THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Glorious Sun Enterprises Limited, you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or transferee(s).

GLORIOUS SUN ENTERPRISES LIMITED
旭 日 企 業 有 限 公 司

(Incorporated in Bermuda with limited liability)
(Stock Code: 393)

(1) MAJOR TRANSACTIONS IN RELATION TO THE POST-FIRST CIRCULAR ACQUISITIONS

(2) POSSIBLE VERY SUBSTANTIAL ACQUISITIONS ACQUISITION MANDATES IN RELATION TO THE FURTHER ACQUISITIONS (I.E. THE FURTHER CCB ACQUISITIONS AND THE FURTHER ICBC ACQUISITIONS) AND

(3) NOTICE OF SPECIAL GENERAL MEETING

Capitalised terms used on this cover page have the same meanings as those defined in the section headed “Definitions” in this circular.

A letter from the Board is set out on pages 6 to 26 of this circular. The SGM of the Company will be held at Dynasty II, The Dynasty Club, 7th Floor, South West Tower, Convention Plaza, 1 Harbour Road, Wan Chai, Hong Kong on Wednesday, 21 February 2024 at 2:00 p.m. A notice convening the SGM is set out on pages SGM-1 to SGM-3 of this circular.

A form of proxy for the SGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are advised to read the notice and to complete and return the enclosed form of proxy, in accordance with the instructions printed thereon, to the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the SGM or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or at any adjourned meeting thereof should you so wish.

Hong Kong, 5 February 2024

CONTENTS

Page

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

"1st CCB Aggregated Acquisitions"	the aggregated acquisitions through the open market, excluding stamp duty and related expenses, of 71,500,000 CCB Shares for HK$322,110,880, as announced in the Company's announcements dated 4 April 2023, 4 December 2023 and 5 December 2023 and which were the subject matter for reporting as a major transaction in the First Circular;
"1st ICBC Aggregated Acquisitions"	the aggregated acquisitions through the open market, excluding stamp duty and related expenses, of 35,433,000 ICBC Shares for HK$138,648,420, as announced in the Company's announcements dated 31 March 2023, 4 April 2023 and 4 December 2023 and which were the subject matter for reporting as a major transaction in the First Circular;
"2nd CCB Acquisition"	the acquisition through the open market, excluding stamp duty and related expenses, of 31,050,000 CCB Shares for HK$136,517,000 on 17 January 2024, as announced in the Company's announcement dated 17 January 2024 which is the subject matter for reporting as a major transaction in this circular;
"2nd ICBC Aggregated Acquisitions"	the following acquisitions through the open market, excluding stamp duty and related expenses: • 10,000,000 ICBC Shares for HK$36,600,000 on 16 January 2024 and 18,000,000 ICBC Shares for HK$65,120,000 on 17 January 2024 (together, the "**Jan 16 and 17 ICBC Acquisitions**"); and • 24,620,000 ICBC Shares for HK$93,493,880 on 25 January 2024 (the "**Jan 25 ICBC Acquisition**"), as announced in the Company's announcements dated 16 January 2024, 17 January 2024 and 25 January 2024 which are the subject matter for reporting as a major transaction in this circular;

"3rd ICBC Aggregated Acquisitions"	the following acquisitions through the open market, excluding stamp duty and related expenses: • 5,400,000 ICBC Shares for HK$20,682,000 on 26 January 2024 (the "**Jan 26 ICBC Acquisition**"); and • 30,000,000 ICBC Shares for HK$114,260,000 on 30 January 2024 (the "**Jan 30 ICBC Acquisition**"), as announced in the Company's announcement dated 30 January 2024 which are the subject matter for reporting as a major transaction in this circular;
"Acquisition Mandates"	the CCB Acquisition Mandate and the ICBC Acquisition Mandate;
"Board"	the board of Directors;
"BOC"	Bank of China Limited, a company incorporated in the PRC with limited liability whose shares are listed on the Main Board of the Stock Exchange (stock code: 3988) and the Shanghai Stock Exchange (stock code: 601988), respectively;
"BOC Aggregated Acquisitions"	the following acquisitions through the open market, excluding stamp duty and related expenses: • 31,000,000 BOC Shares for HK$92,510,000 on 25 January 2024 (the "**Jan 25 BOC Acquisition**"); and • 28,824,000 BOC Shares for HK$85,210,800 on 30 January 2024 (the "**Jan 30 BOC Acquisition**"), as announced in the Company's announcements dated 25 January 2024 and 30 January 2024 which are the subject matter for reporting as a major transaction in this circular;
"BOC Group"	BOC and its subsidiaries;
"BOC Shares"	ordinary shares in the share capital of BOC;
"CCB"	China Construction Bank Corporation, a company incorporated in the PRC with limited liability whose shares are listed on the Main Board of the Stock Exchange (stock code: 939) and the Shanghai Stock Exchange (stock code: 601939), respectively;

"CCB Acquisition Mandate"	the specific mandate proposed by the Board in order to seek Shareholders' approval at the SGM to authorise the Board to conduct the Further CCB Acquisitions during the Mandate Period;
"CCB Group"	CCB and its subsidiaries;
"CCB Shares"	ordinary shares in the share capital of CCB;
"close associates"	has the meaning ascribed to it under the Listing Rules;
"Closely Allied Group"	a closely allied group of the Shareholders comprising Dr. Charles Yeung, Mr. Yeung Chun Fan, Glorious Sun Holdings (BVI) Limited and Advancetex Holdings (BVI) Limited who together held 1,043,358,499 Shares (representing approximately 68.52% of the issued share capital of the Company) as at the Latest Practicable Date;
"Company"	Glorious Sun Enterprises Limited 旭日企業有限公司, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
"Director(s)"	director(s) of the Company;
"First Circular"	the Company's circular dated 23 January 2024 whose subject matter were the 1st CCB Aggregated Acquisitions and the 1st ICBC Aggregated Acquisitions;
"Further Acquisitions"	the Further CCB Acquisitions and the Further ICBC Acquisitions;
"Further CCB Acquisitions"	the possible acquisitions of the CCB Shares in an aggregate amount of not exceeding HK$200 million (excluding stamp duty and related expenses) in open market transactions on an ongoing basis, details of which are more particularly set out in this Circular;
"Further ICBC Acquisitions"	the possible acquisitions of the ICBC Shares in an aggregate amount of not exceeding HK$200 million (excluding stamp duty and related expenses) in open market transactions on an ongoing basis, details of which are more particularly set out in this Circular;

"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"ICBC"	Industrial and Commercial Bank of China Limited, a commercial bank established in the PRC whose shares are listed on the Main Board of the Stock Exchange (stock code: 1398) and the Shanghai Stock Exchange (stock code: 601398), respectively;
"ICBC Acquisition Mandate"	the specific mandate proposed by the Board in order to seek Shareholders' approval at the SGM to authorise the Board to conduct the Further ICBC Acquisitions during the Mandate Period;
"ICBC Group"	ICBC and its subsidiaries;
"ICBC Shares"	ordinary shares in the share capital of ICBC;
"Latest Practicable Date"	2 February 2024, being the latest practicable date for ascertaining certain information referred to in this circular prior to its printing;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Mandate Period"	the period of 12 months from the date on which the ordinary resolutions in relation to the Acquisition Mandates and the Further Acquisitions are duly passed by the Shareholders at the SGM;
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix C3 to the Listing Rules;
"percentage ratio(s)"	has the meaning ascribed to it under the Listing Rules;
"Post-First Circular Acquisitions"	collectively, the 2nd CCB Acquisition, the 2nd ICBC Aggregated Acquisitions, the 3rd ICBC Aggregated Acquisitions and the BOC Aggregated Acquisitions;
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, Macao Special Administrative Region of the PRC and Taiwan;

"Previous 12-Month CCB Aggregated Acquisitions"	acquisition by the Company of an aggregate of 102,550,000 CCB Shares through a series of transactions for a total consideration (excluding stamp duty and related expenses) of HK$458,627,880 within the 12-month period immediately preceding and up to the Latest Practicable Date including the 1st CCB Aggregated Acquisitions and the 2nd CCB Acquisition;
"Previous 12-Month ICBC Aggregated Acquisitions"	acquisition by the Company of an aggregate of 123,453,000 ICBC Shares through a series of transactions for a total consideration (excluding stamp duty and related expenses) of HK$468,804,300 within the 12-month period immediately preceding and up to the Latest Practicable Date including the 1st ICBC Aggregated Acquisitions, the 2nd ICBC Aggregated Acquisitions and the 3rd ICBC Aggregated Acquisitions;
"RMB"	Renminbi, the lawful currency of the PRC;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong);
"SGM"	the special general meeting of the Company to be convened to approve the Acquisition Mandates and the Further Acquisitions;
"Shareholders"	the shareholders of the Company;
"Shares"	ordinary shares in the share capital of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"subsidiaries"	has the meaning ascribed to it under the Listing Rules;
"substantial shareholders"	has the meaning ascribed to it under the Listing Rules;
"U.S."	the United States of America;
"US$"	U.S. dollars, the lawful currency of U.S.; and
"%"	per cent.

GLORIOUS SUN ENTERPRISES LIMITED
旭日企業有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 393)

Executive Directors:
Dr. Charles Yeung, GBS, JP *(Chairman)*
Yeung Chun Fan, BBS *(Vice Chairman)*
Hui Chung Shing, Herman, GBS, MH, JP
Ms. Cheung Wai Yee
Ms. Yeung Yin Chi, Jennifer

Independent Non-executive Directors:
Lau Hon Chuen, Ambrose, GBS, JP
Dr. Chan Chung Bun, Bunny, GBM, GBS, JP
Ng Wing Ka, Jimmy, BBS, JP
Choi Tak Shing, Stanley, JP

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal Place of Business:
38/F., One Kowloon
1 Wang Yuen Street
Kowloon Bay
Hong Kong

5 February 2024

To the Shareholders

Dear Sir or Madam,

(1) MAJOR TRANSACTIONS IN RELATION TO THE POST-FIRST CIRCULAR ACQUISITIONS

(2) POSSIBLE VERY SUBSTANTIAL ACQUISITIONS ACQUISITION MANDATES IN RELATION TO THE FURTHER ACQUISITIONS (I.E. THE FURTHER CCB ACQUISITIONS AND THE FURTHER ICBC ACQUISITIONS) AND

(3) NOTICE OF SPECIAL GENERAL MEETING

A: INTRODUCTION

A1. Background

References are made to:

(a) the First Circular in relation to the 1st CCB Aggregated Acquisitions and the 1st ICBC Aggregated Acquisitions;

(b) the announcement of the Company dated 17 January 2024 in relation to the 2nd CCB Acquisition;

(c) the announcements of the Company dated 16, 17 and 25 January 2024 in relation to the 2nd ICBC Aggregated Acquisitions;

(d) the announcement of the Company dated 30 January 2024 in relation to the 3rd ICBC Aggregated Acquisitions;

(e) the announcements of the Company dated 25 and 30 January 2024 in relation to the BOC Aggregated Acquisitions; and

(f) the announcement of the Company dated 2 February 2024 in respect of the Acquisition Mandates and the Further Acquisitions.

A2. The First Circular

The Company (through wholly-owned subsidiaries) had acquired through the open market, in a series of transactions, 71,500,000 CCB Shares (i.e. the 1st CCB Aggregated Acquisitions) and 35,433,000 ICBC Shares (i.e. the 1st ICBC Aggregated Acquisitions) for a total consideration (excluding stamp duty and related expenses) of HK$322,110,880 and HK$138,648,420, respectively. The First Circular contains the relevant further information regarding the 1st CCB Aggregated Acquisitions and the 1st ICBC Aggregated Acquisitions in accordance with the requirements of the Listing Rules.

A3. The Post-First Circular Acquisitions

Following the 1st CCB Aggregated Acquisitions and the 1st ICBC Aggregated Acquisitions, the Company (through wholly-owned subsidiaries) further acquired through the open market, in a series of transactions:

(i) an aggregate of 31,050,000 CCB Shares for a total consideration (excluding stamp duty and related expenses) of HK$136,517,000 (i.e. the 2nd CCB Acquisition), details of which are set out in the sub-section headed "B1. The 2nd CCB Acquisition" below;

(ii) an aggregate of 52,620,000 ICBC Shares for a total consideration (excluding stamp duty and related expenses) of HK$195,213,880 (i.e. the 2nd ICBC Aggregated Acquisitions), details of which are set out in the sub-section headed "B2. The 2nd ICBC Aggregated Acquisitions" below;

(iii) an aggregate of 35,400,000 ICBC Shares for a total consideration (excluding stamp duty and related expenses) of HK$134,942,000 (i.e. the 3rd ICBC Aggregated Acquisitions), details of which are set out in the sub-section headed "B3. The 3rd ICBC Aggregated Acquisitions" below; and

(iv) an aggregate of 59,824,000 BOC Shares for a total consideration (excluding stamp duty and related expenses) of HK$177,720,800 (i.e. the BOC Aggregated Acquisitions), details of which are set out in the sub-section headed "B4. The BOC Aggregated Acquisitions" below.

A4. Overview of each of the 1st CCB Aggregated Acquisitions, 1st ICBC Aggregated Acquisitions and the Post-First Circular Acquisitions

The following table provides an overview of the Listing Rules implications and the Company's compliance in relation to the various recent trades in CCB Shares, ICBC Shares and BOC Shares:

Listed securities traded	Defined term used in this circular to describe the acquisition	Number and total consideration involved	Trade date	Announcement date	Transaction type under Chapter 14 of the Listing Rules	Company's compliance
CCB Shares	1st CCB Aggregated Acquisitions	2,500,000 for HK$12,680,000	3 April 2023	4 April 2023	Aggregated as Major Transaction	Relevant further information included in the First Circular
		4,000,000 for HK$20,315,000	4 April 2023	4 April 2023		
		28,000,000 for HK$125,945,880	4 December 2023	4 December 2023		
		37,000,000 for HK$163,170,000	5 December 2023	5 December 2023		
	2nd CCB Acquisition	31,050,000 for HK$136,517,000	17 January 2024	17 January 2024	Aggregated as Major Transaction	Relevant further information included in this circular
	Further CCB Acquisitions	Up to HK$200,000,000	Within 12 months from the date the CCB Acquisition Mandate is approved at the SGM, which is tentatively 21 February 2024	2 February 2024	Very Substantial Acquisition, when aggregating with Previous 12-month CCB Aggregated Acquisitions (including the 1st CCB Aggregated Acquisitions and the 2nd CCB Acquisition)	Relevant further information included in this circular
ICBC Shares	1st ICBC Aggregated Acquisitions	3,500,000 for HK$14,655,000	31 March 2023	31 March 2023	Aggregated as Major Transaction	Relevant further information included in the First Circular
		3,000,000 for HK$12,460,000	3 April 2023	4 April 2023		
		8,750,000 for HK$36,357,500	4 April 2023	4 April 2023		
		183,000 for HK$775,920	14 April 2023	4 December 2023		
		20,000,000 for HK$74,400,000	4 December 2023	4 December 2023		

Listed securities traded	Defined term used in this circular to describe the acquisition	Number and total consideration involved	Trade date	Announcement date	Transaction type under Chapter 14 of the Listing Rules	Company's compliance
	2nd ICBC Aggregated Acquisitions	10,000,000 for HK$36,600,000	16 January 2024	16 January 2024	Aggregated as Major Transaction	Relevant further information included in this circular
		18,000,000 for HK$65,120,000	17 January 2024	17 January 2024		
		24,620,000 for HK$93,493,880	25 January 2024	25 January 2024		
	3rd ICBC Aggregated Acquisitions	5,400,000 for HK$20,682,000	26 January 2024	30 January 2024	Aggregated as Major Transaction	Relevant further information included in this circular
		30,000,000 for HK$114,260,000	30 January 2024			
	Further ICBC Acquisitions	Up to HK$200,000,000	Within 12 months from the date the ICBC Acquisition Mandate is approved at the SGM, which is tentatively 21 February 2024	2 February 2024	Very Substantial Acquisition, when aggregating with Previous 12-month ICBC Aggregated Acquisitions (including the 1st ICBC Aggregated Acquisitions, 2nd ICBC Aggregated Acquisitions and 3rd ICBC Aggregated Acquisitions)	Relevant further information included in this circular
BOC Shares	BOC Aggregated Acquisitions	31,000,000 for HK$92,510,000	25 January 2024	25 January 2024	Aggregated as Major Transaction	Relevant further information included in this circular
		28,824,000 for HK$85,210,800	30 January 2024	30 January 2024		

A5. The Acquisition Mandates and the Further Acquisitions

As the Board considers that purchases and holding of further CCB Shares and ICBC Shares represent opportunities to acquire attractive investments and enhance investment returns for the Group, and in order to have the flexibility in dealing in CCB Shares and ICBC Shares and react promptly to the rapidly changing market conditions, the Board proposed to seek approval for the Acquisition Mandates to conduct the Further Acquisitions in accordance with the terms of the Acquisition Mandates from the Shareholders at the SGM, details of which are set out in the section headed "C: THE ACQUISITION MANDATES AND THE FURTHER ACQUISITIONS" below.

A6. This Circular

The purpose of this circular is to provide you with, among other things, (i) further information on the Post-First Circular Acquisitions, the Acquisition Mandates and the Further Acquisitions; (ii) a notice for convening the SGM (to consider and, if thought fit, to approve the Acquisition Mandates and the Further Acquisitions); and (iii) other information as required under the Listing Rules.

B: THE POST-FIRST CIRCULAR ACQUISITIONS

B1. The 2nd CCB Acquisition

On 17 January 2024, the Group acquired through the open market 31,050,000 CCB Shares at a consideration (excluding stamp duty and related expenses) of HK$136,517,000 (i.e. the 2nd CCB Acquisition). The consideration for the 2nd CCB Acquisition was fully settled in cash by the Group's internal resources. The average purchase price of the acquired CCB Shares was approximately HK$4.3967 per share.

As the 2nd CCB Acquisition was conducted in the open market, the identities of the counterparties of the acquired CCB Shares cannot be ascertained. To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, the counterparties and the ultimate beneficial owner(s) of the counterparties of the acquired CCB Shares are third parties independent of the Company and its connected persons.

As at the Latest Practicable Date, the Group is interested in 110,550,000 CCB Shares (representing approximately 0.04422% of the total issued share capital of CCB as at the Latest Practicable Date).

B2. The 2nd ICBC Aggregated Acquisitions

On 16 January 2024, 17 January 2024 and 25 January 2024, the Group acquired through the open market 10,000,000 ICBC Shares, 18,000,000 ICBC Shares and 24,620,000 ICBC Shares, respectively. The total consideration for the 2nd ICBC Aggregated Acquisitions was fully settled in cash by the Group's internal resources. Details of the 2nd ICBC Aggregated Acquisitions are set out below:

Trade date	**Number of ICBC Shares acquired**	**Average purchase price per share**	**Consideration (excluding stamp duty and related expenses)**
		HK$	*HK$*
16 January 2024	10,000,000	3.6600	36,600,000
17 January 2024	18,000,000	3.6178	65,120,000
25 January 2024	24,620,000	3.7975	93,493,880
Total	52,620,000		195,213,880

As the 2nd ICBC Aggregated Acquisitions were conducted in the open market, the identities of the counterparties of the acquired ICBC Shares cannot be ascertained. To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, the counterparties and the ultimate beneficial owner(s) of the counterparties of the acquired ICBC Shares are third parties independent of the Company and its connected persons.

B3. The 3rd ICBC Aggregated Acquisitions

On 26 January 2024 and 30 January 2024, the Group acquired through the open market 5,400,000 ICBC Shares and 30,000,000 ICBC Shares, respectively. The total consideration for the 3rd ICBC Aggregated Acquisitions was fully settled in cash by the Group's internal resources. Details of the 3rd ICBC Aggregated Acquisitions are set out below:

Trade date	**Number of ICBC Shares acquired**	**Average purchase price per share**	**Consideration (excluding stamp duty and related expenses)**
		HK$	*HK$*
26 January 2024	5,400,000	3.8300	20,682,000
30 January 2024	30,000,000	3.8087	114,260,000
Total	35,400,000		134,942,000

As the 3rd ICBC Aggregated Acquisitions were conducted in the open market, the identities of the counterparties of the acquired ICBC Shares cannot be ascertained. To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, the counterparties and the ultimate beneficial owner(s) of the counterparties of the acquired ICBC Shares are third parties independent of the Company and its connected persons.

As at the Latest Practicable Date, the Group is interested in 128,453,000 ICBC Shares (representing approximately 0.03604% of the total issued share capital of ICBC as at the Latest Practicable Date).

