view of the above, the result of the market approach is adopted as the valuation conclusion for the entire shareholders' equity of the Appraised Entity. After the valuation, the entire value of shareholders' equity of the Appraised Entity is RMB12,650,000,000.00, being RENMINBI TWELVE BILLION AND SIX HUNDRED FIFTY MILLION ONLY.

The valuation conclusion is based on the above valuation work.

(3) Changes in the Comparison of Valuation Conclusion and Carrying Value and Reasons

Based on the conclusion of the market approach, HuaAn Funds has many intangible resources, including public fund qualification, brand image, investment and research capabilities of the team and goodwill formed after years of operation, which are not reflected in the carrying value of the enterprise, therefore, the market approach has a greater appreciation than the carrying value.

(4) Other Considerations Relating to the Valuation Conclusion

Given that the Appraised Entity itself is an unlisted company, the valuation subject is the entire value of shareholders' equity, and the impact of control and liquidity is not considered in the valuation by market approach and income approach, and the final valuation conclusion does not consider the impact of control and liquidity.

(5) Validity of the Valuation Conclusion

In accordance with the current valuation standards, the valuation conclusion revealed in this valuation report is based on the fact that there have been no significant changes in the valuation assumptions set out in this report, and this valuation report conclusion may normally only be used if the period between the implementation date of the economic activities and the Reference Date is not more than one year, i.e. the valuation conclusion is valid from 30 September 2021 to 29 September 2022.

The conclusion of this valuation report may not be used beyond the above validity period of the valuation conclusion to implement the economic activities.

(6) Other Notes on the Valuation Conclusion

During the validity period of the valuation conclusion after the Reference Date, if there is a change in the amount of assets and the valuation criteria involved in the valuation subject, the appointer may deal with it in accordance with the following principles:

1. when there is a change in the amount of assets, the amount of assets should be adjusted according to the original valuation method;
2. the appointer shall promptly engage a qualified valuation agency to re-determine the appraised value when there is a change in the asset price standard that significantly affects the asset valuation result; and
3. the appointer shall give due consideration to any changes in the amount of assets and the price standard after the Reference Date when implementing the economic activities.

11. DESCRIPTION OF SPECIAL MATTERS

When using this valuation report, the users of the valuation report shall pay due attention to the possible impact of the following special matters on the valuation conclusion, and give full consideration of such matters when making their own decisions and implementing the economic activities based on this report:

(1) Incomplete or Defective Key Information Such as Ownership:

Other equity instruments are the 0.9926% equity of E-Capital Transfer invested by HuaAn Funds. Due to the early investment time and the low shareholding ratio of HuaAn Funds, the investment agreement, as well as E-Capital Transfer's business license, articles of association and its financial data on the Reference Date were not available. Only the 2018-2020 annual audit reports of E-Capital Transfer retained by HuaAn Funds were provided for the valuation engagement. Through the interview with the management for the valuation engagement, we learned about the background of investment in E-Capital Transfer, and reviewed the paid-up share capital set out in the 2020 audit report of E-Capital Transfer, and assessed and verified the shareholding ratio and investment amount of HuaAn Funds.

Upon our verification, E-Capital Transfer was loss-making from 2017 to 2020, with the losses amounted to RMB35.1872 million and RMB26.9399 million in 2019 and 2020, respectively. As of 31 December 2020, the carrying value of consolidated net assets of E-Capital Transfer amounted to RMB1.936 billion. Based on the interview with the management of HuaAn Funds and the analysis of the audit reports, it is unlikely that E-Capital Transfer will experience substantial operating changes for 2021, and its current operating loss in 2021 will not have a significant impact on its net assets. To a lesser extent, HuaAn Funds only holds 0.9926% of the equity in E-Capital Transfer, the impact of verification flaws of the asset on the appraised value of equity interests of HuaAn Funds is basically negligible. Therefore, during the valuation engagement, the appraised value of the investment was determined based on the shareholding ratio of HuaAn Funds in E-Capital Transfer and the carrying value of net assets of E-Capital Transfer as of 31 December 2020.

(2) Other Key Information Not Provided By the Appointer:

During the valuation engagement, we have not found that the appointer had not provided any other key information.