B4. The BOC Aggregated Acquisitions

On 25 January 2024 and 30 January 2024, the Group acquired through the open market 31,000,000 BOC Shares and 28,824,000 BOC Shares, respectively. The total consideration for the BOC Aggregated Acquisitions was fully settled in cash by the Group's internal resources. Details of the BOC Aggregated Acquisitions are set out below:

Trade date	Number of BOC Shares acquired	Average purchase price per share	Consideration (excluding stamp duty and related expenses)
		HK$	*HK$*
25 January 2024	31,000,000	2.9842	92,510,000
30 January 2024	28,824,000	2.9562	85,210,800
Total	59,824,000		177,720,800

As the BOC Aggregated Acquisitions were conducted in the open market, the identities of the counterparties of the acquired BOC Shares cannot be ascertained. To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, the counterparties and the ultimate beneficial owner(s) of the counterparties of the acquired BOC Shares are third parties independent of the Company and its connected persons.

As at the Latest Practicable Date, the Group is interested in 72,824,000 BOC Shares (representing approximately 0.02474% of the total issued share capital of BOC as at the Latest Practicable Date).

C: THE ACQUISITION MANDATES AND THE FURTHER ACQUISITIONS

The Board is of the view that since both CCB and ICBC are among the market leaders in the banking industry and the shares of which are blue chip stocks in Hong Kong, purchases and holding of the CCB Shares and the ICBC Shares represent opportunities to acquire attractive investments and enhance investment returns for the Group. After careful consideration, the Board has proposed to seek approval for the Acquisition Mandates from the Shareholders in advance to authorise the Board to conduct the Further Acquisitions, for an aggregate amount not exceeding HK$200 million (excluding stamp duty and related expenses) for each of the Further Acquisitions, during the 12 months from the date on which the ordinary resolutions in relation to the Acquisition Mandates and the Further Acquisitions are duly passed at the SGM.

C1. The terms of the CCB Acquisition Mandate

The CCB Acquisition Mandate to be sought from the Shareholders at the SGM will be on the following terms:

1. Mandate Period

The CCB Acquisition Mandate is for the Mandate Period, i.e. a period of 12 months from the date on which the ordinary resolution in relation to the CCB Acquisition Mandate and the Further CCB Acquisitions are duly passed by the Shareholders at the SGM.

2. Scope of Authorisation

The Board shall be authorised to determine, decide, execute and implement with full discretion in relation to the Further CCB Acquisitions, including but not limited to the number of the CCB Shares to be acquired under each transaction and the timing and price of the Further CCB Acquisitions.

3. Maximum Amount of the Further CCB Acquisitions

The CCB Acquisition Mandate, if granted, shall authorise the Board to acquire the CCB Shares in an aggregate amount not exceeding HK$200 million (excluding stamp duty and related expenses) in open market transactions, which was determined with reference to the investment strategy of the Group.

For the avoidance of doubt, the above amount does not include the amount of the CCB Shares acquired by the Group prior to the approval of the CCB Acquisition Mandate by the Shareholders at the SGM.

4. Consideration for the Further CCB Acquisitions

The consideration for the Further CCB Acquisitions will be determined according to the prevailing market prices of the CCB Shares as quoted on the Stock Exchange, and the Company will purchase the CCB Shares at its discretion with reference to the market conditions and the suitability of the market price, which will be determined based on, among other things, (i) whether the market price represents a potential annual dividend yield of 7% or more based on historical distribution level; (ii) the financial position of CCB; and (iii) a dividend payout ratio of approximately 30% for the past five years.

The consideration for the Further CCB Acquisitions will be settled in cash by the Group's internal resources.

5. Manner of the Further CCB Acquisitions

The Further CCB Acquisitions shall be conducted in the open market.

C2. The terms of the ICBC Acquisition Mandate

The ICBC Acquisition Mandate to be sought from the Shareholders at the SGM will be on the following terms:

1. Mandate Period

The ICBC Acquisition Mandate is for the Mandate Period, i.e. a period of 12 months from the date on which the ordinary resolution in relation to the ICBC Acquisition Mandate and the Further ICBC Acquisitions are duly passed by the Shareholders at the SGM.

2. Scope of Authorisation

The Board shall be authorised to determine, decide, execute and implement with full discretion in relation to the Further ICBC Acquisitions, including but not limited to the number of the ICBC Shares to be acquired under each transaction and the timing and price of the Further ICBC Acquisitions.

3. Maximum Amount of the Further ICBC Acquisitions

The ICBC Acquisition Mandate, if granted, shall authorise the Board to acquire the ICBC Shares in an aggregate amount not exceeding HK$200 million (excluding stamp duty and related expenses) in open market transactions, which was determined with reference to the investment strategy of the Group.

For the avoidance of doubt, the above amount does not include the amount of the ICBC Shares acquired by the Group prior to the approval of the ICBC Acquisition Mandate by the Shareholders at the SGM.

4. Consideration for the Further ICBC Acquisitions

The consideration for the Further ICBC Acquisitions will be determined according to the prevailing market prices of the ICBC Shares as quoted on the Stock Exchange, and the Company will purchase the ICBC Shares at its discretion with reference to the market conditions and the suitability of the market price, which will be determined based on, among other things, (i) whether the market price represents a potential annual dividend yield of 7% or more based on historical distribution level; (ii) the financial position of ICBC; and (iii) a dividend payout ratio of approximately 30% for the past five years.

The consideration for the Further ICBC Acquisitions will be settled in cash by the Group's internal resources.

5. Manner of the Further ICBC Acquisitions

The Further ICBC Acquisitions shall be conducted in the open market.

D: INFORMATION ON CCB, ICBC AND BOC

D1. CCB

CCB is a company incorporated in the PRC with limited liability. The principal activities of the CCB Group are the provision of corporate and personal banking services, conducting treasury business, the provision of asset management, trustee, finance leasing, investment banking, insurance and other financial services.

The following financial information is extracted from the published documents of CCB:

	For the nine months ended 30 September 2023	**For the year ended 31 December 2022**	**For the year ended 31 December 2021**
	RMB million (unaudited)	*RMB million*	*RMB million*
Operating income	570,626	758,155	764,706
Profit before taxation	300,700	382,017	378,412
Profit for the year/period	255,440	323,166	303,928
Total assets	37,845,287	34,601,917	30,253,979
Net assets value	3,097,122	2,878,760	2,614,122

Pursuant to Rule 14.67(6)(a)(i) and Rule 14.69(4)(a)(i) of the Listing Rules, the Company is required to include in this circular an accountants' report on CCB prepared in accordance with Chapter 4 of the Listing Rules. For details of (i) the accountants' report; and (ii) the management discussion and analysis of CCB for the three years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, please refer to the following published financial reports of CCB:

	Published date and website address	**Pages to the accountants' report**	**Pages to the management discussion and analysis**
(i)	annual report of CCB for the year ended 31 December 2020 published on 28 April 2021 (https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0428/2021042801161.pdf)	172-302	26-91
(ii)	annual report of CCB for the year ended 31 December 2021 published on 29 April 2022 (https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0429/2022042901046.pdf)	178-315	17-83

	Published date and website address	Pages to the accountants' report	Pages to the management discussion and analysis
(iii)	annual report of CCB for the year ended 31 December 2022 published on 24 April 2023 (https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0424/2023042400701.pdf)	231-365	22-123
(iv)	interim report of CCB for the six months ended 30 June 2023 published on 27 September 2023 (https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0927/2023092700845.pdf)	75-192	10-62

D2. ICBC

ICBC is a company incorporated in the PRC with limited liability. The principal activities of the ICBC Group comprise corporate and personal financial services, treasury operations, investment banking, asset management, trust, financial leasing, insurance and other financial services.

The following financial information is extracted from the published documents of ICBC:

	For the nine months ended 30 September 2023 *RMB million* *(Unaudited)*	**For the year ended 31 December 2022** *RMB million*	**For the year ended 31 December 2021** *RMB million*
Operating income	623,520	841,441	860,880
Profit before taxation	314,245	422,565	424,899
Profit for the year/period	269,929	361,038	350,216
Total assets	44,482,823	39,609,657	35,171,383
Net assets value	3,675,878	3,513,826	3,275,258

Pursuant to Rule 14.67(6)(a)(i) and Rule 14.69(4)(a)(i) of the Listing Rules, the Company is required to include in this circular an accountants' report on ICBC prepared in accordance with Chapter 4 of the Listing Rules. For details of (i) the accountants' report; and (ii) the management discussion and analysis of ICBC for the three years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, please refer to the following published financial reports of ICBC:

	Published date and website address	Pages to the accountants' report	Pages to the management discussion and analysis
(i)	annual report of ICBC for the year ended 31 December 2020 published on 23 April 2021 (https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0423/2021042301565.pdf)	152-281	17-85
(ii)	annual report of ICBC for the year ended 31 December 2021 published on 27 April 2022 (https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0427/2022042700651.pdf)	144-274	19-85
(iii)	annual report of ICBC for the year ended 31 December 2022 published on 26 April 2023 (https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0426/2023042600550.pdf)	153-277	18-87
(iv)	interim report of ICBC for the six months ended 30 June 2023 published on 26 September 2023 (https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0926/2023092600287.pdf)	94-187	12-69

D3. BOC

BOC is a company incorporated in the PRC with limited liability. The principal activities of the BOC Group comprise corporate banking, personal banking, treasury operations, investment banking, insurance and other services to its customers in the PRC and other major international financial centres.

The following financial information is extracted from the published documents of BOC:

	For the nine months ended 30 September 2023	For the year ended 31 December 2022	For the year ended 31 December 2021
	RMB million *(Unaudited)*	*RMB million*	*RMB million*
Operating income	470,932	619,139	605,717
Profit before taxation	223,614	284,595	276,620
Profit for the year/period	186,503	237,504	227,339
Total assets	31,764,820	28,913,857	26,722,408
Net assets value	2,690,107	2,567,571	2,350,553

Pursuant to Rule 14.67(6)(a)(i) of the Listing Rules, the Company is required to include in this circular an accountants' report on BOC prepared in accordance with Chapter 4 of the Listing Rules. For details of (i) the accountants' report; and (ii) the management discussion and analysis of BOC for the three years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, please refer to the following published financial reports of BOC:

	Published date and website address	Pages to the accountants' report	Pages to the management discussion and analysis
(i)	annual report of BOC for the year ended 31 December 2020 published on 27 April 2021 (https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0427/2021042700711.pdf)	156-329	19-94
(ii)	annual report of BOC for the year ended 31 December 2021 published on 29 April 2022 (https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0429/2022042902082.pdf)	186-367	28-121
(iii)	annual report of BOC for the year ended 31 December 2022 published on 28 April 2023 (https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0428/2023042800951.pdf)	22-115	192-377
(iv)	interim report of BOC for the six months ended 30 June 2023 published on 26 September 2023 (https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0926/2023092600305.pdf)	10-64	92-220

E: FINANCIAL EFFECTS OF THE POST-FIRST CIRCULAR ACQUISITIONS, THE ACQUISITION MANDATES AND THE FURTHER ACQUSITIONS ON THE GROUP

The Post-First Circular Acquisitions will decrease the amount of cash of the Group by the amount of total consideration paid in the Post-First Circular Acquisitions. The Post-First Circular Acquisitions are expected to have no material impact on the consolidated assets and liabilities and the earnings of the Group.

The Further Acquisitions, if they materialise, will decrease the amount of cash of the Group by the amount of total consideration paid in the Further Acquisitions. The Further Acquisitions are expected to have no material impact on the consolidated assets and liabilities and the earnings of the Group.

The accounting treatment of the investments in CCB, ICBC and BOC are investments as follows:

The Group recognises these investments as financial assets designated at fair value through other comprehensive income ("**FVOCI**") as the investments are held for long-term strategic purpose. Transaction costs of financial assets must be capitalised as part of the initial cost of the investment amount of the FVOCI. Changes in the fair value of financial assets at FVOCI are recognised in other comprehensive income and never recycled to the profit or loss.

F: REASONS FOR AND BENEFITS OF THE POST-FIRST CIRCULAR ACQUISITIONS, THE ACQUISITION MANDATES AND THE FURTHER ACQUISITIONS

The principal activity of the Company is investment holding. The Group is principally engaged in financial investments, interior decoration and innovation, and export and retailing of casual wear.

CCB, ICBC and BOC are among the market leaders in the banking industry. The Board holds positive views towards the financial performance and future prospects of CCB, ICBC and BOC.

Against a backdrop of a series of interest rate hikes in recent times, the Company considers that the Post-First Circular Acquisitions and the Further Acquisitions are opportunities to acquire attractive and highly liquid investments with reasonably high fixed return, in particular considering (i) CCB Shares, ICBC Shares and BOC Shares customarily being able to present relatively high annual dividend yield in the region of high single-digit percent based on their respective historical distribution level, and (ii) their customarily consistent and high dividend payout ratios in the region of 30%.

In addition, the approval of the Acquisition Mandates by the Shareholders will provide the Board with the flexibility in dealing in the CCB Shares and the ICBC Shares and reacting promptly to the rapidly changing market conditions.

In view of the above, the Directors are of the view that the terms of the Post-First Circular Acquisitions, the Acquisition Mandates and the Further Acquisitions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

G: LISTING RULES IMPLICATIONS

G1. The 2nd CCB Acquisition (major transaction)

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the 2nd CCB Acquisition is more than 25% but less than 100%, the 2nd CCB Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under the Listing Rules.

The 2nd CCB Acquisition, when aggregated with the 1st CCB Aggregated Acquisitions which were conducted within a 12-month period from the 2nd CCB Acquisition pursuant to Rule 14.22 of the Listing Rules, would still remain as a major transaction for the Company under Chapter 14 of the Listing Rules. As the Company has complied with the major transaction requirements under the Listing Rules in respect of the 1st CCB Aggregated Acquisitions, the Company is not required to reclassify the 2nd CCB Acquisition by aggregating it with the 1st CCB Aggregated Acquisitions, and the implications of the applicable percentage ratios in respect of the 2nd CCB Acquisition are determined on a stand-alone basis.

Given that none of the Shareholders has a material interest in the 2nd CCB Acquisition, none of them would be required to abstain from voting if a general meeting of the Company were to be convened to approve the 2nd CCB Acquisition. Pursuant to Rule 14.44 of the Listing Rules, on 17 January 2024, a written shareholders' approval of the 2nd CCB Acquisition has been obtained from the Closely Allied Group who together held 1,043,358,499 Shares (representing approximately 68.52% of the issued share capital of the Company as at the Latest Practicable Date). Therefore, no general meeting of the Company will be convened to approve the 2nd CCB Acquisition.

G2. The 2nd ICBC Aggregated Acquisitions (major transaction)

The 2nd ICBC Aggregated Acquisitions comprise the Jan 16 and 17 ICBC Acquisitions and the Jan 25 ICBC Acquisition.

The Jan 25 ICBC Acquisition, on a stand-alone basis, constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules since one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules is more than 5% but less than 25%.

However, the Jan 25 ICBC Acquisition and the Jan 16 and 17 ICBC Acquisitions are required to be aggregated as a single transaction pursuant to Rule 14.22 of the Listing Rules as the 2nd ICBC Aggregated Acquisitions. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the 2nd ICBC Aggregated Acquisitions is more than 25% but less than 100%, the 2nd ICBC Aggregated Acquisitions constitute a major transaction for the Company under Chapter 14 of the Listing Rules and are therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under the Listing Rules.

The 2nd ICBC Aggregated Acquisitions, when further aggregated with the 1st ICBC Aggregated Acquisitions which were made by the Company and were conducted within a 12-month period from the Jan 25 ICBC Acquisition pursuant to Rule 14.22 of the Listing Rules, would still remain a major transaction for the Company under Chapter 14 of the Listing Rules. As the Company has complied with the major transaction requirements under the Listing Rules in respect of the 1st ICBC Aggregated Acquisitions, the Company is not required to reclassify the 2nd ICBC Aggregated Acquisitions by aggregating them with the 1st ICBC Aggregated Acquisitions.

Given that none of the Shareholders has a material interest in the 2nd ICBC Aggregated Acquisitions, none of them would be required to abstain from voting if a general meeting of the Company were to be convened to approve the 2nd ICBC Aggregated Acquisitions. Pursuant to Rule 14.44 of the Listing Rules, on 25 January 2024, a written shareholders' approval of the 2nd ICBC Aggregated Acquisitions has been obtained from the Closely Allied Group who together held 1,043,358,499 Shares (representing approximately 68.52% of the issued share capital of the Company as at the Latest Practicable Date). Therefore, no general meeting of the Company will be convened to approve the 2nd ICBC Aggregated Acquisitions.

G3. The 3rd ICBC Aggregated Acquisitions (major transaction)

The 3rd ICBC Aggregated Acquisitions comprise the Jan 26 ICBC Acquisition and the Jan 30 ICBC Acquisition.

The Jan 26 ICBC Acquisition did not constitute a discloseable transaction of the Company pursuant to Chapter 14 of the Listing Rules at the relevant time since all applicable percentage ratios under Rule 14.07 of the Listing Rules were below 5%.

The Jan 30 ICBC Acquisition, on a stand-alone basis, constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules since one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules is more than 5% but less than 25%.

However, the Jan 26 ICBC Acquisition and the Jan 30 ICBC Acquisition are required to be aggregated as a single transaction pursuant to Rule 14.22 of the Listing Rules as the 3rd ICBC Aggregated Acquisitions. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the 3rd ICBC Aggregated Acquisitions is more than 25% but less than 100%, the 3rd ICBC Aggregated Acquisitions constitute a major transaction for the Company under Chapter 14 of the Listing Rules and are therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under the Listing Rules.

The 3rd ICBC Aggregated Acquisitions and the 2nd ICBC Aggregated Acquisitions, when further aggregated with the 1st ICBC Aggregated Acquisitions which were made by the Company and were conducted within a 12-month period from the 30 Jan ICBC Acquisition pursuant to Rule 14.22 of the Listing Rules, would still remain a major transaction for the Company under Chapter 14 of the Listing Rules.

As the Company has complied with the major transaction requirements under the Listing Rules in respect of the 1st ICBC Aggregated Acquisitions and 2nd ICBC Aggregated Acquisitions, the Company is not required to reclassify the 3rd ICBC Aggregated Acquisitions by aggregating it with the 2nd ICBC Aggregated Acquisitions and 1st ICBC Aggregated Acquisitions.

Given that none of the Shareholders has a material interest in the 3rd ICBC Aggregated Acquisitions, none of them would be required to abstain from voting if a general meeting of the Company were to be convened to approve the 3rd ICBC Aggregated Acquisitions. Pursuant to Rule 14.44 of the Listing Rules, on 30 January 2024, a written shareholders' approval of the 3rd ICBC Aggregated Acquisitions has been obtained from the Closely Allied Group who together held 1,043,358,499 Shares (representing approximately 68.52% of the issued share capital of the Company as at the Latest Practicable Date). Therefore, no general meeting of the Company will be convened to approve the 3rd ICBC Aggregated Acquisitions.

G4. The BOC Aggregated Acquisitions (major transaction)

The BOC Aggregated Acquisitions comprise the Jan 25 BOC Acquisition and the Jan 30 BOC Acquisition.

The Jan 30 BOC Acquisition, on a stand-alone basis, constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules since one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules is more than 5% but less than 25%.

However, the Jan 30 BOC Acquisition and the Jan 25 BOC Acquisition are required to be aggregated as a single transaction pursuant to Rule 14.22 of the Listing Rules as the BOC Aggregated Acquisitions. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the BOC Aggregated Acquisitions is more than 25% but less than 100%, the BOC Aggregated Acquisitions constitute a major transaction for the Company under Chapter 14 of the Listing Rules and are therefore subject to the reporting, announcement, circular and Shareholders' approval requirements under the Listing Rules.

Given that none of the Shareholders has a material interest in the BOC Aggregated Acquisitions, none of them would be required to abstain from voting if a general meeting of the Company were to be convened to approve the BOC Aggregated Acquisitions. Pursuant to Rule 14.44 of the Listing Rules, on 30 January 2024, a written shareholders' approval of the BOC Aggregated Acquisitions has been obtained from the Closely Allied Group who together held 1,043,358,499 Shares (representing approximately 68.52% of the issued share capital of the Company as at the Latest Practicable Date). Therefore, no general meeting of the Company will be convened to approve the BOC Aggregated Acquisitions.

G5. The Closely Allied Group

The Closely Allied Group as of 25 January 2024, 30 January 2024 and the Latest Practicable Date comprises the following Shareholders:

Name of Shareholders	**Number of Shares held**	**Percentage of shareholding** *(approximately)*
Glorious Sun Holdings (BVI) Limited *(Note 1)*	622,263,000	40.87%
Advancetex Holdings (BVI) Limited *(Note 1)*	207,810,000	13.65%
Dr. Charles Yeung and Mr. Yeung Chun Fan *(Notes 2 and 3)*	138,285,499	9.08%
Mr. Yeung Chun Fan	75,000,000	4.92%
Total	1,043,358,499	68.52%

Notes:

1. The entire issued voting share capital of each of these companies was held as to 51.934% by Dr. Charles Yeung and as to 48.066% by Mr. Yeung Chun Fan.

2. These Shares were held by Dr. Charles Yeung and Mr. Yeung Chun Fan jointly.

3. Dr. Charles Yeung is the elder brother of Mr. Yeung Chun Fan.

G6. The Acquisition Mandates and the Further Acquisitions (Very Substantial Acquisitions)

As the profits ratio in respect of the Further CCB Acquisitions, when aggregated with the Previous 12-Month CCB Aggregated Acquisitions, is expected to exceed 100% while all the other percentage ratios are expected to be less than 100%, which are computed based on the Listing Rules and FAQ Series 7, No. 12 published by the Stock Exchange, the Further CCB Acquisitions, if they materialise, together with the Previous 12-Month CCB Aggregated Acquisitions may constitute a very substantial acquisition of the Company and will therefore be subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the profits ratio in respect of Further ICBC Acquisitions, when aggregated with the Previous 12-Month ICBC Aggregated Acquisitions, is expected to exceed 100% while all the other percentage ratios are expected to be less than 100%, which are computed based on the Listing Rules and FAQ Series 7, No. 12 published by the Stock Exchange, the Further ICBC Acquisitions, if they materialise, together with the Previous 12-Month ICBC Aggregated Acquisitions may constitute a very substantial acquisition of the Company and will therefore be subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the Further Acquisitions will be open market transactions and will be conducted on an ongoing basis and considering the stock market is volatile and fast-changing, acquiring the CCB Shares and the ICBC Shares at the best possible prices requires prompt actions at the right timing and it would not be practicable to seek prior Shareholders' approval for each acquisition of the CCB Shares and the ICBC Shares. Accordingly, the Board proposed to seek the Shareholders' prior approval for the grant of each of the Acquisition Mandates at the SGM.

Shareholders and potential investors of the Company should note that any possible acquisition(s) of CCB Shares or ICBC Shares by the Group may depend on market conditions and will be made at the Board's discretion. The stock market may be volatile in the near-term and the prices of the CCB Shares and the ICBC Shares may be subject to fluctuations. There is therefore no assurance as to the timing, quantity or price of any CCB Shares or ICBC Shares to be acquired by the Group. Accordingly, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

H: SGM

A notice convening the SGM to be held at Dynasty II, The Dynasty Club, 7th Floor, South West Tower, Convention Plaza, 1 Harbour Road, Wan Chai, Hong Kong on Wednesday, 21 February 2024 at 2:00 p.m. is set out on pages SGM-1 to SGM-3 of this circular.

A form of proxy for the SGM is enclosed with this circular. Whether or not you are able to attend the meeting, you are advised to read the notice and to complete and return the enclosed form of proxy, in accordance with the instructions printed thereon, to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the SGM or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM and any adjourned meeting thereof should you so wish.

At the SGM, resolutions will be proposed to consider and, if thought fit, to approve the Acquisition Mandates to authorise the Directors to conduct the Further Acquisitions. As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, no Shareholder has a material interest in the Acquisition Mandates nor the Further Acquisitions.

I: VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, all votes at the SGM will be taken by poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

J: BOOK CLOSURE PERIOD AND RECORD DATE FOR THE SGM

The register of members of the Company will be closed from Tuesday, 20 February 2024 to Wednesday, 21 February 2024, both days inclusive, for the purpose of determining the entitlement of the Shareholders to attend and vote at the SGM. During such period, no transfer of Shares will be effected. In order to qualify for the entitlement to attend and vote at the SGM, all completed transfer documents accompanied by the relevant share certificate(s) must be lodged with the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Monday, 19 February 2024. Shareholders whose names appear on the register of members of the Company on Wednesday, 21 February 2024 shall be entitled to attend and vote at the SGM.

K: RECOMMENDATION

Given that the Post-First Circular Acquisitions were conducted in the open market, the Directors believe that the terms of the Post-First Circular Acquisitions are fair and reasonable and the Post-First Circular Acquisitions are in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the Post-First Circular Acquisitions if a physical meeting were to be held.

The above statement is for Shareholders' reference only given that the Company has already obtained the written approvals from the Closely Allied Group for each of the Post-First Circular Acquisitions and hence pursuant to Rule 14.44 of the Listing Rules, no general meeting of the Company will be convened to approve the Post-First Circular Acquisitions.

Given that the Further Acquisitions under the Acquisition Mandates will be conducted in the open market, the Directors believe that the terms of the Acquisition Mandates in relation to the Further Acquisitions are fair and reasonable and on normal commercial terms and in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM.

To the best of the Board's knowledge, information and belief having made all reasonable enquiries, no Shareholders have a material interest in the Acquisition Mandates and the Further Acquisitions. Accordingly, it is expected that no Shareholder is required to abstain from voting at the SGM. Glorious Sun Holdings (BVI) Limited and Advancetex Holdings (BVI) Limited, each owned as to 51.934% by Dr. Charles Yeung and as to 48.066% by Mr. Yeung Chun Fan, being controlling Shareholders interested in 54.515% of the issued share capital of the Company as at the Latest Practicable Date, had indicated that they will vote in favour of the resolutions approving the Acquisition Mandates and the Further Acquisitions at the SGM.

L: ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By order of the Board
Glorious Sun Enterprises Limited
Hui Chung Shing, Herman, GBS, MH, JP
Director

1. FINANCIAL INFORMATION OF THE GROUP FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2020, 2021 AND 2022 AND THE SIX MONTHS ENDED 30 JUNE 2023

Financial information of the Group for each of the three years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 are disclosed in the following documents which have been published on the websites of the Company at www.glorisun.com and the Stock Exchange at www.hkexnews.hk and can be accessed at the website addresses below:

(i) annual report of the Company for the year ended 31 December 2020 (pages 51 to 138) (https://www.glorisun.com/wp-content/uploads/20210414-AR_e.pdf).

(ii) annual report of the Company for the year ended 31 December 2021 (pages 50 to 138) (https://www.glorisun.com/wp-content/uploads/20220419-ar_e.pdf).

(iii) annual report of the Company for the year ended 31 December 2022 (pages 56 to 140) (https://www.glorisun.com/wp-content/uploads/20230420-AR_e.pdf).

(iv) interim report of the Company for the six months ended 30 June 2023 (pages 2 to 22) (https://www.glorisun.com/wp-content/uploads/20230913-IR2023_e.pdf).

2. INDEBTEDNESS

As at 15 January 2024, being the latest practicable date for the purpose of the statement of indebtedness prior to the printing of this circular, the Group had the following outstanding indebtedness:

- interest-bearing bank borrowings (including current and non-current portion) in an aggregate of approximately HK$14.2 million made in the ordinary course of business. The interest-bearing bank borrowings were unsecured and guaranteed by corporate guarantees provided by a subsidiary of the Company up to approximately HK$14.2 million; and

- lease liabilities (including current and non-current portion) in an aggregate of approximately HK$21.3 million, out of which approximately HK$6.8 million are current portion and approximately HK$14.5 million are non-current portion. All of the lease liabilities were unsecured and unguaranteed.

Save as aforesaid, and apart from intra-group liabilities, the Group did not have, at the close of business as at 15 January 2024, being the latest practicable date for the purpose of the statement of indebtedness prior to the printing of this circular, any loan capital and/or debt securities issued and outstanding or agreed to be issued or otherwise created but unissued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills, if any) or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or contingent liabilities.

The Board has further confirmed that there has been no material change in the indebtedness or contingent liabilities of the Group since 15 January 2024 up to the Latest Practicable Date.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the effect of the maximum amount of each of the Acquisition Mandates (each not exceeding HK$200 million (excluding stamp duty and related expenses)) and the present financial resources available to the Group including existing bank facilities, the Group will have sufficient working capital to satisfy its present requirements for the next twelve months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS

The Group is principally engaged in financial investments, interior decoration and innovation, and export and retailing of casual wear. There has been no change in the Group’s activities since 31 December 2022, being the date to which the latest published audited consolidated financial statement of the Group were made up, and it is not expected that there will be any change on the Group’s principal business as a result of the Acquisition Mandates and the Further Acquisitions. The Group adjusts its investment portfolio allocation to hold more blue-chip high-yield stocks as long-term investments for stable dividend purposes.

With the easing of inflationary pressures in the U.S., the risk of the U.S. economic recession is likely to decrease. Under the post-COVID-19 pandemic, the Group expects the activities of most businesses to normalise. The series of stimulus policies launched by the central government of the PRC last year did not bring about the anticipated results in local consumption, industrial production, import and export performance and real estate sales in the PRC. Since the tone of the general economy has not been changed, there is a chance that the central government of the PRC will introduce a new round of economic stimulus policies this year. Therefore, there are reasons to believe that the general economy will still move on in a healthy direction.

CCB, ICBC and BOC are blue-chip stocks in Hong Kong. Their business and financial conditions are very stable and have maintained a stable dividend policy over the long term, therefore it is anticipated that they will provide a steady dividend income to the Group.

It is expected that after the Post-First Circular Acquisitions and Further Acquisitions, the Group will still hold a large proportion of cash and quasi-cash. The financial position of the Group will remain stable and the relevant financial indicators/ratios of the Group will be maintained at a healthy level. The Group will actively follow up and bring better returns to the Shareholders when there is an opportunity.

5. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below are the management discussion and analysis on the Group for each of the three years ended 31 December 2020, 2021 and 2022 as extracted from the Company's annual reports for each of the three years ended 31 December 2020, 2021 and 2022 and for the six months ended 30 June 2023 as extracted from the interim report of the Company issued on 13 September 2023. Unless otherwise defined in this circular or the context requires otherwise, capitalised terms used in this section shall have the same meanings as those ascribed in the abovementioned annual reports and interim report of the Company, as the case may be.

Business Review

For the year ended 31 December 2020

For the year ended 31 December 2020, the Group's consolidated revenue decreased by 41.64% to HK$707,548,000 (2019: HK$1,212,288,000). The Group recorded a profit attributable to the Shareholders amounting to HK$90,018,000 (2019: HK$110,383,000), representing a decrease of 18.45%.

With the exception of the financial investment segment, the lower segment results of the Group's other business segments (that is, interior decoration and innovation and export and retailing of casual wear) in aggregate as compared with those of the prior year were mainly due to decline in sales demands, partially compensated by the reduction of operating expenses and government subsidies under the Anti-epidemic Fund. The lower segment result of the financial investment segment compared with that of prior year was mainly due to the fact that 47% of the Group's bond investments were disposed or redeemed upon maturity in the first half of 2020. Therefore, the extreme volatility of securities prices caused by the COVID-19 pandemic in the capital market had less impact on the Group's financial performance and financial position. The decrease in interest income from debt investments at amortised cost and distribution from equity investments at fair value through other comprehensive income were partially offset by the increase in bank interest income and unrealised RMB exchange gain.

For the year ended 31 December 2021

For the year ended 31 December 2021, the Group's consolidated revenue increased by 41.03% to HK$997,841,000 (2020: HK$707,548,000). The Group recorded a profit attributable to the Shareholders amounting to HK$36,996,000 (2020: HK$90,018,000), representing a decrease of 58.90%.

With the exception of the financial investments segment, segment results from the other business segments (that being interior decoration and innovation and export and retailing of casual wear) in aggregate improved as compared with those of prior year, which were mainly due to booming customer demand together with cost control of operating expenses. Lower segment results from financial investments than that of prior year were mainly due to the fact that a huge expected credit loss of HK$99,609,000 (2020: HK$3,721,000) had been provided for the Group's debt investments at amortised costs and both interest income and disposal gain from debt investments at amortised costs decreased by HK$13,902,000 in aggregate. The loss from the financial investments segment was partially compensated by release of exchange reserve from a subsidiary under deregistration.

For the year ended 31 December 2022

For the year ended 31 December 2022, the Group's consolidated revenue increased by 6.30% to HK$1,060,681,000 (2021: HK$997,841,000). The Group recorded a profit attributable to the shareholders of the Company amounting to HK$39,229,000 (2021: HK$36,996,000), representing an increase of 6.04%.

The financial investments segment of the Group improved significantly by HK$53,133,000 than that of prior year. This was mainly due to the combined effect of a decrease of expected credit loss of debt investments at amortised costs by HK$65,577,000 and distribution from equity investments designated at fair value through other comprehensive income by HK$11,518,000, and increase of consent fees income from debt restructure on debt investments at amortised costs and consulting service income. Segment results from the other business segments (that being interior decoration and innovation and export and retailing and franchise of casual wear) in aggregate decreased by HK$1,264,000 as compared with those of prior year, which were mainly due to costs increment as result of inflation. However, the profit before tax of the Group decreased by HK$5,009,000 as compared with that of prior year was mainly attributable to the fact that the increment of segment results was offset by the decrease of release of exchange reserve upon loss of control of a subsidiary.

For the six months ended 30 June 2023

For the six months ended 30 June 2023, the Group recorded a turnover of HK$454,197,000 (2022: HK$569,928,000), representing a decrease of 20.31% compared with the same period of the previous year. The profit attributable to shareholders of the Group was HK$17,618,000 (2022: HK$16,066,000), representing an increase of 9.66% compared with the corresponding period of the previous year.

Regarding the financial investments segment of the Group, at the beginning of 2023, the Group's investment portfolio was HK$373,476,000. In the first half of 2023, the income from the financial investment business rose to HK$32,662,000 (2022: HK$26,120,000), an increase of 25.05% over the same period last year. As at 30 June 2023, the Group's investment holding had a net amount of HK$424,687,000.

Regarding the Group's interior decoration and renovation segment, the general economic downturn in the PRC had a negative impact on the interior design and decoration industry. With the mission of "making store building easier", the Group promoted the application of digital technology to strengthen internal management to provide better service to our quality customers. In the first half of 2023, the Group's financial performance was hit by both the weak economy as well as the unfavourable currency translation rate between RMB and Hong Kong dollars. The total turnover of interior design and decoration business for the six months ended 30 June 2023 was HK$234,790,000 (2022: HK$330,540,000), representing a drop of 28.97% compared with the previous year.

The export business of the Group was mainly composed of "import & export trading" and "design centers", and the main market was still the U.S. Affected by high inflation, the cost of spending rose sharply. The general purchasing power of American consumers declined and the retail industry encountered difficulties. The Group's export business was dragged down. Looking back to the first half of the year, total export turnover of the Group dropped from HK$183,129,000 in the same period last year to HK$158,568,000, representing a decrease of 13.41%.

Regarding the Hong Kong retailing and overseas franchising segment, with the passing of the COVID-19 epidemic, retail consumption improved slightly in Hong Kong. Jeanswest's retail business in Hong Kong continued to improve its gross profit margin because the Group's management successfully enhanced the product design and mix for the market. The overseas franchising business also benefited from the economic buoyancy of individual regions and there was still room for the Group's business improvement. During the period, the total turnover for this segment was HK$28,177,000 (2022: HK$30,137,000), representing a decrease of 6.50%.

Liquidity and Financial Resources

As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, the Group had net current assets of approximately HK$1,646.3 million, HK$2,233.1 million, HK$2,022.6 million and HK$1,931.3 million, respectively, cash and cash equivalents of approximately HK$1,712.2 million, HK$1,772.4 million, HK$2,166.7 million and HK$2,057.8 million, respectively, and time deposits of approximately HK$1,522.2 million, HK$1,434.8 million, HK$1,963.0 million and HK$1,825.2 million, respectively.

As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, the cash and cash equivalents of the Group denominated in RMB amounted to HK$1,501,236,000, HK$111,924,000, HK$115,535,000 and HK$122,057,000.

The gearing ratio of the Group, as measured by total banking borrowings divided by the total shareholders' equity plus total borrowings, was 1%, 1%, 2% and 1% as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023.

Commitments, Contingent Liabilities and Litigation

As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, the Group did not have any material capital commitments, material contingent liabilities nor any litigation against the Group.

Borrowings, Guarantees and Charges on Assets

As at 31 December 2020, the Group had bank loans of approximately HK$17,720,000 (2019: HK$16,456,000) being secured by (i) corporate guarantees provided by the Company up to approximately HK$775,000,000 (2019: HK$780,000,000); and (ii) pledged of certain of Group's assets amounting to approximately HK$41,475,000 (2019: HK$40,385,000). The fixed-rate bank borrowings were approximately HK$11,820,000.

As at 31 December 2021, the Group had bank loans of approximately HK$19,400,000 being guaranteed by corporate guarantees provided by the Company. The bank loans of approximately HK$17,720,000 as at 31 December 2020 were secured by pledge of certain of the Group's time deposits and debt investments at amortised cost. The fixed-rate bank borrowings were approximately HK$19,400,000.

As at 31 December 2022, the Group had bank loans of HK$48,755,000 guaranteed by corporate guarantees. The fixed-rate bank borrowings were approximately HK$48,755,000.

As at 30 June 2023, the Group had interest-bearing bank borrowings of HK$21,812,000 guaranteed by corporate guarantees. The fixed-rate bank borrowings were HK$21,812,000.

Treasury Policies

The Group strengthens and improves its financial risk control on a continual basis and has consistently adopted a prudent approach in financial management. Financial resources are under close monitor to ensure the Group's efficient and effective operation, as well as flexibility to respond to opportunities and uncertainties. Management is of the opinion that the Group's existing financial structure is healthy and related resources are sufficient to cater for the Group's operation needs in the foreseeable future.

Capital Structure

As at 31 December 2020, the authorised share capital of the Company was HK$600,000,000 divided into 6,000,000,000 Shares of HK$0.10 each, of which 1,528,336,000 Shares (as at 31 December 2019: 1,528,336,000 Shares) had been issued and fully paid. As at 31 December 2021, the authorised share capital of the Company was HK$600,000,000 divided into 6,000,000,000 Shares of HK$0.10 each, of which 1,530,028,000 Shares had been issued and fully paid. As at 31 December 2022, the authorised share capital of the Company was HK$600,000,000 divided into 6,000,000,000 Shares of HK$0.10 each, of which 1,527,984,000 Shares had been issued and fully paid. As at 30 June 2023, the authorised share capital of the Company was HK$600,000,000 divided into 6,000,000,000 Shares of HK$0.10 each, of which 1,527,984,000 Shares had been issued and fully paid.

Significant Investments

The Group's management maintained a prudent investment attitude since there were many uncertainties in the investment outlook, including high inflation pressure, global hiking interest rate cycle and weak local consumption in the PRC. Since the adjustment of investment portfolio allocation made last year, we increased our holdings of blue-chip high-yield stocks for long-term investment for stable dividend purposes.

For the year ended 31 December 2020

As at 31 December 2020, the Group had listed and non-listed investments being classified as debt investments at amortised cost, equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss, respectively.

Debt investments at amortised cost were listed debt investments with maturity, which were further classified as non-current portion in the amount of HK$583,153,000 (2019: HK$810,835,000) and current portion of HK$40,013,000 (2019: HK$225,744,000). Altogether, the total net carrying value was HK$623,166,000 (2019: HK$1,036,579,000), representing 19.80% (2019: 34.42%) of the Group's total assets. The significant decrease in net carrying amount was mainly due to disposals of a large portion of 6.875% senior notes of Shui On Development (Holding) Limited in January 2020 and redemption of 9% senior notes of Agile Group Holding Limited upon maturity in May 2020.

Details of the debt instruments held as at 31 December 2020 were as follows:

	As at 31 December 2020			Net carrying value		Movements in 2020				For the year ended 31 December 2020	
Name of Issuer and Terms of Instruments	Nominal Value Currency	Nominal Value Held in million	Percentage to the Group's total assets	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000	Derecognition HK$'000	Amortisation HK$'000	Impartment reversal/(loss) HK$'000	Exchange gain/(loss) HK$'000	Gains from derecognition HK$'000	Interest income HK$'000
Easy Tactic Limited											
5.75% Senior Notes 5 years due 2022	US$	19.200	4.68%	147,108	150,307	–	(590)	(1,644)	(965)	–	7,997
5.875% Senior Notes 5 years due 2023	US$	38.000	9.21%	289,972	295,117	–	–	(3,246)	(1,899)	–	17,365
Agile Group Holdings Limited											
9% Senior Notes 5 years due 2020	US$	–	–	–	225,744	(226,200)	(535)	991	–	–	7,382
5.125% Senior Notes 5 years due 2022	US$	19.000	4.64%	146,073	147,616	–	(22)	(571)	(950)	–	7,531
Shui On Development (Holding) Limited											
6.875% Senior Notes 3 years due 2021	RMB	34.000	1.27%	40,013	217,795	(180,831)	(112)	749	2,412	3,544	3,318
Total			19.80%	623,166	1,036,579	(407,031)	(1,259)	(3,721)	(1,402)	3,544	43,593

The principal activities of the issuers of the listed debt instruments were as follows:

1. Easy Tactic Limited – one of the wholly-owned subsidiaries of Guangzhou R&F Properties Company Limited (Stock code: 2777) (together with its subsidiaries, "**R&F Group**"), its principal activities were the development of quality residential and commercial properties for sale mainly in China.