(3) Uncertain Factors Such as Unresolved Matters and Legal Disputes as at The Reference Date:

As the asset management plan manager, HuaAn Future, a subsidiary, has filed a lawsuit against the designated financier at the request of the principal of the plan. The asset appraiser was not aware of any pending legal proceedings involving HuaAn Funds that have a significant adverse effect on the Appraised Entity's business as of the Reference Date. The appointer and the Appraised Entity also clearly stated that there were no unresolved matters, legal disputes or other uncertainties that would have a material adverse effect on the Appraised Entity's business.

(4) Significant Use of Expert Work and Related Reports:***1. Use of Professional Reports:***

In the course of performing this valuation engagement, the valuation agency obtained the following professional reports through legal channels, and prudently referred to and utilized the relevant content of the professional reports:

- (1) *The special audit report (Shang Kuai Shi Bao Zi (2022) No. 4544) issued by Shanghai Certified Public Accountants (Special General Partnership);*

The asset types and carrying value set out in this asset valuation report have been audited by Shanghai Certified Public Accountants (Special General Partnership), which have issued the special audit report (Shang Kuai Shi Bao Zi (2022) No. 4544 thereon. Its opinion provided in the audit report stated that “We audited the financial statements of HuaAn Funds Management Co., Ltd., including the combined and the Appraised Entity’s balance sheets as at 31 December 2019, 31 December 2020 and 30 September 2021, and the combined and the Appraised Entity’s income statement, the combined and the Appraised Entity’s cash flow statement, the combined and the Appraised Entity’s statement of changes in owners’ equity for the years of 2019 and 2020 and the period from 1 January 2021 to 30 September 2021, and the notes to the financial statements. We believe that the accompanying financial statements have been prepared in accordance with the Accounting Standards for Enterprises in all material respects and can give a fair view of the combined and the Appraised Entity’s financial position as of 31 December 2019, 31 December 2020 and 30 September 2021, as well as the combined and the Appraised Entity’s operating results and cash flows for the years of 2019 and 2020 and the period from 1 January 2021 to 30 September 2021.”

- (2) *The special audit report (Shang Kuai Shi Bao Zi (2022) No. 4542) issued by Shanghai Certified Public Accountants (Special General Partnership);*

The asset types and carrying value set out in this asset valuation report have been audited by Shanghai Certified Public Accountants (Special General Partnership), which have issued the special audit report (Shang Kuai Shi Bao Zi (2022) No. 4542 thereon. Its opinion provided in the audit report stated that “We audited the financial statements of HuaAn Future Asset Management (Shanghai) Co., Ltd. (hereinafter referred to as the “Company”), including the balance sheets as at 31 December 2019, 31 December 2020 and 30 September 2021, and the income statement, the cash flow statement, the statement of changes in owners’ equity for the years of 2019 and 2020 and the period from 1 January 2021 to 30 September 2021, and the notes to the financial statements. We believe that the accompanying financial statements have been prepared in accordance with the Accounting Standards for Enterprises in all material respects and can give a fair view of the Company’s financial position as of 31 December 2019, 31 December 2020 and 30 September 2021, as well as the Company’s operating results and cash flows for the years of 2019 and 2020 and the period from 1 January 2021 to 30 September 2021.”

- (3) *The special audit report (Shang Kuai Shi Bao Zi (2022) No. 4539) issued by Shanghai Certified Public Accountants (Special General Partnership);*

The asset types and carrying value set out in this asset valuation report have been audited by Shanghai Certified Public Accountants (Special General Partnership), which have issued the special audit report (Shang Kuai Shi Bao Zi (2022) No. 4539 thereon). Its opinion provided in the audit report stated that “We audited the financial statements of HuaAn Asset Management (Hong Kong) Limited (hereinafter referred to as the “Company”), including the balance sheets as at 31 December 2019, 31 December 2020 and 30 September 2021, and the income statement, the cash flow statement, the statement of changes in owners’ equity for the years of 2019 and 2020 and the period from 1 January 2021 to 30 September 2021, and the notes to the financial statements. We believe that the accompanying financial statements have been prepared in accordance with the Accounting Standards for Enterprises in all material respects and can give a fair view of the Company’s financial position as of 31 December 2019, 31 December 2020 and 30 September 2021, as well as the Company’s operating results and cash flows for the years of 2019 and 2020 and the period from 1 January 2021 to 30 September 2021.”