2. Agile Group Holdings Limited (Stock code: 3383) – its principal activities were involved in the businesses of property development, property management, hotel operations, property investment and environmental protection.

3. Shui On Development (Holding) Limited ("**Shui On**") – one of the wholly-owned subsidiaries of Shui On Land Limited (Stock code: 272), its principal activities were involved in the development, sale, leasing, management and the long-term ownership of high-quality residential, office, retail, entertainment and cultural properties in the PRC.

The Group expected stable return rates of around 5% to 7% per annum in average would be generated from the debt investments at amortised cost.

Equity investments designated at fair value through other comprehensive income consisted of listed and non-listed investments. The listed investments were 6.4% senior perpetual capital securities issued by Shui On. As at 31 December 2020, their carrying value was HK$341,498,000 (2019: HK$791,545,000), representing 10.85% (2019: 26.28%) of the Group's total assets. Distribution from the listed investments during the year was HK$22,380,000 (2019: HK$50,719,000). Significant decrease in net carrying value and distribution from the listed investments was mainly due to disposals of the perpetual securities amounting to HK$448,315,000 in January 2020. The Group expected a stable return rate of around 6% per annum from the investments.

Financial assets at fair value through profit or loss were wealth management products issued by banks in the PRC with interest rate varied in relation to the relative movement of the underlying variables. As at 31 December 2020, their carrying value was HK$87,784,000 (2019: Nil), representing 2.79% (2019: Nil) of the Group's total assets. Management expects return rates of around 2.4% to 3.2% per annum.

For the year ended 31 December 2021

As at 31 December 2021, the Group had listed and non-listed investments being classified as debt investments at amortised cost and equity investments designated at fair value through other comprehensive income, respectively. Debt investments at amortised cost were listed debt investments with maturity, which were further classified as non-current portion in the amount of HK$222,125,000 (2020: HK$583,153,000) and current portion of HK$260,621,000 (2020: HK$40,013,000). Altogether, the total net carrying value was HK$482,746,000 (2020: HK$623,166,000), representing 14.64% (2020: 19.80%) of the Group's total assets. The significant decrease in net carrying amount was mainly due to the rise of expected credit loss amounting to HK$99,609,000 (2020: HK$3,721,000) and redemption of 6.875% senior notes of Shui On upon maturity in March 2021.

Details of the debt instruments held were as follows:

	As at 31 December 2021			Net carrying value		Movements in 2021				For the year ended 31 December 2021	
Name of Issuer and Terms of Instruments	Nominal Value Currency	Held in million	Percentage to the Group's total assets	As at 31 December 2021 *HK$'000*	As at 31 December 2020 *HK$'000*	Derecognition *HK$'000*	Amortisation *HK$'000*	Impartment reversal/(loss) *HK$'000*	Exchange gain/(loss) *HK$'000*	Gains from derecognition *HK$'000*	Interest income *HK$'000*
Easy Tactic Limited											
5.75% Senior Notes 5 years due 2022	US$	19.200	3.52%	116,002	147,108	–	(584)	(30,522)	–	–	7,971
5.875% Senior Notes 5 years due 2023	US$	38.000	6.74%	222,125	289,972	–	–	(67,847)	–	–	17,302
Agile Group Holdings Limited											
5.125% Senior Notes 5 years due 2022	US$	19.000	4.38%	144,619	146,073	–	(22)	(1,432)	–	–	7,525
Shui On Development (Holding) Limited											
6.875% Senior Notes 3 years due 2021	RMB	–	–	–	40,013	(40,189)	(15)	192	(1)	–	437
Total			14.64%	482,746	623,166	(40,189)	(621)	(99,609)	(1)	–	33,235

Equity investments designated at fair value through other comprehensive income consisted of listed and non-listed investments. The listed investments were 6.40% senior perpetual capital securities issued by Shui On. As at 31 December 2021, the net carrying value of the listed investments was HK$327,142,000 (2020: HK$341,498,000), representing 9.92% (2020: 10.85%) of the Group's total assets. Distribution from the listed investments during the year was HK$21,824,000 (2020: HK$22,380,000).

Financial assets at fair value through profit or loss were wealth management products issued by banks in the PRC with interest rate varied in relation to the relative movement of the underlying variables. During the year, all the investments were disposed and the balance was nil (2020: HK$87,784,000). The fair value gain on financial assets at fair value through profit or loss during the year was HK$2,370,000 (2020: HK$1,977,000).

For the year ended 31 December 2022

The Group held financial assets being classified as debt investments at amortised cost and equity investments designated at fair value through other comprehensive income as at 31 December 2022.

The debt investments at amortised cost of the Group were listed debt investments with maturity and subject to impairment testing. As at 31 December 2022, the net carrying amount of debt investments at amortised cost was HK$277,336,000 (31 December 2021: HK$482,746,000), representing 8.89% (31 December 2021: 14.64%) of the Group's total assets. These debt investments at amortised cost were further classified as non-current portion in the amount of HK$277,336,000 (31 December 2021: non-current portion in the amount of HK$222,125,000 and current portion in the amount of HK$260,621,000). The significant decrease in net carrying amount of the debt investments was mainly due to the combined effect of increase of expected credit loss amounting to HK$34,032,000 (2021: HK$99,609,000) and redemption of debt investments with nominal value of US$23,121,000 (equivalent to approximately HK$181,088,000) upon maturity with cash considerations during the year.

During the year ended 31 December 2022, the Group slimmed down the portfolio size in the debt investments. Details of the debt instruments held were as follows:

	As at 31 December 2022					As at 31 December 2021	For the year ended 31 December 2022				
Bond issuer and term of instrument	Nominal value held	Percentage to the Group's total assets	Investment cost	Fair value	Net carrying amount	Net carrying amount	Interest income	Loss from derecognition	Impairment reversal/ (loss)	Exchange gain/(loss)	Consent fee income
	US$'000	*%*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Easy Tactic Limited											
5.75%, due 2022	–	–	–	–	–	116,002	3,606	(4,697)	32,819	1,508	740
5.875%, due 2023	–	–	–	–	–	222,125	9,183	–	73,309	2,866	1,492
6.50%, due 2025#	15,508	2.67%	121,735	31,000	83,368	–	4,259	–	(37,623)	(744)	–
6.50%, due 2027#	38,335	6.22%	300,929	63,022	193,968	–	10,528	–	(105,215)	(1,746)	–
Subtotal	53,843	8.89%	422,664	94,022	277,336	338,127	27,576	(4,697)	(36,710)	1,884	2,232
Agile Group Holdings Limited											
5.125%, due 2022	–	–	–	–	–	144,619	4,688	–	2,678	1,866	–
Total	53,843	8.89%	422,664	94,022	277,336	482,746	32,264	(4,697)	(34,032)	3,750	2,232

R&F Group had an option to pay payment-in-kind interest at 7.50% per annum (the "**PIK Interest Rate**") instead of cash interest at 6.50% per annum during the first 18 months commencing on 12 July 2022. The Group received interest income at the PIK Interest Rate on 11 January 2023. Therefore, the principal amount of the 6.50% senior notes due 2025 increased from US$15,507,705 (equivalent to approximately HK$121,735,000) to US$16,089,244 (equivalent to approximately HK$126,271,000), and the 6.50% senior notes due 2027 increased from US$38,334,875 (equivalent to approximately HK$300,929,000) to US$39,772,433 (equivalent to approximately HK$312,142,000), respectively.

The equity investments designated at fair value through other comprehensive income as at 31 December 2022 were not held for trading and instead were held for long-term strategic purposes. As at 31 December 2022, the fair value of equity investments designated at fair value through other comprehensive income consisted of listed and non-listed investments with amount of HK$103,405,000 (31 December 2021: HK$334,960,000), representing 3.32% (31 December 2021: 10.16%) of the Group's total assets. The decrease in equity investments designated at fair value through other comprehensive income was mainly due to the combined effect of redemption of listed perpetual securities of Shui On amounting to US$44,000,000 (equivalent to approximately HK$344,520,000) and acquisitions of Hong Kong blue-chip high-yield stocks with total investment costs of HK$93,319,000. The Group recorded other comprehensive income on fair value change of the equity investments of HK$20,218,000 (2021: other comprehensive loss of HK$14,344,000). Distribution from the equity investments during the year of 2022 was HK$10,306,000 (2021: HK$21,824,000).

On 11 July 2022, R&F Group extended the maturity date of 10 series of US dollar-denominated senior notes due between 2022 and 2024 into three tranches of amortising notes to 2025, 2027 and 2028 respectively and amended the interest rate to 6.50% per annum as coupon rate (the "**Cash Interest Rate**") for all these notes with an option by R&F Group to pay payment-in-kind interest at 7.50% per annum instead of Cash Interest Rate during the first 18 months commencing on 12 July 2022. The senior notes of Easy Tactic Limited held by the Group were mandatorily exchanged for new senior notes with no cash consideration. Detail of the notes exchange are summarised as follows:

(i) The 5.75% senior notes due 2022 were exchanged to 6.50% senior notes due on 11 July 2025 (the "**2025 Notes**") at par value in the same principal amount, with interest rate subject to R&F Group's right to elect to pay PIK Interest Rate. Accrued and unpaid interest of the notes due 2022 up to but excluding 11 July 2022 amounting to US$428,705 (equivalent to approximately HK$3,365,000) was received by the 2025 Notes in the same amount at par value. Therefore, the principal amount of the 2025 Notes increased from US$15,079,000 (equivalent to approximately HK$118,370,000) to US$15,507,705 (equivalent to approximately HK$121,735,000). A consent fee in cash of US$75,395 (equivalent to approximately HK$592,000) was received for the notes due 2022.

(ii) The 5.875% senior notes due 2023 were exchanged to 6.50% senior notes due on 11 July 2027 (the "**2027 Notes**") at par value in the same principal amount, with interest rate subject to R&F Group's right to elect to pay PIK Interest Rate. Accrued and unpaid interest of the notes due 2023 up to but excluding 11 July 2022 amounting to US$334,875 (equivalent to approximately HK$2,629,000) was received by the 2027 Notes in the same amount at par value. Therefore, the principal amount of the 2027 Notes increased from US$38,000,000 (equivalent to approximately HK$298,300,000) to US$38,334,875 (equivalent to approximately HK$300,929,000). A consent fee in cash of US$190,000 (equivalent to approximately HK$1,492,000) was received for the notes due 2023.

On 5 September 2022, the Group acquired 8,000,000 shares of CCB Shares at an average purchase price of approximately HK$4.7625 per share and 13,000,000 shares of BOC Shares at an average purchase price of approximately HK$2.7262 per share through the open market at considerations (excluding stamp duty and related expenses) of approximately HK$38,100,000 and HK$35,440,000, respectively. Details of the transactions are set out in the Company's announcements dated 5 September 2022 and 16 September 2022.

For the six months ended 30 June 2023

Details of the debt investments at amortised cost as at 30 June 2023 were as follows:

	30 June 2023 (Unaudited)			31 December 2022 (Audited)	Six months ended 30 June 2023 (Unaudited)			
Name of issuer and Terms of Instruments	Percentage to the Group's total assets	Investment cost#	Fair value	Net carrying amount	Net carrying amount	Interest income	Impairment loss	Exchange gain
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Easy Tactic Limited								
6.50%, due 2025#	2.32%	126,271	12,550	68,691	83,368	4,696	(19,427)	214
6.50%, due 2027#	5.08%	312,142	26,444	149,976	193,968	11,607	(55,705)	499
	7.40%	438,413	38,994	218,667	277,336	16,303	(75,132)	713

\# R&F Group had an option to pay the PIK Interest Rate instead of cash interest at 6.50% per annum during the first 18 months commencing on 12 July 2022. The Group received interest income for the six months ended 11 July 2023 at the PIK Interest Rate on 11 July 2023. Therefore, the principal amount of the 6.50% senior notes due 2025 increased from US$16,089,244 (equivalent to approximately HK$126,271,000) to US$16,692,591 (equivalent to approximately HK$130,978,000), and the 6.50% senior notes due 2027 increased from US$39,772,433 (equivalent to approximately HK$312,142,000) to US$41,263,899 (equivalent to approximately HK$323,775,000), respectively.

Saved as disclosed above, the Group had no other significant investment as at 31 December 2020, 2021 and 2022 and 30 June 2023, and had no other material acquisition or disposal of subsidiaries during the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023.

Subscription of New Shares of the Company under General Mandate

On 27 January 2021, 15,000,000 ordinary shares at the subscription price of HK$1.20 per subscription share were allotted and issued by the Company to iFree Group (HK) Limited, an independent third party (the "**Subscription**"). Proceeds of HK$18,000,000 were received and the related transaction costs of approximately HK$404,000 were netted off with the proceeds. The net proceeds from the Subscription have been used for general working capital of the Group. Details of the Subscription are set out in the Company's announcements dated 15 January 2021 and 27 January 2021.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

Pursuant to a capital increase agreement dated 9 July 2021, a director and general manager of 石家莊常宏建築裝飾工程有限公司 (Shijiazhuang Changhong Building Decoration Engineering Company Limited, the English name is for identification only) ("**Shijiazhuang Changhong**"), an indirect non-wholly owned subsidiary of the Company, agreed to make a capital contribution for 10% of the enlarged share capital of Shijiazhuang Changhong, at a cash consideration of RMB6,125,000 (equivalent to approximately HK$7,424,000). After the completion of this transaction on 13 July 2021, the Group's shareholding in Shijiazhuang Changhong was diluted from 65% to 58.5%. As the Group still retains its control over Shijiazhuang Changhong, the transaction is then accounted for as an equity transaction. The difference between the capital consideration and the net assets shared by non-controlling interests amounting to HK$2,479,000 has been recognised in the other reserve in consolidated statement of changes in equity. Details of this deemed disposal of partial interest in a subsidiary by the Company are set out in the Company's announcements dated 9 July 2021 and 21 July 2021.

Save as disclosed above, the Group had no other material acquisitions or disposals of its subsidiaries or associated companies for the three years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023.

Future Plans for Material Investment and Capital Assets

As the Company currently holds a large amount of cash, the economic environment in the PRC and Hong Kong still faces challenges. We have been looking for investments with stable returns and income for the Group's internal funds. Therefore, the Group has prudently invested in good-quality, high-income blue-chip stocks for long-term investments since September 2022. These investments are expected to contribute stable dividend income. The mainland real estate bonds that the Group already holds are also intended to be used as long-term income investments. Due to the difficulties in the PRC property market, we will closely monitor the development. Although the valuation of Hong Kong stocks is attractive, the market confidence has not fully recovered. We will monitor the market condition cautiously and prudently manage our investment portfolio.

Exposure to Fluctuation in Exchange Rates

The Group has transactional currency exposures. Such exposure arise from sales and purchases by operating units in currencies other than the unit's functional currencies, mostly in U.S. dollars and RMB. In addition, the Group has currency exposure from debt investments at amortised cost, equity investments designated at fair value through other comprehensive income and bank deposits, which are also in U.S. dollars and RMB. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and to mitigate the impact on exchange rate fluctuations by entering into currency hedge arrangement if necessary. During the years ended 31 December 2020, 31 December 2021 and 31 December 2022, the Group had entered into foreign currency forward contracts to hedge its exposures to foreign currency risk. Foreign exchange exposure did not change materially for the six months ended 30 June 2023.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and cash equivalents and interest-bearing bank borrowings with floating interest rates. The Group manages its interest cost using a mix of fixed and variable rate debts.

Human Resources and Relations with the Employees

As at 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, the Group employed 481, 489, 490 and 470 employees respectively. Employee benefit expenses (including directors' remuneration, wages and salaries and pension scheme contributions) amounted to approximately HK$126,043,000, HK$153,265,000, HK$197,111,000 and HK$86,901,000 for the years ended 31 December 2020, 31 December 2021, 31 December 2022 and the six months ended 30 June 2023, respectively.

The Group grants bonuses to employees based on the Group's results and individual performance from time to time. The Company also operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments.

As required by Hong Kong law, the Group also operates a defined contribution Mandatory Provident Fund retirement benefit scheme under the Mandatory Provident Fund Schemes Ordinance for most of the Group's Hong Kong employees.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with rules of the central pension scheme.

Prospects and Future Plans

The Group currently holds a large proportion of cash and quasi-cash which is generating high-interest incomes and dividends under the current high-interest rate environment. Hence, there is not under pressure of urgent investment and is waiting patiently for the right time to come. The Group will actively follow up and bring better returns to shareholders when there is an opportunity.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2022, being the date on which the latest published audited consolidated financial statements of the Group have been made up.

A. UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The following is an illustrative unaudited pro forma statement of profit or loss and other comprehensive income, unaudited pro forma statement of financial position and unaudited pro forma statement of cash flows of Glorious Sun Enterprises Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") as if the major transactions and the possible very substantial acquisitions related to acquisitions of listed securities ("**Acquisitions**") had been completed on 30 June 2023 (the "**Unaudited Pro Forma Financial Information**").

The Pro Forma Financial Information been prepared in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the actual results of financial position, operations or cash flows of the Group that would have been attained had the proposed Acquisitions been completed on the dates indicated herein. Furthermore, the Unaudited Pro Forma Financial Information does not purport to predict the Group's future results of financial position, operations or cash flows.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

Unaudited pro forma statement of profit or loss and other comprehensive income of the Group

	Unaudited and unaudited pro forma for the six months ended 30 June 2023
	HK$'000
	(Note 1)
REVENUE	
Revenue from contracts with customers	421,535
Revenue from other sources	32,662
	454,197
Cost of sales	(356,976)
Gross profit	97,221
Other income and gains	58,294
Selling and distribution expenses	(9,417)
Administrative expenses	(38,987)
Other expenses	(84,093)
Finance costs	(2,111)
PROFIT BEFORE TAX	20,907
Income tax expenses	(3,450)
PROFIT FOR THE PERIOD	17,457
Attributable to:	
Ordinary equity holders of the Company	17,618
Non-controlling interests	(161)
Profit for the period	17,457

Unaudited pro forma statement of profit or loss and other comprehensive income of the Group (continued)

	Unaudited and unaudited pro forma for the six months ended 30 June 2023
	HK$'000
	(Note 1)
OTHER COMPREHENSIVE INCOME	
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:	
Exchange differences on translation of foreign operations	(1,392)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(1,392)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:	
Change in fair value of equity investments designated at fair value through other comprehensive income, net of tax	5,914
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	5,914
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	4,522
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	21,979
Attributable to:	
Ordinary equity holders of the Company	23,290
Non-controlling interests	(1,311)
	21,979

Unaudited pro forma statement of financial position of the Group

	Unaudited 30 June 2023	Pro forma adjustments				Unaudited pro forma 30 June 2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
NON-CURRENT ASSETS						
Debt investments at amortised cost	218,667					218,667
Equity investments designated at fair value through other comprehensive income	213,048	426,720	405,464	178,092	400,000	1,623,324
Deferred tax assets	9,551					9,551
Other non-current assets	36,608					36,608
Total non-current assets	477,874					1,888,150
CURRENT ASSETS						
Inventories	152,965					152,965
Trade receivables	169,741					169,741
Time deposit with original maturity of over three months when acquired	250					250
Cash and cash equivalents	2,057,816	(426,720)	(405,464)	(178,092)	(400,000)	647,540
Other current assets	95,883					95,883
Total current assets	2,476,655					1,066,379

Unaudited pro forma statement of financial position of the Group (continued)

	Unaudited 30 June 2023	Pro forma adjustments				Unaudited pro forma 30 June 2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)					
CURRENT LIABILITIES						
Trade payables	97,322					97,322
Other payables and accruals	273,087					273,087
Interest-bearing bank borrowings	21,812					21,812
Lease liabilities	5,277					5,277
Tax payable	5,907					5,907
Other current liabilities	141,909					141,909
Total current liabilities	545,314					545,314
NET CURRENT ASSETS	1,931,341					521,065
TOTAL ASSETS LESS CURRENT LIABILITIES	2,409,215					2,409,215
NON-CURRENT LIABILITIES						
Lease liabilities	18,078					18,078
Deferred tax liabilities	845					845
Total non-current liabilities	18,923					18,923
Net assets	2,390,292					2,390,292
EQUITY						
Equity attributable to ordinary equity holders of the Company						
Issued capital	152,798					152,798
Reserves	2,237,420					2,237,420
	2,390,218					2,390,218
Non-controlling interests	74					74
Total equity	2,390,292					2,390,292

Unaudited pro forma statement of cash flows of the Group

	Unaudited six months ended 30 June 2023		Pro forma adjustments			Unaudited pro forma for the six months ended 30 June 2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Cash flows from operating activities						
Cash generated from operations	40,549					40,549
Interest paid	(2,111)					(2,111)
Tax paid	(1,645)					(1,645)
Net cash flows from operating activities	36,793					36,793
Cash flows from investing activities						
Bank interest received	47,058					47,058
Purchases of equity investments designated at fair value through other comprehensive income	(103,966)	(426,720)	(405,464)	(178,092)	(400,000)	(1,514,242)
Other cash flows used in investing activities	(2,584)					(2,584)
Net cash flows used in investing activities	(59,492)					(1,469,768)

Unaudited pro forma statement of cash flows of the Group (continued)

	Unaudited six months ended 30 June 2023	Pro forma adjustments				Unaudited pro forma for the six months ended 30 June 2023
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Cash flows from financing activities						
New bank loans	84,001					84,001
Repayment of bank loans	(109,354)					(109,354)
Dividends paid	(58,742)					(58,742)
Other cash flows used in financing activities	(3,467)					(3,467)
Net cash flows used in financing activities	(87,562)					(87,562)
Net decrease in cash and cash equivalents	(110,261)	(426,720)	(405,464)	(178,092)	(400,000)	(1,520,537)
Cash and cash equivalents at beginning of period	2,166,743					2,166,743
Effect of foreign exchange rate changes, net	1,334					1,334
Cash and cash equivalents at end of period	2,057,816					647,540
Analysis of balances of cash and cash equivalents						
Cash and bank balances	232,883					232,883
Non-pledged time deposits	1,825,183	(426,720)	(405,464)	(178,092)	(400,000)	414,907
	2,058,066					647,790
Less: Non-pledged time deposit with original maturity of over three months when acquired	(250)					(250)
Cash and cash equivalents as stated in the consolidated statement of financial position	2,057,816					647,540

Notes to the Unaudited Pro Forma Financial Information of the Group:

(1) The amounts were extracted from the Company's published interim report for the six months ended 30 June 2023.

(2) In December 2023 and January 2024, the Group acquired aggregate 96,050,000 China Construction Bank (Stock code: 939) shares ("**CCB Shares**") through the open market with details below. Total consideration of CCB Shares was approximately HK$426,720,000, being assumed to the fair value of CCB Shares as at 30 June 2023.

Trade date	Number of shares acquired	Average purchase price per share *HK$*	Consideration (excluding stamp duty and related expenses) *HK$'000*	Stamp duty and related expenses *HK$'000*	Total consolidation *HK$'000*
4 December 2023	28,000,000	4.4981	125,946	325	126,271
5 December 2023	37,000,000	4.4100	163,170	422	163,592
	65,000,000		289,116	747	289,863
17 January 2024	31,050,000	4.3967	136,517	340	136,857
	96,050,000		425,633	1,087	426,720

(3) In December 2023 and January 2024, the Group acquired aggregate 108,020,000 Industrial and Commercial Bank of China (Stock code: 1398) shares ("**ICBC Shares**") through the open market. Total consideration of ICBC Shares was approximately HK$405,464,000, being assumed to the fair value of ICBC Shares as at 30 June 2023.

Trade date	Number of shares acquired	Average purchase price per share *HK$*	Consideration (excluding stamp duty and related expenses) *HK$'000*	Stamp duty and related expenses *HK$'000*	Total consolidation *HK$'000*
4 December 2023	20,000,000	3.7200	74,400	155	74,555
16 January 2024	10,000,000	3.6600	36,600	84	36,684
17 January 2024	18,000,000	3.6178	65,120	136	65,256
25 January 2024	24,620,000	3.7975	93,494	242	93,736
26 January 2024	5,400,000	3.8300	20,682	53	20,735
30 January 2024	30,000,000	3.8087	114,260	238	114,498
	88,020,000		330,156	753	330,909
	108,020,000		404,556	908	405,464

(4) In January 2024, the Group acquired aggregate 59,824,000 Bank of China (Stock code: 3988) shares ("**BOC Shares**") through the open market with details below. Total consideration of BOC Shares was approximately HK$178,092,000, being assumed to the fair value of BOC Shares as at 30 June 2023.

Trade date	**Number of shares acquired**	**Average purchase price per share**	**Consideration (excluding stamp duty and related expenses)**	**Stamp duty and related expenses**	**Total consolidation**
		HK$	*HK$'000*	*HK$'000*	*HK$'000*
25 January 2024	31,000,000	2.9842	92,510	193	92,703
30 January 2024	28,824,000	2.9562	85,211	178	85,389
	59,824,000		177,721	371	178,092

(5) The adjustment represents the proposed further acquisitions of CCB Shares and ICBC Shares for the maximum aggregate amount HK$400,000,000 (excluding stamp duty and related expenses). The consideration for the potential acquisitions of CCB Shares and ICBC Shares will be satisfied in cash. The CCB Shares and ICBC Shares are classified as financial assets designated at fair value through other comprehensive income. Total consideration of CCB Shares and ICBC Shares is assumed to be HK$400,000,000 and to be the fair value of CCB Shares and ICBC Shares as at 30 June 2023, and the stamp duty and related expenses are assumed to be nil.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The Directors
Glorious Sun Enterprises Limited
38/F., One Kowloon
1 Wang Yuen Street
Kowloon Bay
Hong Kong

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Glorious Sun Enterprises Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of financial position of the Group as at 30 June 2023 and the unaudited pro forma statement of profit or loss and other comprehensive income and statement of cash flows of the Group for the period ended 30 June 2023, and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages II-1 to II-9 of Appendix II of the circular dated 5 February 2024 (the "**Circular**") issued by the Company in connection with the major transactions and the possible very substantial acquisitions related to acquisitions of listed securities (the "**Acquisitions**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on II-1 to II-9 of Appendix II of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Acquisitions on the Group's financial position as at 30 June 2023 as if the transactions had taken place at 30 June 2023. As part of this process, information about the Group's financial position, financial performance and cash flows has been extracted by the Directors from the Group's financial statements for the period ended 30 June 2023, on which an unaudited interim report has been published.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our independence and quality management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of Acquisitions on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Ernst & Young
Certified Public Accountants
Hong Kong

5 February 2024

The contents of this Appendix III are included pursuant to Rule 14.69(7) of the Listing Rules as requested by the Stock Exchange and are extracted from published documents (namely annual reports for the financial years ended 31 December 2020, 2021 and 2022 and interim reports for the six months ended 30 June 2023) of CCB and ICBC, respectively. While the Company considers that such published documents are appropriate sources of information, it is not able to and therefore has not verified their contents, nor is it in a position to warrant their accuracy or completeness. Therefore, please refer to the appropriate and relevant published documents, which can be found on the websites of CCB, ICBC and/or the Stock Exchange, for any information regarding CCB and ICBC, respectively.

1. MANAGEMENT DISCUSSION AND ANALYSIS OF CCB

Set out below are the management discussion and analysis on CCB for each of the three years ended 31 December 2020, 2021 and 2022 as extracted from the annual reports of CCB for each of the three years ended 31 December 2020, 2021 and 2022 and for the six months ended 30 June 2023 as extracted from the interim report of CCB issued on 27 September 2023. Unless otherwise defined in this circular or the context requires otherwise, capitalised terms used in this section shall have the same meanings as those ascribed in the abovementioned annual reports and interim report of CCB, as the case may be.

For the Year Ended 31 December 2020

Segmental information

As at 31 December 2020, CCB's major business segments are corporate banking, personal banking, treasury business, and others including overseas business and subsidiaries.

For the year ended 31 December 2020, operating income of the CCB Group's corporate banking business reached RMB284,393 million, up 7.60%, mainly due to the increase in net interest income driven by the growth of loans; impairment losses reached RMB146,580 million, up 18.75%; profit before tax was RMB66,615 million, down 8.36%, accounting for 19.79% of the CCB Group's profit before tax, down 2.47 percentage points over 2019. Operating income of personal banking business reached RMB327,136 million, up 22.06%, mainly due to significant increase in net interest income; impairment losses were RMB30,887 million, up 9.78%; profit before tax totalled RMB206,047 million, up 38.62%, accounting for 61.21% of the CCB Group's profit before tax, up 15.70 percentage points over 2019. Operating income of treasury business totalled RMB66,292 million, down 39.36%; impairment losses were negative RMB108 million; profit before tax totalled RMB55,915 million, down 39.02%, accounting for 16.61% of the CCB Group's profit before tax, down 11.47 percentage points over 2019. Other operating income totalled RMB36,403 million, up 0.10%, impairment losses increased significantly and profit before tax totalled RMB8,039 million.

Liquidity and financial resources

As at 31 December 2020, CCB's liquidity ratio for RMB and foreign currency was at 55.66% and 58.64% respectively, higher than the regulatory standard of 25 or above. CCB's loan-to-deposit ratio for RMB was at 78.49%. For the fourth quarter of 2020, CCB's liquidity coverage ratio was 158.53%, while its net stable funding ratio was 127.15%.

Capital structure

As at 31 December 2020, the CCB Group's equity was RMB2.39 trillion, an increase of RMB154,226 million or 6.90% over 2019, primarily driven by the increase of RMB122,766 million in retained earnings. As the growth rate of total equity was slower than that of assets, the ratio of total equity to total assets for the CCB Group dropped to 8.49%, down 0.30 percentage points over 2019.

Prospects

As at 31 December 2020, CCB's future prospects were as follows:

In 2021, CCB will adhere to the overall objective of seeking improvement in stability, start with new stage of development, implement new development concept, support new development pattern and roll out New Finance initiatives. It will continue to improve the "Three Capabilities", further promote the "Three Major Strategies", speed up the building of a mechanism that supports the high-quality development of the real economy, and comprehensively initiate the new path of high-quality development. The CCB Group will focus on the following tasks: Firstly, it will build a comprehensive financing service system at the group level, continuously optimise the credit structure and provide more effective support for the real economy. Secondly, it will consolidate the leading edge in the "Three Major Strategies", make new achievements in the house rental strategy, build itself into a preferred bank for inclusive finance services, and accelerate the implementation of the FinTech strategy. Thirdly, it will achieve high-quality development of the "Three Pillars", take new steps in the corporate banking business, hit new heights in the retail banking business, and achieve new breakthroughs in the asset management business. Fourthly, it will build and open a new ecosystem, promote the quality and upgrade of the digitalised operation, enhance the operation capacity of scenario ecology and platform, and integrate the online and offline development. Fifthly, it will enhance the capacity of modern risk control and compliance governance, improve the comprehensive, proactive, intelligent and modern risk management system and the long-term internal control and compliance mechanism, and attach great importance to the protection of consumers' rights and interests.

Significant investments held

As at 31 December 2020, the CCB Group did not have any significant investment as required to be disclosed in accordance with Rule 32(4A) under Appendix 16 to the Listing Rules of Hong Kong Stock Exchange as in force at that time.

Employees and related policies

As at 31 December 2020, CCB had a total of 349,671 employees at 14,741 branches. CCB relied on CCB University to support the development of its employees and New Finance talents, making positive contributions to the overall building of the new ecology of employee development. CCB University published the first set of core teaching materials, the "Comprehensive Management of Large Commercial Banks (Series)". It optimised the training system by focusing on its employees' entire career path, and launched various thematic training programmes, including "Your Future with CCB" programme for new recruits, "Be Better with You" programme for client managers at CCB outlets, and "Together with the Best" programme for the heads of outlets, covering more than 1.66 million person-time online learning. It held the first professional and technical position qualification examination within CCB, covering 37 branches, domestic affiliates and audit departments, and organised 15,182 examinations which had been attended by more than 253,000 employees. It initiated the "CCBU Global Webinars" and organised the "First Digital Talents Camp Live" jointly with Harvard Business Publishing Corporate Learning. In 2020, CCB University's regional and specialised campuses hosted 1,066 training programmes (including 537 branch-level training programmes), covering 781,000 participants. It coordinated to develop 39 sets of teaching materials, consisting of 83 books, including 15 sets of teaching materials on position training, a total of 30 books. CCB University upgraded its online learning platform and mobile app. The platform attracted more than 280 million person-time visits, and offered more than 14,000 live lectures, which attracted more than 6 million person-time watching.

The subsidiaries of CCB had 24,143 employees (not including 464 workers dispatched by labour leasing companies). In this amount, the domestic and overseas employees numbered 19,199 and 4,944 respectively. In addition, the subsidiaries assumed the expenses of 61 retired employees.

Exposure to exchange rates

As at 31 December 2020, the CCB Group's foreign exchange exposures mainly comprise exposures that arise from the foreign currency proprietary investments of the treasury business and currency exposures originated by the CCB Group's overseas businesses. The CCB Group manages currency risk by spot and forward foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives (principally foreign exchange swaps and cross currency swaps) in the management of its own foreign currency asset and liability portfolios and structural positions. The CCB Group actively manages foreign currency exposures by minimising foreign exchange risk by business lines. Therefore, the net exposure is not sensitive to exchange rate fluctuations and the potential impact on the pre-tax profits and other comprehensive income of the CCB Group is not material.

Contingent liabilities

As at 31 December 2020, CCB's commitments and contingent liabilities include credit commitments, capital commitments, government bond redemption obligations, and outstanding litigations and disputes. Specifically, credit commitments were the largest component, including undrawn loan facilities which are approved and contracted, unused credit card limits, financial guarantees, and letters of credit. At the end of 2020, the balance of credit commitments was RMB3.41 trillion, an increase of RMB327,723 million or 10.62% over 2019.

For the Year Ended 31 December 2021

Segmental information

As at 31 December 2021, CCB's major business segments are corporate banking, personal banking, treasury business, and others including overseas business and subsidiaries.

For the year ended 31 December 2021, operating income of the CCB Group's corporate banking business reached RMB304,448 million, up 7.05%; impairment losses were RMB112,478 million, down 23.27%; profit before tax was RMB106,324 million, up 59.61%, accounting for 28.10% of the CCB Group's profit before tax, up 8.31 percentage points over 2020. Operating income of personal banking business reached RMB350,127 million, up 7.03%; impairment losses were RMB33,213 million, up 7.53%; profit before tax totalled RMB214,709 million, up 4.20%, accounting for 56.74% of the total at the group level, down 4.47 percentage points over 2020. Operating income of treasury business totalled RMB63,373 million, down 4.40%; impairment losses were RMB13,503 million; profit before tax totalled RMB37,336 million, down 33.23%, accounting for 9.87% of the total at the group level, down 6.74 percentage points over 2020. Other operating income totalled RMB46,758 million, up 28.45%, and profit before tax totalled RMB20,043 million.

Liquidity and financial resources

As at 31 December 2021, CCB's liquidity ratio for RMB and foreign currency was at 59.32% and 70.58% respectively, higher than the regulatory standard of 25 or above. CCB's loan-to-deposit ratio for RMB was at 82.28%. For the fourth quarter of 2021, CCB's liquidity coverage ratio was 134.70%, while its net stable funding ratio was 125.75%.

Capital structure

As at 31 December 2021, the CCB Group's equity was RMB2.61 trillion, an increase of RMB224,769 million or 9.41% over 2020, primarily driven by the increase of RMB155,502 million in retained earnings. As the growth rate of total equity was faster than that of assets, the ratio of total equity to total assets for the CCB Group rose to 8.64%, an increase of 0.15 percentage points over 2020.

Prospects

As at 31 December 2021, CCB's future prospects were as follows:

In 2022, the CCB Group will persist in pursuing progress while ensuring stability, fully, accurately, and comprehensively implement new development concepts, focus on "Three Major Tasks", enhance "Three Capabilities", and further implement "Three Major Strategies". The CCB Group will continue to deepen the New Finance initiatives, fully implement the "14th Five-Year Plan", advance the "First Curve" and the "Second Curve" in parallel, accelerate the building of a new development paradigm with high-quality financial services, and create a new picture of high-quality development of CCB. To this end, firstly, the CCB Group will focus on serving the real economy, facilitate the implementation of major national strategies, support key areas and weak links in the real economy, and improve the CCB Group's comprehensive financial service capabilities. Secondly, the CCB Group will implement new development concepts and promote strategic expansion and upgrading. For house rental services, it will focus on the construction of a comprehensive house rental service system with financial characteristics. For inclusive finance, it will continue to increase the quantity, expand the coverage, and reduce the cost of financing for small and micro businesses. For FinTech, it will strengthen the overall planning of the enterprise-level business structure and enhance the ability to empower businesses. For rural revitalisation, it will improve the service capacity of "Yunongtong". For green finance, it will ensure excellent financial services for energy security and low-carbon transformation. Thirdly, the CCB Group will adhere to sustainable development concept, consolidate the foundation of business capabilities, improve the quality and efficiency of liability business development, maintain a reasonable growth in fee-based business income, and upgrade the product supply system. Fourthly, the CCB Group will adopt a digital mindset to innovate traditional business models, coordinate the construction and operation of platforms, strengthen the layered, grouped, and graded operation, advance the establishment of the middle platform system, and improve the management efficiency of the middle and back offices. Fifthly, the CCB Group will anchor value creativity, strengthen risk control and compliance operations, ensure sound asset quality, improve risk governance, focus on key areas and links, strengthen compliance system building, and deepen consumer rights and interests protection and business integration.

Significant investments held

As of 31 December 2021, the CCB Group did not have any significant investment as required to be disclosed in accordance with Rule 32(4A) under the Appendix 16 to the Listing Rules of Hong Kong Stock Exchange as in force at the time.

Employees and related policies

As at 31 December 2021, CCB had 351,252 employees with a slight increase from 2020. The number of employees with academic qualifications of bachelor's degree or above was 260,106 or 74.05%. There were also 3,470 workers dispatched from labour leasing companies, a decrease of 2.41% from 2020. In addition, CCB assumed the expenses of 92,344 retired employees.

CCB improved the training system for professional career of the staff to support the development of New Finance talents. CCB cultivated a new employee learning brand of "Your Future with CCB" and created the three pillars of "orientation training, follow-up training and management trainee" for new employees, and strengthened one-stop training and guidance for new employees of CCB. It developed an educational tracking programme during integration period for young employees working at CCB for less than 2 years, launched a management trainee training programme, and explored the "2+N" training system for high potential young talents. CCB empowered staff at outlets with more training resources channeled to branch outlets, and optimised the ability enhancement learning programmes including "Be Better with You" programme for client managers at outlets, and "Together with the Best" for heads of outlets. It launched the "Lead with Vision" programme to improve their duty performance and management capabilities, so as to provide robust talent support for deepening the New Finance initiatives. CCB paid attention to the development path and cycle of growth for staff in various professional and technical positions to improve their professional competence and capability. It organised professional and technical position qualification examinations across CCB at preliminary, intermedium and higher levels, covering 23 business lines and 63 subjects, to strengthen employees' professional capability, broaden their career development channels, and make the professional and technical examinations a key driver for building a learning organisation. By the end of 2021, CCB had organised 28,600 training sessions with a total enrolment of 1.73 million, including 1,147 training sessions organised by CCB Learning Centre with a total enrolment of 107,800. CCB optimised CCB Learning platform and improved the learning ecology with a total enrolment of 369,900 employees of CCB in 2021. It organised 7,301 webinars, with 6,813,500 attendances from CCB, and 5,851 online examinations with 3,625,300 participants from CCB. In terms of overseas training, it organised four online international subject training camps and held 127 cross-border webinars.

Pursuant to relevant government policies regarding remuneration reform for heads of state-owned enterprise, remunerations for CCB's leaders administered by the CPC Central Committee include three parts, namely the basic annual salary, performance-based annual salary and tenure incentive income. CCB has established an incentive clawback mechanism. If a material error occurs during a leader's tenure and causes a significant loss for CCB, part of or entire performance-based annual salary and tenure incentive income paid may be reclaimed. CCB's major allocation policies and other significant matters related to remuneration management need to be reviewed by the nomination and remuneration committee under the Board. Material proposals related to remuneration allocation need to be voted at and approved by the shareholders' general meeting or reported to the competent authority of the state for approval and filing.

CCB made full use of remuneration allocation to motivate and constrain its employees. CCB established an appraisal and allocation concept encouraging value creation, allocated more salary resources to operating outlets, front office departments, and positions that directly create value, further optimised the incentive and protection policies for outlet staff, and established a special subsidy system for outlet staff at remote county or under harsh conditions, to enhance the sense of gain for staff members. CCB strengthened the role of performance appraisal to improve the cost-efficiency of its human resources and match remuneration to performance. CCB strictly implemented deferred payment and clawback rules for performance-based remuneration to key positions. For employees subject to disciplinary or other penalties due to violation of rules or breach of duties, their remunerations were deducted in accordance with relevant rules and measures.

Exposure to exchange rates

The CCB Group's foreign exchange exposures mainly comprise exposures that arise from the foreign currency proprietary investments of the treasury business and currency exposures originated by the CCB Group's overseas businesses. The CCB Group manages currency risk by spot and forward foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives (principally foreign exchange swaps and cross currency swaps) in the management of its own foreign currency asset and liability portfolios and structural positions. The CCB Group actively manages foreign currency exposures by minimizing foreign exchange risk by business lines. Therefore, the net exposure is not sensitive to exchange rate fluctuations and the potential impact on the pre-tax profits and other comprehensive income of the CCB Group is not material.