The asset valuation professionals have analyzed and made judgement on the requirements for the use of financial statements according to the adopted valuation approaches, but have taken no responsibility to express a professional opinion on whether the relevant financial statements have given a fair view of the financial position, the current operating results and cash flows of the entity on the Reference Date.

In accordance with the relevant provisions of the current valuation standards, the valuation agency shall only be responsible for the use of relevant professional reports that cause improper citation.

(5) Subsequent Major Matters:

In March 2022, according to the Reply of the CSRC on Approving the Change of Equity Interest of HuaAn Funds Management Co., Ltd. (Zheng Jian Xu Ke [2022] No. 469) (中國證監會批覆(證監許可[2022]469號)《關於核准華安基金管理有限公司變更股權的批覆》), Shanghai SITICO Asset Management Co., Ltd. was approved to transfer 15% equity interest of HuaAn Funds held by it to Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司).

(6) Explanation of the Relevant Restrictions of the Valuation Procedures, the Remedial Measures Adopted by the Valuation Agency and the Impact on the Valuation Conclusion:

There are no restrictions on the valuation procedures of this valuation.

(7) The Nature and Amount of Guarantees, Leases and Contingent Liabilities (Contingent Assets) and Their Relationship with the Valuation Subject:

HuaAn Funds leased its main business premise, located at the 31-32nd floor, Tower II, Shanghai International Financial Center, No. 8 Century Avenue, Shanghai. The leasing status of the office premises of the parent company, subsidiaries and local offices is as follows:

Lessee	Lessor	Address	Commencement date	Expiration date	Gross floor area (sq.m.)	Rent
HuaAn Funds Management Co., Ltd.	Li Guangyao	Room 701, Tower B, Tongji United Plaza, No.1398 Siping Road, Shanghai	2020/11/1	2023/10/31	157.44	From 1 November 2020 to 31 October 2022, the monthly rent shall be calculated at RMB4.1 per sq.m. per day, amounting to RMB19,634; from 1 November 2022 to 31 October 2023, the monthly rent shall be calculated at RMB4.2 per sq.m. per day, amounting to RMB20,113.
HuaAn Funds Management Co., Ltd.	Guangzhou Jinyao Real Estate Co., Ltd. (廣州晉耀置業有限公司)	Room 5401, Office Tower, No. 28 Zhujiang East Road, Tianhe District, Guangzhou	2019/11/20	2021/10/31	162.26	From 20 November 2019 to 30 November 2019, the rent was RMB11,332 per month. From 1 December 2019 to 31 October 2021, the rent was RMB30,907 per month. From 1 November 2021 to 31 October 2024, the rent shall be RMB32,761 per month.

Lessee	Lessor	Address	Commencement date	Expiration date	Gross floor area (sq.m.)	Rent
HuaAn Funds Management Co., Ltd.	Beijing Yinglan Real Estate Co., Ltd. (北京英藍置業有限公司)	Units F522-F526A, 5th floor, No. 7 Jinrong Street, Xicheng District, Beijing	2021/1/10	2023/1/9	690	During the lease term, the rent shall be RMB333,700 per month and the management fee shall be RMB15,980 per month.
HuaAn Funds Management Co., Ltd.	Yicheng Real Estate (Chengdu) Co., Ltd. (一城置業(成都)有限公司)	No. 2503, Unit 1, Building 2, No. 68 Zhiquan Section, East Street, Jinjiang District, Chengdu	2021/2/24	2023/2/26	90	During the lease term, the rent shall be RMB12,744 per month, including management fees at RMB18 per sq.m. per month.
HuaAn Funds Management Co., Ltd.	Du Fangzhi	Room 22203, Unit 2, Building 4, No. 35 Tangyan Road, Xi'an	2020/4/1	2023/3/31	211.87	During the lease term, the monthly rent shall be calculated at RMB75 per sq.m. per month, amounting to RMB15,890.00.
HuaAn Funds Management Co., Ltd.	Bao Limin	Room 2-30-2, No.19-3 Wenyi Road, Shenhe District, Shenyang	2020/5/1	2023/4/30	176.15	During the lease term, the annual rent shall be RMB100,800.00, including value-added tax of RMB2,935.92 at a tax rate of 3%.

Lessee	Lessor	Address	Commencement date	Expiration date	Gross floor area (sq.m.)	Rent
HuaAn Funds Management Co., Ltd.	Huang Zhuoguang, Zou Huifen	Room 2008, Building 3, Excellence Century Center, Intersection of Fuhua 3rd Road and Jintian Road, Futian District, Shenzhen	2019/1/1	2022/12/31	90.19	During the lease term, the monthly rent shall be calculated at RMB294 per sq.m. per month, amounting to RMB26,600.
HuaAn Funds Management Co., Ltd.	Hongyi (Shanghai) Enterprise Development Co., Ltd. (宏益(上海)企業發展有限公司)	Rooms 3101-16 and 3203-16, the 31st and 32nd floor, Tower II, Shanghai International Financial Center, No. 8 Century Avenue, Pudong New Area, Shanghai	2020/11/1	2023/10/31	4729.35	During the lease term, the monthly rent shall be calculated at RMB13.81 per sq.m. per day, amounting to RMB1,986,583.17, plus an additional monthly value-added tax on the aforementioned rent, at a tax rate of 5%; the management fee shall be RMB236,467.50 per month.

Lessee	Lessor	Address	Commencement date	Expiration date	Gross floor area (sq.m.)	Rent
HuaAn Future Asset Management (Shanghai) Co., Ltd.	Hongyi (Shanghai) Enterprise Development Co., Ltd. (宏益(上海)企業發展有限公司)	Rooms 3201-02, 32nd floor, Tower II, Shanghai International Financial Center, No. 8 Century Avenue, Pudong New Area, Shanghai	2020/11/1	2023/10/31	465	The rent shall be calculated at RMB[13.81] per sq.m. of leased area per day. The [monthly] rent shall be RMB[195,325.19], excluding management and air-conditioning fees, and other fees and taxes (the management and air-conditioning fees shall be calculated at RMB[50.00] per sq.m. of leased area per month, amounting to RMB23,250.00 per month, plus value-added tax at a rate of 5% per month)
HUAAN ASSET MANAGEMENT (HONG KONG) LIMITED (華安資產管理(香港)有限公司)	CHEER CITY PROPERTIES LIMITED (喜怡置業有限公司) and PROTASAN LIMITED	N0.4702 on the FORTY-SEVENTH FLOOR of the building known as CENTRAL PLAZA at No.18 Harbour Road	2019/6/1	2022/5/31	/	The rent was collected on a monthly basis, amounting to HK\$463,758 in total for 36 months, plus service fee of HK\$62,670 in total.

Lessee	Lessor	Address	Commencement date	Expiration date	Gross floor area (sq.m.)	Rent
Guotai Junan Futures Co., Ltd.	HuaAn Funds Management Co., Ltd.	Office Building, 2nd Floor, No. 360 Pudong South Road	2021/9/1	2026/8/31	3143.99	From 1 September 2021 to 31 August 2024, the monthly rent shall be calculated at RMB5 per sq.m. per day, amounting to RMB502,055; from 1 September 2024 to 31 August 2026, the monthly rent shall be calculated at RMB5.5 per sq.m. per day, amounting to RMB552,261; in each case, inclusive of value-added tax at a tax rate of 5%.
Hangzhou Zhonglian Zhujing Architectural Design Co., Ltd. Shanghai Branch (杭州中聯築鏡建築設計有限公司上海分公司)	HuaAn Funds Management Co., Ltd.	Room 1702, Tower B, Tongji Union Square, No.1398 Siping Road, Yangpu District	2020/2/15	2021/10/31	610.13	During the lease term, the monthly rent was calculated at RMB4.7 per sq.m. per day, amounting to RMB87,223.
Hangzhou Zhonglian Zhujing Architectural Design Co., Ltd. Shanghai Branch (杭州中聯築鏡建築設計有限公司上海分公司)	HuaAn Funds Management Co., Ltd.	Rooms 1601 and 1602, Building B, Tongji Union Square, No.1398 Siping Road, Yangpu District	2018/11/1	2021/10/31	1144.79	During the lease term, the monthly rent was calculated at RMB4.7 per sq.m. per day, amounting to RMB163,683.