Contingent liabilities

As at 31 December 2021, CCB's commitments and contingent liabilities include credit commitments, capital commitments, government bond redemption obligations, and outstanding litigation and disputes. Specifically, credit commitments were the largest component, including undrawn loan facilities which are approved and contracted, unused credit card limits, financial guarantees, and letters of credit. At the end of 2021, the balance of credit commitments was RMB3.37 trillion, a decrease of RMB43,636 million or 1.28% over 2020.

For the Year Ended 31 December 2022

Segmental information

As at 31 December 2022, CCB's major business segments are corporate banking, personal banking, treasury business, and others including overseas business and subsidiaries.

For the year ended 31 December 2022, operating income of the CCB Group's corporate finance business reached RMB325,628 million, up 0.80%; impairment losses were RMB100,395 million, down 13.96%; profit before tax was RMB139,378 million, up 17.07%, accounting for 36.48% of the CCB Group's profit before tax, up 5.02 percentage points over 2021. Operating income of personal finance business reached RMB371,821 million, up 4.59%; impairment losses were RMB41,635 million, up 22.79%; profit before tax totalled RMB216,404 million, up 0.98%, accounting for 56.65% of the CCB Group's total profit before tax, up 0.02 percentage points over 2021. Operating income of treasury and asset management business totalled RMB43,368 million; impairment losses were RMB3,854 million; profit before tax totalled RMB25,502 million, accounting for 6.68% of the CCB Group's total profit before tax, down 2.57 percentage points from 2021. Operating income of others totalled RMB17,338 million, impairment losses were RMB9,134 million, and profit before tax totalled RMB733 million.

Liquidity and financial resources

As at 31 December 2022, CCB's liquidity ratio for RMB and foreign currency was at 62.94% and 80.23% respectively, higher than the regulatory standard of 25 or above. CCB's loan-to-deposit ratio for RMB was at 83.62%. For the fourth quarter of 2022, CCB's liquidity coverage ratio was 148.96%, while its net stable funding ratio was 127.88%.

Capital structure

At the end of 2022, the CCB Group's equity was RMB2.88 trillion, an increase of RMB264,638 million or 10.12% over 2021, primarily driven by the increase of RMB133,198 million in retained earnings. As the growth rate of total equity was slower than that of assets, the ratio of total equity to total assets for the CCB Group was 8.32%, down 0.32 percentage points from 2021.

Prospects

As at 31 December 2022, CCB's future prospects were as follows:

In 2023, the CCB Group will uphold the mission of high-quality development, seek progress while maintaining stability, implement the new development concept completely, accurately and comprehensively, roll out New Finance initiatives continuously, further advance development of housing rental, inclusive finance and FinTech strategies, and enhance its capabilities to serve national construction, prevent financial risks and participate in international competition, thus breaking new grounds in high– quality development. The CCB Group will focus on the following priorities: Firstly, the CCB Group will spare no efforts to serve the real economy and contribute to the building of a new development pattern. The CCB Group will implement major regional strategies and regional coordinated development strategies, increase support for key regions such as the Beijing-Tianjin-Hebei region, the Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area and the Chengdu-Chongqing region, and effectively deploy credit resources in Northeastern China, Central China and Western China. It will give full play to the fundamental role of consumption and the key role of investment and press ahead with the extensive supply of high-quality financial products and services along with the optimisation of asset structure. It will further consolidate financial layout for common prosperity and expand financial products and services to counties and villages, to long-tail customers and to wealth management segment. It will also contribute to rural revitalisation by creating a comprehensive service system.

Secondly, the CCB Group will focus on customer service capabilities to lay a solid foundation for development. The CCB Group will expand effective customers and accounts, retain existing customers, increase incremental customers and enhance effective customers. It will expand key customer groups, effectively enhance operation capacity for medium-sized customers, consolidate key customer groups such as emerging industries, counties, small and micro businesses, and sci-tech innovation enterprises, and strengthen comprehensive operation capabilities for customers. It will also deepen its understanding of customers, accelerate implementation of graded, layered and categorised operation plans for corporate, personal and financial institutional customer groups, focus on customers' pain points and thorny issues, advance online and offline customer acquisition and reactivation, and comprehensively strengthen customer marketing and service capabilities.

Thirdly, the CCB Group will enhance the quality and efficiency of segment operations. For corporate finance business segment, the CCB Group will optimise its asset layout, focus on expanding core deposits, and enhance service capabilities of fee-based businesses. For personal finance business segment, the CCB Group will press ahead with the rapid growth of the personal financial assets under management and promote implementation of mega wealth management strategy. For treasury and asset management segment, the CCB Group will focus on improving the coverage of treasury and asset management products, consolidate the CCB Group's asset management foundation, strengthen financial institutional business, and strive to build a CCB pension finance brand. The CCB Group will enhance coordination and interaction, press ahead with integrated operations, and strengthen parent-subsidiary coordination, inter-segmental coordination and interaction, and integrated operation capacity of RMB and foreign currencies.

Fourthly, the CCB Group will strengthen technology support. The CCB Group will continuously enhance its technological governance capabilities, improve structure of technology R&D and system operation, and optimise management process of technology projects, thus realising safe and stable operation of IT systems. It will improve quality and efficiency of physical outlets operations and strengthen graded and categorised management of outlets. It will also enhance its digitalised operation capability, promote integrated development of mobile banking and "CCB Lifestyle", improve scenario interconnection, build ecosystems and industrial chains, and enhance value creation of platform users.

Fifthly, the CCB Group will enhance refined management and consolidate the foundation for development. The CCB Group will adhere to value creation orientation, focus on cultivating market competitiveness, strengthen overall management of assets and liabilities, optimise incentive and restraint mechanisms, and enhance quality and efficiency of cost control and operations. Sixthly, the CCB Group will focus on duties of "three lines of defence" and safeguard the bottom line of risks. The CCB Group will optimise its comprehensive, proactive, intelligent, modern risk management system and continuously enhance coordinated risk control capabilities of "three lines of defence". It will also strengthen cross-cycle asset quality management and control at the group level and enhance its risk management capabilities in key areas.

Significant investments held

As at 31 December 2022, the CCB Group did not have any significant investment as required to be disclosed in accordance with Rule 32(4A) under the Appendix 16 to the Listing Rules of Hong Kong Stock Exchange as in force at that time.

Employees and related policies

At the end of 2022, CCB had 352,588 employees, a 0.38% increase from 2021. Pursuant to relevant government policies regarding remuneration reform for heads of state-owned enterprise, remunerations for CCB's leaders administered by the CPC Central Committee include three parts, namely the basic annual salary, performance-based annual salary and tenure incentive income. CCB has established an incentive clawback mechanism. If a material error occurs during a leader's tenure and causes a significant loss for CCB, part of or entire performance-based annual salary and tenure incentive income paid may be reclaimed. CCB's major allocation policies and other significant matters related to remuneration management need to be reviewed by the nomination and remuneration committee under the Board. Material proposals related to remuneration allocation need to be voted at and approved by the shareholders' general meeting or reported to the competent authority of the state for approval and filing. CCB made full use of remuneration allocation to motivate and constrain its employees. CCB established an appraisal and allocation concept encouraging value creation, allocated more salary resources to operating outlets, front office departments, and positions that directly create value, further optimised the incentive and protection policies for outlet staff, and established a special subsidy system for staff at outlets at remote county or under harsh conditions, to enhance the sense of gain for staff members. CCB strengthened the role of performance appraisal to improve the cost-efficiency of its human resources and match remuneration to performance. CCB strictly implemented deferred payment and clawback rules for performance-based remuneration to key positions. For employees subject to disciplinary or other penalties due to violation of rules or breach of duties, their remunerations were deducted in accordance with relevant rules and measures.

As at 31 December 2022, CCB had formulated special performance management rules and regulations, clarifying the management requirements for all employees' assessment methods, assessment processes, assessment result feedback, etc., and unifying performance appraisal orientation. The assessment content included employees' key performance, business ethics, professional ability and other aspects, and was linked to employee compensation and career development. The employee assessment methods mainly included quarterly assessment and annual assessment, and the annual assessment was based on quarterly assessment.

Exposure to exchange rates

As at 31 December 2022, the CCB Group's foreign exchange exposures mainly comprise exposures that arise from the foreign currency proprietary investments of the treasury business and currency exposures originated by the CCB Group's overseas businesses. The CCB Group manages currency risk by spot and forward foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives (principally foreign exchange swaps and cross currency swaps) in the management of its own foreign currency asset and liability portfolios and structural positions. The CCB Group actively manages foreign currency exposures by minimising foreign exchange risk by business lines. Therefore, the net exposure is not sensitive to exchange rate fluctuations and the potential impact on the pre-tax profits and other comprehensive income of the CCB Group is not material.

Contingent liabilities

As at 31 December 2022, CCB's commitments and contingent liabilities mainly include credit commitments, capital commitments, government bond redemption obligations, and outstanding litigations and disputes. In this category, credit commitments were the largest component, including undrawn loan facilities which were approved and contracted, unused credit card limits, financial guarantees, and letters of credit. At the end of 2022, the balance of credit commitments was RMB3.69 trillion, an increase of RMB316,633 million or 9.40% over 2021.

For the Six Months Ended 30 June 2023

Segmental information

As at 30 June 2023, CCB's major business segments are corporate banking, personal banking, treasury business, and others including overseas business and subsidiaries.

For the six months ended 30 June 2023, operating income of the CCB Group's corporate finance business was RMB158,462 million, down 4.96%; impairment losses were RMB67,830 million, down 9.83%; profit before tax was RMB53,749 million, down 0.74%, accounting for 27.25% of the CCB Group's profit before tax, down 0.82 percentage points from the same period last year. Operating income of personal finance business reached RMB202,636 million, up 8.74%; profit before tax totalled RMB130,215 million, up 7.35%, accounting for 66.01% of the CCB Group's profit before tax, up 3.12 percentage points over the same period last year. Operating income of treasury and asset management business was RMB18,664 million, impairment losses were RMB464 million, and profit before tax totalled RMB12,709 million. Operating income of others totalled RMB8,393 million, and profit before tax totalled RMB591 million.

Liquidity and financial resources

As at 30 June 2023, CCB's liquidity ratio for RMB and foreign currency was at 65.88% and 83.36% respectively, higher than the regulatory standard of 25 or above. CCB's loan-to-deposit ratio for RMB was at 81.57%. For the second quarter of 2023, CCB's liquidity coverage ratio was 146.96%, while its net stable funding ratio was 129.52%.

Capital structure

As at 30 June 2023, the CCB Group's total equity was RMB2.96 trillion, an increase of RMB79,984 million or 2.78% over the end of last year, primarily driven by the increase of RMB69,771 million in retained earnings. As the growth rate of total equity was slower than that of assets, the ratio of total equity to total assets for the CCB Group was 7.73%, down 0.58 percentage points from the end of last year.

Prospects

As at 30 June 2023, the CCB Group's future prospects were as follows:

In the second half of 2023, the CCB Group will continue to seek progress while maintaining stability, pursue innovation while keeping integrity, and take solid measures to promote high-quality development. The CCB Group will focus on the following priorities: Firstly, the CCB Group will fulfil its responsibilities as a large bank and provide solid and strong financial support to the real economy. The CCB Group will increase retail lending, and help build a large domestic consumer market. It will maintain the stability and continuity of corporate credit support policies and increase support in key areas.

Secondly, the CCB Group will advance New Finance initiatives and strengthen the implementation of strategies. The CCB Group will further promote the housing rental loans, and enhance the operation and management of "CCB Home". It will comprehensively build the ecology of digital inclusive finance, and increase efforts in expanding inclusive finance customers with credit lines. It will help comprehensively promote rural revitalisation, and optimise "Yunongtong" online and offline integrated service platform. It will continuously improve the green development financial system and integrate ESG concepts into business management. It will also enhance the supporting capabilities of FinTech, and strengthen the CCB Group's integrated R&D collaboration.

Thirdly, the CCB Group will strengthen internal and external coordination of business segments and enhance its market competitiveness. For corporate finance business segment, the CCB Group will expand and optimise the corporate customer base; for personal finance business segment, it will continue to build on its retail banking advantages; for treasury and asset management business segment, it will persist on creating value with high-quality services and reasonable and responsible innovation. Focusing on the goals and requirements of high-quality development, the CCB Group will promote cross-segmental coordination, regional collaboration, parent-subsidiary coordination, collaboration of front, middle and back offices, and collaboration of domestic and overseas operations.

Fourthly, the CCB Group will strengthen the support of IT and channel operation and enhance agile digital response capability. The CCB Group will improve the business requirements coordination and management mechanism and enhance its capabilities of agile delivery and intelligent operation and maintenance. It will strengthen data governance, and improve the data security governance system and long-term mechanism for data quality control. It will improve the quality and efficiency of outlet and channel operations, enhance platform operation, and promote the integrated development of its mobile banking and "CCB Lifestyle".

Fifthly, the CCB Group will consolidate the foundation of refined management and enhance the capability of value creation. The CCB Group will strengthen asset and liability management, reinforce the differentiated and refined management of deposits and loans, and comprehensively promote intensive capital management. It will strengthen total cost management, and promote intensive operation of outlets. It will press ahead with the building of professional teams and improve the quality of customer service.

Sixthly, the CCB Group will clarify the responsibility of risk control and safeguard the bottom line of risk compliance. The CCB Group will strengthen comprehensive risk management and continuously improve the coordination mechanism of "three lines of defence". It will reinforce the unified credit risk management at the group level and strengthen cross-cycle management of asset quality. It will also strengthen risk management of overseas operations, compliance management, protection of consumers' rights and interests, and reputational risk management.

Employees and related policies

As at 30 June 2023, CCB had 348,373 employees.

CCB closely followed the development trend of the new era, new economy, and new finance, and focused on strategic priorities of CCB during the 14th Five-Year Plan period and needs of talent team building. It strengthened overall planning for staff education, training and development, refined the relevant training management rules, and applied digital tools for training management so as to build a more scientific and efficient operating structure for education and training. Meanwhile, it made efforts to integrate internal and external high-quality training resources, and fully applied online learning channels. Adhering to the principle of building and sharing, targeted training and full coverage, it carried out classified and hierarchical training by multiple channels and methods according to job responsibilities and competency requirements, and helped the employees establish the concept of lifelong learning and continuously improve their professional skills and ability to cope with new businesses and challenges.

CCB gradually built a staff training system to facilitate the growth of talents for the whole process of career development. CCB cultivated a new-hire employee learning brand of "Your Future with CCB" covering orientation training, integration plan and management trainee programme, which strengthened one-stop training and coaching for new employees of CCB. CCB channelled more training resources to the frontline employees, iteratively optimised the ability enhancement learning programmes, including "Together with the Best" for heads of outlets, "Be Better with You" for customer relationship managers at outlets, and outlets customer service manager ability enhancement programme, and organised on-site training and online learning activities, gradually covering more posts at outlets and reaching all outlets. CCB paid attention to the development of staff in professional and technical positions by helping strengthen their professional capabilities and broaden their career development channels, and making the professional and technical examinations a key driver in building itself into a learning organisation.

In the six months ending 30 June 2023, the enrolment of CCB's training sessions reached 372.8 thousand, and 345.9 thousand employees took part in online training through the "CCB Learning" platform.

Exposure to exchange rates

As at 30 June 2023, the CCB Group's foreign exchange exposures mainly comprise exposures from foreign currency portfolios within treasury proprietary investments in debt securities and money market placements, and currency exposures from its overseas business. The CCB Group manages its foreign exchange exposures by spot foreign exchange transactions and by matching its foreign currency denominated assets with corresponding liabilities in the same currency, and also uses derivatives in the management of its own foreign currency asset and liability portfolios and structural positions.

Contingent liabilities

As at 30 June 2023, commitments and contingent liabilities mainly include credit commitments, capital commitments, government bond redemption obligations, and outstanding litigations and disputes. Among these, credit commitments were the largest component, including undrawn loan facilities which were approved and contracted, unused credit card limits, financial guarantees, and letters of credit. At the end of June, the balance of credit commitments was RMB3.89 trillion, an increase of RMB207,885 million or 5.64% over the end of last year.

2. MANAGEMENT DISCUSSION AND ANALYSIS OF ICBC

Set out below are the management discussion and analysis on ICBC for each of the three years ended 31 December 2020, 2021 and 2022 as extracted from the annual reports of ICBC for each of the three years ended 31 December 2020, 2021 and 2022 and for the six months ended 30 June 2023 as extracted from the interim report of ICBC issued on 26 September 2023. Capitalised terms used in this section shall have the same meanings as those ascribed in the abovementioned annual reports and interim report of ICBC, as the case may be.

For the Year Ended 31 December 2020

Segmental information

As at the end of 2020, the ICBC Group is organised into different operating segments, namely corporate banking, personal banking and treasury operations, based on internal organisational structure, management requirement and internal reporting system.

The corporate banking segment covers the provision of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit-taking activities, corporate wealth management services, custody activities and various types of corporate intermediary services, etc.

The personal banking segment covers the provision of financial products and services to individual customers. The products and services include personal loans, deposit-taking activities, card business, personal wealth management services and various types of personal intermediary services, etc.

The treasury operations segment covers the ICBC Group's treasury operations which include money market transactions, investment securities, foreign exchange transactions and the holding of derivative positions, for its own accounts or on behalf of customers, etc.

The others segment covers the ICBC Group's assets, liabilities, income and expenses that are not directly attributable or cannot be allocated to a segment on a reasonable basis. Management monitors the operating results of the ICBC Group's business units separately for the purpose of making decisions about resources allocation and performance assessment.

Liquidity and financial resources

In 2020, RMB liquidity ratio and foreign currency liquidity ratio of ICBC were 43.2% and 91.4% respectively, both meeting the regulatory requirements. Loan-to-deposit ratio was 72.8%. Net stable funding ratio aims to ensure commercial banks have sufficient stable sources of funding to meet the needs for stable funding of assets and off-balance sheet risk exposures. The net stable funding ratio is the ratio of the available stable funding to the required stable funding. As at the end of the fourth quarter of 2020, the net stable funding ratio was 128.33%, 1.32 percentage points higher than that at the end of the previous quarter, mainly because ICBC constantly strengthened the ICBC Group's liquidity coordination and management to ensure the sufficient sources of stable funds.

The daily average liquidity coverage ratio for the fourth quarter of 2020 was 123.28%, 1.88 percentage points lower than the previous quarter, mainly because the growth rate of net cash outflows exceeded the eligible high-quality liquid assets. High-quality liquid assets cover cash, available central bank reserve under stress and primary and secondary bond assets that can be included in the liquidity coverage ratio under the regulatory requirements.

As at the end of 2020, the negative liquidity exposure for 1 month to 3 months decreased from the end of last year, mainly due to the decrease of matured due to customers within corresponding term and increase of bond investments. The positive liquidity exposure for the 1 to 5 years category decreased, mainly due to the increase of matured due to customers and the decrease of loans and advances to customers within corresponding term.

The positive liquidity exposure for the category of over 5 years expanded, which was mainly due to the increase in matured loans and advances to customers and bond investments within corresponding term. Deposits maintained steady growth with a high deposition rate, and at the same time ICBC made major investment in highly liquid bond assets, and possessed sufficient liquidity reserves. Therefore, the overall liquidity of ICBC maintained at a safe level.

Capital structure

On the basis of capital replenishment by retained profits, ICBC proactively expanded the channels for external capital replenishment and continuously promoted the innovation of capital instruments, to reinforce the capital strength, optimize capital structure and control the cost of capital rationally.

ICBC made a non-public issuance of 145 million USD-denominated non-cumulative perpetual offshore preference shares in September 2020, raising a total amount of USD2.9 billion. Subject to applicable laws and the approval of regulatory authorities, all proceeds from the issuance, after deduction of commissions and issuance expenses, will be used to replenish additional tier 1 capital of ICBC.

ICBC received a reply from CBIRC in September 2020, pursuant to which, approval was granted to ICBC to issue undated additional tier 1 capital bonds in foreign currency of an amount no more than RMB40.0 billion equivalent in the offshore market, which will be counted as the additional tier 1 capital of ICBC in accordance with relevant regulatory requirements. The Proposal on the Issuance of Undated Additional Tier 1 Capital Bonds was reviewed and approved at the Second Extraordinary General Meeting of 2020 of ICBC, pursuant to which, ICBC planned to issue undated additional tier 1 capital bonds with the total amount up to RMB100.0 billion in the domestic market, which will be used to replenish ICBC's additional tier 1 capital. The issuance plan of undated additional tier 1 capital bonds is still subject to the approval of relevant regulatory authorities.

ICBC publicly issued two tranches of tier 2 capital bonds, worth RMB60.0 billion and RMB40.0 billion, in September and November 2020 successively in China's national inter-bank bond market, raising a total amount of RMB100.0 billion. ICBC issued a tier 2 capital bond of RMB30.0 billion in China's national inter-bank bond market in January 2021. All proceeds will be used to replenish ICBC's tier 2 capital in accordance with the applicable laws as approved by relevant regulatory authorities.