Lessee	Lessor	Address	Commencement date	Expiration date	Gross floor area (sq.m.)	Rent
Shanghai Feien Culture Communication Co., Ltd. (上海費恩文化傳播有限公司)	HuaAn Funds Management Co., Ltd.	Room 1701, Tower B, Tongji Union Square, No. 1398 Siping Road, Yangpu District	2021/5/1	2024/4/30	531.79	From 1 May 2021 to 30 April 2022, the monthly rent was calculated at RMB4.6 per sq.m. per day, amounting to RMB74,406; from 1 May 2022 to 30 April 2024, the monthly rent shall be calculated at RMB4.7 per sq.m. per day, amounting to RMB76,023.

Through the on-site investigation, the appraiser found no other relevant matters apart from the above-mentioned disclosures. However, due to the limitations of asset appraiser's verification methods and the concealment of guarantees and contingent liabilities (assets), the valuation agency was unable to issue a definitive opinion on the completeness of the above matters.

(8) Deficiencies in the Economic Activities Corresponding to the Asset Valuation that may Have a Material Effect on the Valuation Conclusion:

In the economic activities corresponding to this asset valuation, the valuation agency did not find any deficiency that may have a material effect on the valuation conclusion.

(9) Other Matters Requiring Explanation

1. In this asset valuation report, for all tables or textual expressions denominated in RMB ten thousand, any difference between the total amount and the sum of the individual sub-values is due to rounding off.
2. The profit forecast of the Appraised Entity obtained by the asset appraiser was the basis of the income approach of this valuation report. The asset appraiser has conducted necessary investigations, analyses and judgments on the profit forecast provided by the Appraised Entity, and has discussed with the management of the Appraised Entity many times. After adjustment and improvement by the Appraised Entity, the valuation agency was satisfied with the relevant data and main

assumptions regarding the profit forecast of the Appraised Entity. The prudent use of the Appraised Entity's profit forecast by the asset appraiser should not be regarded as a guarantee of the Appraised Entity's future profitability.

When using this asset valuation report, the users of the valuation report shall pay due attention to the impact of the aforementioned special matters on the valuation conclusion.

12. RESTRICTIONS ON THE USE OF VALUATION REPORT

- (1) This asset valuation report shall only be used for the purposes of valuation and economic activities as set out herein.
- (2) The valuation agency and the asset appraiser shall not be liable if the appointer or other users of the asset valuation report fail to use this asset valuation report in accordance with the provisions of laws and administrative regulations and the scope of use set out in this asset valuation report.
- (3) Except for the appointer, the other users of the asset valuation report as agreed in the asset valuation entrustment contract and the users of the asset valuation report as stipulated in the laws and administrative regulations, other institutions or individuals are not allowed to use this report.
- (4) The user of the asset valuation report shall correctly understand and use the valuation conclusion. The valuation conclusion is not equivalent to the realizable price of the valuation subject, and the valuation conclusion shall not be considered as a guarantee of the realizable price of the valuation subject.
- (5) If this valuation project involves state-owned assets and is required to comply with the filing and approval procedures of the state-owned assets management authorities in accordance with the relevant regulations, this valuation report shall be filed with the State-owned Assets Supervision and Administration Department before it can be formally used, and the valuation conclusion shall only apply to the economic activities shown in this report.
- (6) This asset valuation report contains certain annexes and appraisal schedules, all of which also constitute an important part of this report and shall be valid only when used in conjunction with the body of this report. The valuation agency and the asset appraiser assume no obligation or responsibility for any use other than that for which it is used, such as being shown to the non-asset valuation report user or the non-asset valuation report user who otherwise has access to this report, and do not provide further consultation in connection with this report, nor do they provide testimony, appear in court or otherwise hearings in legal proceedings, and reserve the right to pursue the non-asset valuation report user the losses incurred as a result.

- (7) The right to interpret the contents of this asset valuation report shall rest with the valuation agency, and no other entity or department shall have the right to interpret it, unless otherwise expressly and specifically provided for in national laws and regulations; any extract, quote or disclosure of the whole or part of the contents of the valuation report in the public media shall be subject to the written consent of the valuation agency and the undersigning appraiser of the report after the valuation agency has reviewed the relevant contents, unless it is otherwise stipulated in the provisions of laws and regulations and other agreements of the relevant parties.

13. DATE OF ISSUANCE OF THE VALUATION REPORT

The date of the asset valuation report is the date on which the valuation conclusion is formed and the date of this asset valuation report is 3 June 2022.

(No text below)

(No text on this page)

Valuation agency	Shanghai Orient Appraisal Co., Ltd.
Legal representative	Wang Xiaomin
Signatures of asset appraiser	Qiu Zhuoer Yu Zhechao
Date of the Valuation Report	3 June 2022
Company address	Floor 19, Pacific Center, No. 889 West Yan'an Road, Shanghai, PRC, 200050
Telephone number	021-52402166 (Switchboard) 021-62252086 (Fax)
Website	www.dongzhou.com.cn

ASSET VALUATION REPORT

(Annexes to the report)

Project name The Entire Value of Shareholders' Equity of HuaAn Funds Management Co., Ltd. (華安基金管理有限公司) in relation to Proposed Transfer of 8% Equity Interests in HuaAn Funds Management Co., Ltd. Held by Shanghai Industrial Investment (Group) Co., Ltd. (上海工業投資(集團)有限公司) to Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司) by Agreement

Report No. Dong Zhou Ping Bao Zi [2021] No. 2554

No. Name of Annexes

1. Request for Instructions on the Preliminary Work on Transfer of 8% Equity Interests in HuaAn Funds Management Co., Ltd. Held by Gongtou Company (Hu Gongtou Group Zi [2022] No. 26)
2. Reply on Approval of Initiating the Relevant Work for Gongtou Company's Transfer of 8% Equity Interests in HuaAn Funds Management Co., Ltd. (Hu Lin Gang Tou [2022] No. 102)
3. Minutes of Office Meeting of President of Shanghai Lingang Economic Development (Group) Co., Ltd. (No. 1, 2022)
4. Resolution of the 20th board meeting of the third session of the board of directors of Shanghai Industrial
5. Resolution of the 76th shareholders' meeting of HuaAn Funds
6. Business License of Shanghai Industrial
7. State-owned Property Rights Registration Form of Shanghai Industrial
8. Business License of Guotai Junan Securities Co., Ltd.
9. State-owned Property Rights Registration Form of Guotai Junan Securities Co., Ltd.
10. Business License of HuaAn Funds
11. State-owned Property Rights Registration Form of HuaAn Funds
12. Business License of HuaAn Funds
13. The Articles of Association of HuaAn Funds
14. Business License of HuaAn Future Asset Management (Shanghai) Co., Ltd.
15. Operation License of HuaAn Future Asset Management (Shanghai) Co., Ltd.
16. The Articles of Association of HuaAn Future Asset Management (Shanghai) Co., Ltd.
17. Company registration certificate of HuaAn Asset Management (Hong Kong) Co., Ltd.
18. Business License of HuaAn Asset Management (Hong Kong) Co., Ltd.

19. Articles of Association of HuaAn Asset Management (Hong Kong) Co., Ltd.
20. Special Audit Report of HuaAn Funds
21. Special Audit Report of HuaAn Future Asset Management (Shanghai) Co., Ltd.
22. Special Audit Report of HuaAn Asset Management (Hong Kong) Co., Ltd.
23. Real Estate Title Certificate and Other Proofs of Entitlement of the Appraised Entity
24. Letters of Undertaking of the Appointer and Relevant Parties
25. Asset Valuation Entrustment Contract
26. Business License of Shanghai Orient Appraisal Co., Ltd.
27. License on Conducting Securities Business and Asset Appraisal of Shanghai Orient Appraisal Co., Ltd.
28. Certificate in Asset Valuation of Shanghai Orient Appraisal Co., Ltd.
29. Qualification Certificates of Asset Appraisers Responsible for the Valuation
30. Letter of Commitment of the Valuation Agency and Asset Appraiser
31. Explanation of the Significant Difference between the Carrying Amount of the Asset and the Valuation Conclusion (for details, please refer to 10. Valuation Conclusion in the text of the report)

In the event of any inconsistencies between the Chinese version and the English version of this report, the Chinese version shall prevail.