Prospects

The world today, marked by changes unseen in a century, is under accelerated evolution. The COVID-19 pandemic has a far-reaching impact, and the international situation remains complex and grim. Peace and development remain the theme of the times. A new round of scientific and technological revolution and industrial reform have been deepened, with the concept of a community with a shared future for mankind winning support among the people. China has achieved major strategic results in the pandemic containment. China's economy has been in an improving trend in a long term, witnessing vast market space, strong development resilience and a stable society overall. The great rejuvenation of the Chinese nation displays a brighter future, embarking on a new journey to build a modern socialist country on all fronts. The digital finance faces broad development potential, the trend of online and offline integration is accelerating, and the consumer finance business is expected to achieve leap-forward development. These will provide favorable conditions for the banking industry to accelerate the formation of a new operation and development pattern that is compatible with serving the new development paradigm and promoting high-quality development.

The year 2021 marks the CPC's centenary, the start of the 14th Five-Year Plan period, and also the beginning of the new three-year plan of ICBC. ICBC will continue to follow the guidance of the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, focus on the new development stage, act on the new development philosophy, and establish the new development pattern to drive high-quality development for ensuring a good start for the new three-year plan. First, it will adhere to Party building and strict governance to shoulder the political responsibility for serving the new development pattern and driving high-quality development. ICBC will heighten its political stance, better integrate enhanced leadership by the Party and improved corporate governance, and concretely translate institutional advantages into the ICBC Group's governance efficacy. Second, it will remain committed to putting customers in the first place and serving the real economy to seize the focus of serving the new development pattern and driving high-quality development. It's important to actively conduct monetary policies, reasonably arrange for quality, pace, size and price of investment & financing, and promote to stabilize the size of funds, improve the service quality, optimize the financing structure and ensure accurate and direct funding in serving the real economy. Third, it will stay technology-driven for value creation to offer stronger impetus for serving the new development pattern and driving high-quality development. ICBC will accelerate its digital transformation, implement the technological innovation plan and the e-ICBC strategic upgrading program up to high standard, and strive to grow into a great bank in technology and a digital ICBC in the race to grasp the commanding heights amid the new-round competition. Fourth, it will proceed with global operation with a global vision to expand the sectors of serving the new development pattern and driving high-quality development. Focused on domestic and foreign markets that reinforce each other, ICBC will optimize its internationalized development strategies and improve services in an all-round way to constantly meet globalized and integrated demands of customers. Fifth, it will forge ahead with pragmatic transformation and reform to better energize the work in serving the new development pattern and driving high-quality development. Bringing out its strengths to make up for weaknesses while consolidating the foundation, ICBC integrates top-level design into operational practice, deepens the implementation of major strategies, promotes the business transformation and refines the financial service innovation system as ways of exploring effective paths for driving high-quality development. Sixth, it will keep consolidating the foundation through risk control and pursuing success through talents for better security for serving the new development pattern and driving high-quality development. It's imperative to uphold systemic views, promote comprehensive risk management, develop bottom-line thinking, coordinate development and safety and facilitate high-quality development with high-quality risk control. ICBC will also reinforce the building of official and talent teams, stimulate the vitality of staff with an enterprising spirit and strive to begin a new chapter in serving the new development pattern and driving high-quality development and celebrate the CPC's centenary with outstanding accomplishments.

Employees and related policies

ICBC optimized its institutions and employees. By adhering to the human resource efficiency improvement ideas of "serving strategy, scientific configuration, reducing consumption and enhancing efficiency, cultivating talents, and stimulating vitality", it effectively guaranteed the input of human resources in key strategic areas, business lines and professional talent teams. The Head Office's organizational structure and branch system was optimized and adjusted, to practically promote the construction of an intensive operation center and steadily implement the centralization of domestic and overseas businesses. Besides, ICBC deepened the optimization and adjustment of sub-branch layout, streamlined the setting of urban sub-branches, and strengthened the construction of county-level sub-branches, to boost efficiency improvement with intensive human resources. ICBC kept improving the quality and effectiveness of education and training. Focusing on strategic transmission, key projects were developed, such as the "No.1 Personal Bank" and the "Preferred Bank for Domestic Foreign Exchange Business". Concentrating on talent training, it carried out trainings on job knowledge and skills, new products, new business and new process promotion, and deepened the implementation of reading activities for all employees, to explore advanced trainings covering the entire career cycle and serve the growth of employees' performance. In 2020, ICBC took the initiative to seek changes in response to the pandemic prevention and control, and actively promoted such training modes as live streaming classroom, e-learning and online training camp. A total of 31 thousand online and offline training sessions were held, and 5.89 million person-times were trained in 2020. ICBC also integrated corporate culture into business development. In 2020, ICBC hosted the second "ICBC Innovation Contest", aiming at fostering innovation culture for all employees. ICBC initiated a cultural activity themed with "red finance", to summarize "July 1st Achievements" as a gift for the 100th Anniversary of the Founding of the CPC. In addition, thematic cultural activities such as "ONE ICBC ONE FAMILY" and "ICBC Culture Stories" were organized to gather the strength of the whole group and carry forward the spirit of the new age.

ICBC adopted a remuneration policy that was in line with corporate governance requirements, in combination with sustainable development targets, in adaptation to risk management system and talent development strategy, and well-matched with employees' value contribution, so as to advance the sound operation and sustainable development of the whole bank. Employee remuneration consisted of basic remuneration, performance-based remuneration and welfare income. In particular, the basic remuneration depended on an employee's value contribution and ability to perform duties, and the performance-based remuneration was based on the overall situation of ICBC, the employee's institution or department, and the employee's personal performance measurement results. Meanwhile, the performance-based remuneration to the Senior Management and employees in positions with a significant impact on risks was subject to a deferred payment, stop-payment and pay-back mechanism, so as to balance risks and incentives. According to the principle of "efficiency first and consideration of impartiality", ICBC continuously optimized the remuneration resource allocation mechanism with value creation as the core, transmitted the ICBC Group's strategic objectives for business management, and allocated more remuneration resources to the grassroots employees, for the purpose of mobilizing and inspiring the business vitality of institutions at all tiers.

As at the end of 2020, ICBC had a total of 0.44 million employees, including 417 thousand employees in domestic branches, 7 thousand employees in domestic subsidiaries, and 16 thousand employees in overseas institutions.

As at the end of 2020, ICBC had a total of 16,623 institutions, representing an increase of 18 as compared with the end of the previous year. Among them, there were 16,197 domestic institutions and 426 overseas ones. Domestic institutions included the Head Office, 36 tier-one branches and branches directly managed by the Head Office, 456 branches in capital cities and tier-two branches, 15,541 outlets, 31 Head Office-level profitability units along with their directly managed institutions and branches, and 132 subsidiaries and their branches.

Exposure to exchange rates

The ICBC Group is primarily exposed to structural interest rate risk arising from commercial banking and position risk arising from treasury transactions. Interest rate risk is inherent in many of its businesses and largely arises from mismatches between the repricing dates of interest-generating assets and interest-bearing liabilities. The ICBC Group's currency risk mainly results from the risk arising from exchange rate fluctuations on its foreign exchange exposures. Foreign exchange exposures include the mismatch of foreign exchange assets and liabilities, and off-balance sheet foreign exchange positions arising from derivative transactions. The ICBC Group considers the market risk arising from stock prices fluctuations in respect of its investment portfolios as immaterial.

Contingent liabilities

As at 31 December 2020, there were a number of legal proceedings and arbitrations outstanding ICBC and/or its subsidiaries with a claimed amount of RMB4,928 million (31 December 2019: RMB4,233 million).

In the opinion of management, the ICBC Group has made adequate allowance for any probable losses based on the current facts and circumstances, and the ultimate outcome of these lawsuits and arbitrations will not have a material impact on the financial position or operations of the ICBC Group.

As an underwriting agent of the MOF, ICBC underwrites certain PRC government bonds and sells the bonds to the general public. ICBC is obliged to redeem these bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds plus any interest accrued up to the redemption date. As at 31 December 2020, ICBC had underwritten and sold bonds with an accumulated amount of RMB81,112 million (31 December 2019: RMB89,644 million) to the general public, and these government bonds have not yet matured nor been redeemed. Management expects that the amount of redemption of these government bonds through ICBC prior to maturity will not be material.

The MOF will not provide funding for the early redemption of these government bonds on a back-to-back basis but is obliged to repay the principal and the respective interest upon maturity.

As at 31 December 2020, the ICBC Group had no unexpired security-underwriting obligations (31 December 2019: RMB1,000 million).

For the Year Ended 31 December 2021

Segmental information

The ICBC Group is organised into different operating segments, namely corporate banking, personal banking and treasury operations, based on internal organisation structure, management requirements and internal reporting system.

The corporate banking segment covers the provision of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit-taking activities, corporate wealth management services, custody activities and various types of corporate intermediary services.

The personal banking segment covers the provision of financial products and services to individual customers. The products and services include personal loans, deposit-taking activities, card business, personal wealth management services and various types of personal intermediary services.

The treasury operations segment covers the ICBC Group's treasury operations which include money market transactions, investment securities, foreign exchange transactions and the holding of derivative positions, for its own accounts or on behalf of customers.

The others segment covers the ICBC Group's assets, liabilities, income and expenses that are not directly attributable or cannot be allocated to a segment on a reasonable basis. Management monitors the operating results of the ICBC Group's business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the ICBC Group.

Transactions between segments mainly represent the provision of funding to and from individual segments. The internal transfer pricing of these transactions are determined with reference to the market rates and have been reflected in the performance of each segment. Net interest income and expense arising on internal fund transfer are referred to as "internal net interest income or expense". Net interest income and expense relating to third parties are referred to as "external net interest income or expense".

Liquidity and financial resources

At the end of 2021, RMB liquidity ratio and foreign currency liquidity ratio of ICBC were 41.5% and 88.9% respectively, both meeting the regulatory requirements. Loan-to-deposit ratio was 77.3%.

Net stable funding ratio aims to ensure commercial banks have sufficient stable sources of funding to meet the needs for stable funding of assets and off-balance sheet risk exposures. The net stable funding ratio is the ratio of the available stable funding to the required stable funding. As at the end of the fourth quarter of 2021, the net stable funding ratio was 126.20%, 1.98 percentage points lower than that at the end of the previous quarter, mainly due to the rapid growth of stable funds required.

The daily average liquidity coverage ratio for the fourth quarter of 2021 was 112.20%, 0.96 percentage points higher than the previous quarter, mainly because of the continuous growth of qualified high-quality liquid assets. High-quality liquid assets cover cash, available central bank reserve under stress and primary and secondary bond assets that can be included in the liquidity coverage ratio under the regulatory requirements.

As at the end of 2021, the liquidity exposure for less than 1 month turned negative from positive from the end of last year, mainly due to the increase of matured due to customers within corresponding term. The negative liquidity exposure for 1 to 3 months expanded, mainly due to the increase of matured due to customers within corresponding term. The negative liquidity exposure for 3 months to 1 year decreased slightly, mainly due to the increase of matured loans and advances to customers with corresponding term. The positive liquidity exposure for 1 to 5 years decreased slightly mainly due to the increase of matured due to customers within corresponding term. The positive liquidity exposure for the category of over 5 years expanded, which was mainly due to the increase in matured loans and advances to customers and bond investments within corresponding term. Deposits maintained steady growth with a high deposition rate, and at the same time ICBC made major investment in highly liquid bond assets, and possessed sufficient liquidity reserves. Therefore, the overall liquidity of ICBC was maintained at a safe level.

Capital structure

On the basis of capital replenishment by retained profits, ICBC proactively expanded the channels for external capital replenishment and continuously promoted the innovation of capital instruments, to reinforce the capital strength, optimize capital structure and control the cost of capital rationally.

ICBC publicly issued two tranches of undated additional tier 1 capital bonds of RMB70.0 billion and RMB30.0 billion in China's national inter-bank bond market in June and November 2021 respectively. All proceeds from these issuances, after deduction of issuance expenses, were used to replenish ICBC's additional tier 1 capital in accordance with applicable laws and approvals by the regulatory authorities.

ICBC issued undated additional tier 1 capital bonds of USD6.16 billion in the offshore market in September 2021. All proceeds from this issuance, after deduction of issuance expenses, were used to replenish ICBC's additional tier 1 capital in accordance with applicable laws and approvals by the regulatory authorities.

ICBC issued a tier 2 capital bond of RMB30.0 billion in China's national inter-bank bond market in January 2021. All proceeds were used to replenish ICBC's tier 2 capital in accordance with the applicable laws as approved by relevant regulatory authorities. In 2021, ICBC received the approvals from CBIRC and PBC respectively, for ICBC to publicly issue tier 2 capital bonds of no more than RMB190.0 billion in China's national inter-bank bond market. In December 2021 and January 2022, ICBC issued two tranches of tier 2 capital bonds of RMB60.0 billion and RMB40.0 billion in the national inter-bank bond market, respectively.

All proceeds were used to replenish ICBC's tier 2 capital in accordance with the applicable laws as approved by relevant regulatory authorities.

Prospects

In 2022, the global economy is expected to continue its rebound, but tensions in the global supply chain and energy supplies may persist, and the prices of major asset categories show a divergent trend. The accelerated shift in monetary policy of major economies and the upward shift in interest rate centers will pose challenges to the banking sector in terms of liquidity management, asset allocation and optimization of the debt structure. At present, the Chinese economy faces pressures from three fronts, namely shrinking demand, supply shock and weakening expectations, but the momentum of sustained recovery and development has not changed, and its economic fundamentals remain strong in the long term. China is stepping up efforts to foster a new development paradigm featuring dual circulation, in which domestic and overseas markets reinforce each other, with the domestic market as the mainstay. This will bring new opportunities to the high-quality development in the banking sector.

Adhering to Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, ICBC will continue to earnestly implement the decisions and arrangements of the Central Committee of the Communist Party of China and the State Council, advance full and accurate implementation of the new development philosophy in the new development stage, and actively serve and integrate into the new development paradigm.

ICBC will stay committed to the general principle of pursuing progress while ensuring stability, keep hold of the requirement of "stability", fight for achievements in "progress", redouble efforts in "reform", stick to the path of financial development with Chinese characteristics, follow the "48-character" guideline, and pursue its own high-quality development while contributing to the country's high-quality economic and social development. First, it will reinforce the Party's establishment in a high-quality manner. ICBC will uphold and strengthen the Party's leadership, further integrate it with corporate governance, better align the procedural rules of the Party Committee and the decision-making mechanism in corporate governance, and improve the modern financial enterprise system.

ICBC will give full play to its role in full and strict Party self-governance in providing political guidance and guarantees and strengthen strict management and atmosphere. Second, it will serve the new development paradigm in a high-quality manner. ICBC will continue to focus on its main responsibilities and businesses, scale up support for manufacturing enterprises and small and micro enterprises, and improve the service quality and efficiency for scientific and technological innovation and green development. ICBC will bring into full play to its dual functions as monetary policy tools in the total amount and structure of investment and financing, implement the cross-cyclical and counter-cyclical policy arrangements, and provide targeted support for the implementation of major projects during the 14th Five-Year Plan period to keep the macro-economy on an even keel.

ICBC will integrate financial services into the processes of production, distribution, circulation and consumption to help build a complete demand system and smoothen the circulation of the national economy and the global economy. Third, it will implement the new development plan at a high-quality standard. ICBC will give greater prominence to quality, efficiency and innovation, make itself stronger and better based on actual conditions, and improve qualitative development. It will push forward the implementation of key strategies such as the No.1 Personal Bank, the Preferred Bank for Foreign Exchange Business, Sharpening Competitive Edge in Key Regions, and Urban-Rural Collaborative Development. ICBC will strive to achieve new results while "bringing out our strengths to make up for our weaknesses and laying a solid foundation and base" and make mid-term breakthroughs in the implementation of new development plan. Fourth, it will carry out the high-quality enterprise risk management. Adhering to the systematic thinking pattern, ICBC will strengthen risk awareness and bottom-line thinking, comprehensively sort out and identify potential risks, and develop targeted response plans and countermeasures.

ICBC will improve credit risk management, and further stabilize the asset quality. It will refine the risk management mechanism for online and emerging businesses, and strictly forestall market risks.

ICBC will comprehensively enhance the effectiveness of internal control and case prevention measures to ensure that no major risk events and cases occur. Fifth, it will press ahead with high-quality financial reform.

ICBC will further promote the organic integration of the Party's leadership and corporate governance, put in place the sound system of modern financial enterprise, and modernize the governance system and capacity. It will fully exploit its advantages in technology and data to boost the development of the digital economy and ramp up its efforts in building "D-ICBC".

ICBC will roll out new cutting-edge and controllable financial technology and take solid measures to ensure the security in the process of digital transformation. Sixth, it will reinforce the building of talent teams in a high-quality manner.

ICBC will strengthen the top-level design for talent-related work, devise and implement a new round of bank-wide talent development plans. It will improve the evaluation, appraisal and monitoring systems, refine the incentive and restraint mechanisms, strengthen employee management and supervision, and improve employee care. By doing so, ICBC aims to build a strong bank with top-notch talent teams and forge synergy for ICBC's high-quality development.

Employees and related policies

With the focus on high-quality development of operation and areas vital to market competition, ICBC assigned more human resources to strategic areas. ICBC deepened technological empowerment, moved ahead with the construction of retail and FinTech teams and improved operation through the transformation and upgrading of human resources. ICBC expanded frontline marketing service personnel to strongly support the competitiveness enhancement of outlets. In line with the trend of digital transformation, ICBC optimized institutional function setting and deepened online and offline integrated development. ICBC increased support for personnel in key counties and rural areas and promoted financial service resources to lower tiers.

ICBC endeavored to promote the acceptance of corporate culture. ICBC, focusing on its strategy, expanded the connotation of corporate culture, strengthened cultural transmission, and reinforced employees' strategic consensus and cultural identity by preparing and publishing white papers on cultural building and producing micro-videos to interpret the strategy. ICBC carried forward the "Innovative ICBC" project, put into production the incubation system, and created an atmosphere of innovation for all employees. ICBC continued to implement the cultural event "That's China, That's ICBC" to promote cultural integration and dissemination. ICBC launched "Red Financial Footprint" campaign to guide employees to inherit the tradition and spirit of revolution. ICBC produced special educational films such as "Comprehensive and Strict Governance over Party and ICBC", carried out special warning education on "Financial Criminal Cases", to foster a clean and honest financial culture.

ICBC continued to develop tiered and classified training programs to meet the needs of business development and talent team building. ICBC concentrated efforts on implementing leadership training camp, Mini MBA Program, credit management and executive English training for managers to enhance their management capabilities. ICBC continued to carry out thematic training on FinTech, inclusive finance, AML and ESG to improve the professional competency and business capabilities of professionals. ICBC started cross-provincial rotating training for the heads of frontline outlets, coordinated and strengthened training for personnel on other positions, extensively carried out the bank-wide reading campaign and helped employees perform duties and grow up on appropriate positions.

ICBC adopted a remuneration policy that was in line with corporate governance requirements, in combination with high-quality development targets, in adaptation to risk management system and talent development strategy, and well-matched with employees' value contribution, so as to advance the sound operation and high-quality development of the whole bank. ICBC's remuneration management policy was formulated and adjusted in strict accordance with applicable national regulations, regulatory requirements and corporate governance procedures.

Employee remuneration consisted of basic remuneration, performance-based remuneration and welfare income. In particular, the basic remuneration depended on an employee's value contribution and ability to perform duties, and the performance-based remuneration was based on the overall situation of ICBC, the employee's institution or department, and the employee's personal performance measurement results. Meanwhile, the performance-based remuneration to the Senior Management and employees on key positions was subject to a deferred payment and recourse deduction mechanism, so as to balance risks and incentives. For employees who violated regulations and disciplines or had abnormal exposure of risk losses within their duties, the performance-based remuneration for the corresponding period shall be deducted, stopped in payment and recovered according to the severity. During the reporting period, according to relevant measures, ICBC deducted or stopped payment of corresponding performance-based remuneration to employees who were subject to disciplinary action or other treatment due to violation of regulations and disciplines or abnormal exposure of risk losses within their duties.

ICBC continuously optimized the remuneration resource allocation mechanism with value creation as the core, resolutely maintained a fair allocation concept with incentive commensurate with restraint, transmitted the ICBC Group's strategic objectives for business management, and allocated more remuneration resources to the grassroots employees, for the purpose of mobilizing and inspiring the business vitality of institutions at all tiers.

ICBC's 2021 remuneration plan was prepared and implemented as per the internal decision-making process. The execution of total annual salaries was reported to the authority for filing according to national regulations. During the reporting period, ICBC's Senior Management fulfilled the indicators concerning economic, risk and social responsibilities well, and final results will be determined after deliberation by the Board of Directors.