APPENDIX III – PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

1. COMPARATIVE TABLE OF AMENDMENTS TO ARTICLES OF ASSOCIATION OF GUOTAI JUNAN SECURITIES CO., LTD.

Original Articles	Amended Articles
<p>Article 12 “Senior management” in the Articles of Association refers to the president, vice president, chief financial officer, chief risk officer, chief compliance officer and secretary to the board of directors of the Company, and other personnel resolved by the board of directors to hold important positions and meet the qualifications required by laws, regulations and rules of the CSRC.</p>	<p>Article 12 “Senior management” in the Articles of Association refers to the president, vice president, chief financial officer, chief risk officer, chief compliance officer, secretary to the board of directors of the Company and <u>chief legal counsel</u>, and other personnel resolved by the board of directors to hold important positions and meet the qualifications required by laws, regulations and rules of the CSRC.</p>
<p>Article 126 The board of directors shall perform the following duties:</p> <p>.....</p> <p>(XI) to appoint or dismiss the Company’s president, secretary to the board of directors, chief risk officer and chief compliance officer and, based on the nominations of president, to appoint or dismiss vice presidents, chief financial officer and other senior management and to determine their remuneration and rewards and penalties;</p> <p>.....</p>	<p>Article 126 The board of directors shall perform the following duties:</p> <p>.....</p> <p>(XI) to appoint or dismiss the Company’s president, secretary to the board of directors, chief risk officer, chief compliance officer <u>and chief legal counsel</u> and, based on the nominations of president, to appoint or dismiss vice presidents, chief financial officer and other senior management and to determine their remuneration and rewards and penalties;</p> <p>.....</p>
<p>Article 147 The president shall be accountable to the board of directors and perform the following duties:</p> <p>.....</p> <p>(VI) to recommend the appointment or dismissal of vice presidents, chief financial officer and other senior management except the secretary to the board of directors, chief risk officer and chief compliance officer;</p>	<p>Article 147 The president shall be accountable to the board of directors and perform the following duties:</p> <p>.....</p> <p>(VI) to recommend the appointment or dismissal of vice presidents, chief financial officer and other senior management except the secretary to the board of directors, chief risk officer, chief compliance officer <u>and chief legal counsel</u>;</p>

APPENDIX III – PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Original Articles	Amended Articles
	<p>Article 158 The Company shall appoint a chief legal counsel to take charge of legal affairs of the Company and be responsible for the rule of law system of the Company. The chief legal counsel shall be appointed and dismissed by the board of directors.</p> <p>(The sequence of the original Article 158 and subsequent articles will be renumbered accordingly)</p>

2. COMPARATIVE TABLE OF AMENDMENTS TO THE RULES OF PROCEDURE FOR MEETINGS OF THE BOARD OF DIRECTORS OF GUOTAI JUNAN SECURITIES CO., LTD.

Original Articles	Amended Articles
<p>Article 18 Attendance of the Meeting</p> <p>.....</p> <p>Supervisors may attend meetings of the board of directors without voting rights; the president and the secretary of the board of directors who do not serve concurrently as director shall attend meetings of the board of directors without voting rights. The chairman may, where he deems necessary, may notify other relevant persons to attend meetings board of directors without voting rights.</p> <p>.....</p>	<p>Article 18 Attendance of the Meeting</p> <p>.....</p> <p>Supervisors may attend meetings of the board of directors without voting rights; the president and the secretary of the board of directors who do not serve concurrently as director shall attend meetings of the board of directors without voting rights. <u>Chief compliance officer and chief legal counsel shall attend board meetings concerning topics of legal compliance and take part in the researches, discussions and consideration.</u> The chairman may, where he deems necessary, may notify other relevant persons to attend meetings board of directors without voting rights.</p> <p>.....</p>

In the event of any inconsistencies between the Chinese version and the English version of the proposed amendments to the Articles of Association, the Chinese version shall prevail.

NOTICE OF EGM

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國泰君安證券股份有限公司
GUOTAI JUNAN SECURITIES CO., LTD.

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

(Stock Code: 02611)

NOTICE OF THE 2022 FIRST EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of Guotai Junan Securities Co., Ltd. (the “**Company**”) will be held at 2:00 p.m. on Friday, 8 July 2022 at Room 405, 768 Nanjing West Road, Jingan District, Shanghai, the PRC, to consider and, if thought fit, pass the following resolutions. Unless otherwise specified, capitalized terms used in this notice shall have the same meaning as those defined in the circular of the Company dated 20 June 2022 (the “**Circular**”):

ORDINARY RESOLUTION

1. To consider and approve the resolution on the proposed acquisition of 8% equity interest in HuaAn Funds.

SPECIAL RESOLUTION

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

By Order of the Board
Guotai Junan Securities Co., Ltd.
HE Qing
Chairman

Shanghai, PRC

20 June 2022

NOTICE OF EGM

As at the date of this notice, the executive directors of the Company are Mr. HE Qing, Mr. WANG Song and Mr. YU Jian; the non-executive directors of the Company are Mr. LIU Xinyi, Ms. GUAN Wei, Mr. ZHONG Maojun, Mr. CHEN Hua, Mr. WANG Wenjie, Mr. ZHANG Zhan, Mr. ZHANG Yipeng and Mr. AN Hongjun; and the independent non-executive directors of the Company are Mr. XIA Dawei, Mr. DING Wei, Mr. LI Renjie, Mr. BAI Wei, Mr. LEE Conway Kong Wai and Mr. CHAI Hongfeng.

Notes:

- (1) In order to determine the holders of H Shares who are entitled to attend the EGM, the H Share register of members of the Company will be closed from Tuesday, 5 July 2022 to Friday, 8 July 2022 (both days inclusive), during which period no share transfer will be registered. In order for holders of H Shares to be qualified for attending the EGM, all share certificates together with the share transfer documents must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (Tel: (852) 2862 8555), by 4:30 p.m. on Monday, 4 July 2022. Holders of H Shares who are registered with Computershare Hong Kong Investor Services Limited on Friday, 8 July 2022 are entitled to attend the EGM.
- (2) Holders of H Shares who are entitled to attend and vote at the EGM may designate one or more proxies to attend and vote at the EGM on his/her behalf. A proxy need not be a shareholder of the Company.

To be valid, the proxy form together with the power of attorney (if any) and other relevant authorization document(s) (if any) which have been notarized shall be deposited at the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, not less than 24 hours before the time designated for the EGM (i.e., by 2:00 p.m. on Thursday, 7 July 2022). Completion and return of the proxy form will not preclude the shareholders of H Shares from attending and voting at the EGM should they so wish.

The address of the Board's office is at 768 Nanjing West Road, Jingan District, Shanghai, the PRC, Postal code: 200041 (Tel: (8621) 3867 6798, Fax: (8621) 3867 0798). The address of the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, is at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (Fax: (852) 2865 0990).

- (3) Any voting on any resolution at the EGM shall be taken by poll.
- (4) In case of joint Shareholders, if more than one of them are presented at the meeting, either in person or by proxy, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint Shareholders. For this purpose, seniority shall be determined by the order in which the names of the joint Shareholders stand in the register of members of the Company in respect of the joint shareholding.
- (5) The EGM is expected to last for half a day. Shareholders attending (in person or by proxy) the EGM shall be responsible for their own travel and accommodation expenses. Shareholders or their proxies shall produce their identity documents when attending the general meeting.
- (6) The ordinary resolution will be voted by the Shareholders who do not have any interest in such resolution. International Group and its associates and Shanghai Industrial shall abstain from voting on the ordinary resolution.
- (7) Please refer to the circular of the EGM dated 20 June 2022 for the details of the above resolutions to be proposed at the EGM for consideration and approval.