As at the end of 2021, ICBC had a total of 434,089 employees, including 410,766 employees in the Head Office and domestic branches, 7,467 employees in domestic subsidiaries, and 15,856 employees in overseas institutions.

Exposure to exchange rates

The ICBC Group is primarily exposed to structural interest rate risk arising from commercial banking and interest rate risk arising from treasury business positions. Interest rate risk is inherent in many of its businesses and largely arises from mismatches between the repricing dates of interest-generating assets and interest-bearing liabilities. The ICBC Group's currency risk mainly results from the risk arising from exchange rate fluctuations on its foreign exchange exposures. Foreign exchange exposures include the mismatch of foreign currency assets and liabilities, and off-balance sheet foreign exchange positions arising from derivative transactions. The ICBC Group considers the market risk arising from stock price fluctuations in respect of its investment portfolios to be immaterial.

Contingent liabilities

The ICBC Group is involved in lawsuits and arbitrations during its normal course of operations. As at 31 December 2021, there were a number of legal proceedings and arbitrations outstanding against ICBC and/or its subsidiaries with a total claimed amount of RMB6,165 million (31 December 2020: RMB4,928 million). In the opinion of management, the ICBC Group has made adequate allowance for any probable losses based on the current facts and circumstances, and the ultimate outcome of these lawsuits and arbitrations will not have a significant impact on the financial position or operations of the ICBC Group.

Redemption commitments of government bonds and securities underwriting commitments As an underwriting agent of the MOF, ICBC underwrites certain PRC government bonds and sells the bonds to the general public. ICBC is obliged to redeem these bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds plus any interest accrued up to the redemption date. The MOF will not provide funding for the early redemption of these PRC government bonds on a back-to-back basis but is obliged to repay the principal and the respective interest upon maturity. The redemption obligations, which represent the nominal value of government bonds underwritten and sold by the ICBC Group, but not yet matured as at 31 December 2021 were RMB75,553 million (31 December 2020: RMB81,112 million). Management expects that the redemption obligation of these PRC government bonds by ICBC prior to maturity will not be material. As at 31 December 2021, the ICBC Group's outstanding securities underwriting commitments were RMB6,350 million (31 December 2020: Nil).

For the Year Ended 31 December 2022

Segmental information

The ICBC Group is organised into different operating segments, namely corporate banking, personal banking and treasury operations, based on internal organisation structure, management requirements and internal reporting system.

The corporate banking segment covers the provision of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit-taking activities, corporate wealth management services, custody activities and various types of corporate intermediary services.

The personal banking segment covers the provision of financial products and services to individual customers. The products and services include personal loans, deposit-taking activities, card business, personal wealth management services and various types of personal intermediary services.

The treasury operations segment covers the ICBC Group's treasury operations which include money market transactions, investment securities, foreign exchange transactions and the holding of derivative positions for its own accounts or on behalf of customers.

The others segment covers the ICBC Group's assets, liabilities, income and expenses that are not directly attributable or cannot be allocated to a segment on a reasonable basis. Management monitors the operating results of the ICBC Group's business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the ICBC Group.

Transactions between segments mainly represent the provision of funding to and from individual segments. The internal transfer pricing of these transactions is determined with reference to the market rates and have been reflected in the performance of each segment. Net interest income and expense arising on internal fund transfer are referred to as "internal net interest income or expense". Net interest income and expense relating to third parties are referred to as "external net interest income or expense".

Liquidity and financial resources

At the end of 2022, RMB liquidity ratio and foreign currency liquidity ratio of ICBC were 42.3% and 106.1% respectively, both meeting the regulatory requirements. Loan-to-deposit ratio was 76.7%.

Net stable funding ratio aims to ensure commercial banks have sufficient stable sources of funding to meet the needs for stable funding of assets and off-balance sheet risk exposures. The net stable funding ratio is the ratio of the available stable funding to the required stable funding. As at the end of the fourth quarter of 2022, the net stable funding ratio was 128.82%, 1.02 percentage points higher than that at the end of the previous quarter, mainly due to the rapid growth of stable funds available for use.

The daily average liquidity coverage ratio for the fourth quarter of 2022 was 118.27%, 2.43 percentage points lower than the previous quarter, mainly because of the decreased cash inflows in the next 30 days. High-quality liquid assets cover cash, available central bank reserve under stress and primary and secondary bond assets that can be included in the liquidity coverage ratio under the regulatory requirements.

As at the end of 2022, the negative liquidity exposure for less than 1 month expanded, mainly due to the increase of matured due to customers within corresponding term. The negative liquidity exposure for 3 months to 1 year decreased slightly, mainly due to the increase of matured loans and advances to customers with corresponding term. The positive liquidity exposure for 1 to 5 years and over 5 years expanded, which was mainly due to the increase in matured loans and advances to customers and bond investments within corresponding term. In 2022, ICBC maintained stable and abundant funds, balanced and steady growth in assets and liabilities, reasonable and appropriate cash flows of various maturities, and safe and steady liquidity operation.

Capital structure

On the basis of capital replenishment by retained profits, ICBC proactively expanded the channels for external capital replenishment and continuously promoted the innovation of capital instruments, to optimize capital structure, reinforce the capital strength and control the cost of capital rationally.

The First Extraordinary General Meeting of 2022 of ICBC reviewed and approved the Proposal on the Issuance of Undated Additional Tier 1 Capital Bonds. ICBC planned to issue undated additional tier 1 capital bonds of no more than RMB130.0 billion in China's domestic market. All proceeds from the issuance were used to replenish ICBC's additional tier 1 capital. The issuance plan of the undated additional tier 1 capital bonds is still subject to the approval of relevant regulatory authorities.

ICBC issued three tranches of tier 2 capital bonds of RMB40.0 billion, RMB50.0 billion and RMB40.0 billion respectively in China's national inter-bank bond market in January, April and August 2022. All proceeds were used to replenish ICBC's tier 2 capital in accordance with the applicable laws as approved by relevant regulatory authorities.

In October 2022, ICBC received the approvals from CBIRC, for ICBC to publicly issue tier 2 capital bonds of no more than RMB200.0 billion in China's national inter-bank bond market and record into ICBC's tier 2 capital according to relevant regulations. In November and December 2022, ICBC issued two tranches of tier 2 capital bonds of RMB60.0 billion and RMB30.0 billion in the national inter-bank bond market, respectively. All proceeds were used to replenish ICBC's tier 2 capital in accordance with the applicable laws as approved by relevant regulatory authorities.

Prospects

2022 was an extraordinary year. Adhering to Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, ICBC continued to earnestly implement the decisions and arrangements of the Central Committee of the Communist Party of China ("**CPC**") and the State Council. Following the "48-character" guideline, ICBC coordinated development and safety, and advanced the "Strong, Excellent and Large" features by making efforts in "stability, progress and reform". It achieved the admirable performance of making progress and improving quality while ensuring stability, which was better than the expected and the best over recent years, and reached a new stage in the high-quality development of ICBC.

2023 is the start for comprehensively implementing the guiding principles of the 20th National Congress of the CPC. The fundamentals of the Chinese economy remain unchanged, and they will maintain long-term growth and demonstrate strong resilience, great potential and sufficient vitality. The economic operation is expected to recover in general, creating favorable conditions for the high-quality development of the banking industry. However, the world has entered a new period of turmoil and changes and the world economy may be troubled by stagflation, producing adverse influence for the stable and healthy operation of banking.

ICBC will continue to follow the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, study and carry out in depth the guiding principles of the 20th National Congress of the CPC, and fully and faithfully apply the new development philosophy on all fronts. Following the “48-character” guideline, ICBC will focus on serving the Chinese path to modernization and driving high-quality development. It will strive to further practice the arrangements of “leveraging our strengths, tackling areas of weaknesses and solidifying the foundation” and seek new breakthroughs in development plans. With concrete action, ICBC will contribute to the efforts to kick off to a good start for building a modern socialist country in all respects.

First, it will stabilize growth to fully serve the Chinese path to modernization. ICBC will firmly implement the decisions and arrangements of the Central Committee of the CPC, put stability first and pursue progress while ensuring stability, and fulfill its responsibilities as a large bank in promoting larger domestic demand, optimized supply and smooth circulation. It will deepen the implementation of key strategies such as the No.1 Personal Bank, the Preferred Bank for Foreign Exchange Business, Sharpening Competitive Edge in Key Regions, and Urban-Rural Collaborative Development. By providing high-quality financial services, ICBC will contribute to the efforts of stabilizing growth, employment and price.

Second, it will adjust structure to create the new ecosystem of high-quality development. Aiming to develop into a world-class and modern financial enterprise with Chinese characteristics, ICBC will construct a balanced and coordinated customer structure, a stable and reasonable asset structure, a diverse income structure, an innovative and leading product structure, and a fully integrated channel structure. In doing so, it will solidify the “Strong, Excellent and Large” features and move closer towards balanced, coordinated and sustainable developments.

Third, it will provide driving forces by enhancing support in technology, data and talents. ICBC will accurately follow the direction of modern financial development and remain committed to technology self-reliance, development empowered by digital technology and development led and driven by talents. It will advance the building of “D-ICBC”, a strong bank with technology advantages and top-notch talent teams, and first-class think tanks. Continuous efforts will be made to improve customer experience, business efficiency and value creation capability. ICBC will continue to plan in a well-coordinated way and fully deepen the comprehensive reform to build new engines for high-quality development.

Fourth, it will prevent risks and put up new high-level defense lines for security. Adhering to a holistic approach to national security, ICBC will refine the Five-pronged Risk Management Approach, strengthen source control and joint prevention, and keep a close eye on major fields, weak links and critical positions in promoting the iteration and upgrading of the comprehensive risk management system. It will enhance building, execution and supervision of the internal control system and unremittingly reinforce production safety to effectively prevent and eliminate major risks.

Fifth, it will break new ground in the guidance of the Party building. ICBC will keep cementing the results of the disciplinary inspection by the CPC Central Committee, continue to refine the implementation mechanism for the major decisions and arrangements of the CPC Central Committee, and promote the guiding principles of the 20th CPC National Congress to be carried out throughout ICBC and produce vivid practice. It will remain firmly committed to the full and strict Party self-governance, continue with strict keynote, measures and atmosphere in the long run, and strive to build a clean, righteous, practical and accountable political environment.

Employees and related policies

ICBC adopted a remuneration policy that is in line with corporate governance requirements, in combination with high-quality development targets, in adaptation to risk management system and talent development strategy, and well-matched with employees' value contribution, so as to advance the sound operation and high-quality development of the whole bank.

ICBC's remuneration management policy was formulated and adjusted in strict accordance with applicable national regulations, regulatory requirements and corporate governance procedures. ICBC continuously optimized the remuneration resource allocation mechanism with value creation as the core, resolutely maintained a fair allocation concept with incentive commensurate with restraint, transmitted the ICBC Group's strategic objectives for business management, and allocated more remuneration resources to the grassroots employees, for the purpose of mobilizing and inspiring the business vitality of institutions at all tiers. ICBC's employee remuneration consisted of basic remuneration, performance-based remuneration and welfare income.

In particular, the basic remuneration depended on an employee's value contribution and ability to perform duties, and the performance-based remuneration was based on the overall situation of ICBC, the employee's institution or department, and the employee's personal performance measurement results. Meanwhile, the performance-based remuneration to the Senior Management and employees in positions that have a significant influence on risks was subject to a deferred payment and recourse deduction mechanism, so as to balance risks and incentives. For employees who violated regulations and disciplines or had abnormal exposure of risk losses within their duties, their performance-based remuneration for the corresponding period shall be deducted, withheld and recovered according to the severity of the violation. During the reporting period, according to relevant measures, ICBC deducted, withheld or recovered payment of corresponding performance-based remuneration to employees who were subject to disciplinary action or other treatment due to violation of regulations and disciplines or abnormal exposure of risk losses within their duties. ICBC's 2022 remuneration plan was prepared and implemented as per the internal decision-making process. The execution of total annual salaries was reported to the authority for filing according to national regulations. During the reporting period, ICBC's Senior Management fulfilled the indicators concerning economic, risk and social responsibilities well, and final results will be determined after deliberation by the Board of Directors.

As at the end of 2022, ICBC had a total of 427,587 employees, including 404,090 employees in the Head Office and domestic branches, 7,619 employees in domestic subsidiaries, and 15,878 employees in overseas institutions. ICBC's employee gender ratio maintained generally balanced and there was no significant change from the end of last year. In future, ICBC will continue to pay attention to the employee gender structure, strengthen tracking and monitoring in areas such as personnel exit and recruitment, and take effective measures to maintain a balanced and stable gender ratio.

Exposure to exchange rates

The ICBC Group is primarily exposed to structural interest rate risk arising from commercial banking and interest rate risk arising from treasury business positions. Interest rate risk is inherent in many of its businesses and largely arises from mismatches between the repricing dates of interest-generating assets and interest-bearing liabilities. The ICBC Group's currency risk mainly results from the risk arising from exchange rate fluctuations on its foreign exchange exposures. Foreign exchange exposures include the mismatch of foreign currency assets and liabilities, and off-balance sheet foreign exchange positions arising from exchange rate derivative transactions. The ICBC Group considers the market risk arising from stock price fluctuations in respect of its investment portfolios to be immaterial.

Contingent liabilities

The ICBC Group is involved in lawsuits and arbitrations during its normal course of operations. As at 31 December 2022, there were a number of legal proceedings and arbitrations outstanding against ICBC and/or its subsidiaries with a total claimed amount of RMB4,738 million (31 December 2021: RMB6,165 million). In the opinion of management, the ICBC Group has made adequate allowance for any probable losses based on the current facts and circumstances, and the ultimate outcome of these lawsuits and arbitrations will not have any significant impact on the financial position or operations of the ICBC Group.

As an underwriting agent of the MOF, ICBC underwrites certain PRC government bonds and sells the bonds to the general public. ICBC is obliged to redeem these bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds plus any interest accrued up to the redemption date. The MOF will not provide funding for the early redemption of these PRC government bonds on a back-to-back basis but is obliged to repay the principal and the respective interest upon maturity. The redemption obligations, which represent the nominal value of government bonds underwritten and sold by the ICBC Group, but not yet matured as at 31 December 2022 were RMB62,140 million (31 December 2021: RMB75,553 million). Management expects that the redemption obligation of these PRC government bonds by ICBC prior to maturity will not be material. As at 31 December 2022, the ICBC Group has not had any outstanding securities underwriting commitments (31 December 2021: RMB6,350 million).

For the Six Months Ended 30 June 2023

Segmental information

The ICBC Group is organised into different operating segments, namely corporate banking, personal banking and treasury operations, based on internal organisation structure, management requirements and internal reporting system.

The corporate banking segment covers the provision of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit-taking activities, corporate wealth management services, custody activities and various types of corporate intermediary services.

The personal banking segment covers the provision of financial products and services to individual customers. The products and services include personal loans, deposit-taking activities, card business, personal wealth management services and various types of personal intermediary services.

The treasury operations segment covers the ICBC Group's treasury operations which include money market transactions, investment securities, foreign exchange transactions and the holding of derivative positions, for its own accounts or on behalf of customers.

This segment covers the ICBC Group's assets, liabilities, income and expenses that are not directly attributable or cannot be allocated to a segment on a reasonable basis.

Management monitors the operating results of the ICBC Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the ICBC Group.

Transactions between segments mainly represent the provision of funding to and from individual segments. The internal transfer pricing of these transactions is determined with reference to the market rates and have been reflected in the performance of each segment. Net interest income and expense arising on internal fund transfer are referred to as "internal net interest income or expense". Net interest income and expense relating to third parties are referred to as "external net interest income or expense".

Liquidity and financial resources

At the end of 30 June 2023, RMB liquidity ratio and foreign currency liquidity ratio of ICBC were 47.6% and 98.5%, respectively, both meeting the regulatory requirements. Loan-to-deposit ratio was 74.7%.

Net stable funding ratio aims to ensure commercial banks have sufficient stable sources of funding to meet the needs for stable funding of assets and off-balance sheet risk exposures. The net stable funding ratio is the ratio of the available stable funding to the required stable funding. As at the end of the second quarter of 2023, the net stable funding ratio was 129.18%, 0.75 percentage points lower than that at the end of the previous quarter, mainly due to the rapid growth of required stable funds.

The daily average liquidity coverage ratio for the second quarter of 2023 was 123.42%, 10.83 percentage points higher than the previous quarter, mainly attributable to the increase in high-quality liquid assets. High-quality liquid assets cover cash, central bank reserve available under stress and primary and secondary bond assets that can be included in the liquidity coverage ratio under the regulatory requirements.

ICBC maintained stable and abundant funds, balanced and steady growth in assets and liabilities, reasonable and appropriate cash flows of various maturities, and safe and steady liquidity operation. As at the end of June, the liquidity exposure for less than 1 month turned positive from negative, mainly due to the increase in matured dues from banks and other financial institutions and lending to other banks within corresponding term. The negative liquidity exposure for 1 to 3 months narrowed down slightly, mainly due to the increase in loans and advances to customers and bond investment within corresponding term. The negative liquidity exposure for 3 months to 1 year expanded, mainly due to the increase in dues to customers within corresponding term. The positive liquidity exposure for 1 to 5 years narrowed down slightly, mainly due to the increase in dues to customers within corresponding term. The positive liquidity exposure for the category of over 5 years expanded, which was mainly due to a growth of loans and advances to customers and bond investment within corresponding term.

Capital structure

On the basis of capital replenishment by retained profits, ICBC proactively expanded the channels for external capital replenishment, continuously promoted the innovation of capital instruments, and optimized the capital structure, to reinforce the capital strength and control the cost of capital rationally.

ICBC publicly issued a tranche of tier 2 capital bonds of RMB55.0 billion in China's national inter-bank bond market in April 2023. All proceeds were used to replenish ICBC's tier 2 capital in accordance with the applicable laws as approved by relevant regulatory authorities.

Prospects

Since the beginning of 2023, the world economy is recovering sluggishly and has entered into a new stage of turbulence and changes. The Chinese national economy continues to recover with good momentum, showing great development resilience and potential. The financial sector is making new progress in pursuing high-quality development, with an improved financial regulatory system, refined opening-up policies and better circulation between finance and the real economy, providing important support to the high-quality development of the banking sector.

In the second half of this year, ICBC will continue to follow the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and firmly focus on the primary task of high-quality development and the strategic task of fostering a pattern of development. It will adhere to the "48-character" guideline, deepen the implementation of the strategic layout of "leveraging our strengths, tackling areas of weaknesses and solidifying the foundation", advance the work of maintaining stable growth, adjusting structure, increasing growth drivers, preventing risks and breaking new ground in a coordinated manner, make new progress in the building of a world-class modern financial institution with Chinese characteristics, and celebrate the 40th anniversary of the founding of ICBC with excellent results.

First, ICBC will spare no effort to serve Chinese modernization. Based on ICBC's foundation of development and business characteristics, ICBC will have a deep understanding of the Chinese characteristics, essential requirements and major principles of Chinese modernization, establish and improve the modern financial service system with Chinese characteristics that follows a clear direction, keep in mind ICBC's underlying mission, highlight ICBC's principal business, uphold fundamental principles and break new ground, so as to better meet the diverse financial needs of the real economy and the general public.

Second, ICBC will continue to promote the high-quality development. It will faithfully and fully apply the new development philosophy on all fronts, establish a correct view on political achievements, coordinate the efforts in value creation, market position, risk control and capital constraint, and promote the building of a balanced, coordinated and sustainable sound development ecosystem across ICBC. ICBC will maintain strategic focus, pursue progress while ensuring stability, and advance the high-quality development of the whole Bank by implementing the ICBC Group's strategic layout and key strategies with high quality.

Third, ICBC will deepen reform and transformation in all respects. Facing the new trends of scientific and technological changes, the new patterns of market competition and the new situations in internal management, the Bank will focus on solving deep-rooted problems and obstacles, accelerate structural adjustment and the activation of growth drivers, and continue to improve the ICBC Group's governance effectiveness and operating efficiency. It will refine resource allocation by optimizing the customer structure and bolster the momentum of development by optimizing the asset structure. It will channel more resources into key areas of developing a modern industrial system to provide more room for transformation and development and making profit concessions to the real economy.

Fourth, ICBC will better coordinate development and security. It will firmly apply the overall concept of national security, and continue to refine the enterprise-wide risk management system with the goal of creating a benchmark for large banks for safe and sound development, using the "Five-pronged Risk Management Approach" as a means. ICBC will strengthen the worst-case scenario and the extreme-case scenario mindset, prudently defuse existing risks and resolutely prevent incremental risks with a sense of responsibility of being vigilant all the time. Besides, ICBC will put forth effort to strengthen the effectiveness of internal control and case prevention, enhance the "dam" for workplace safety and operation safety, and firmly guard against any systemic risks.

Employees and related policies

With the focus on high-quality development of operations and areas vital to market competition, ICBC assigned more human resources to strategic areas and improved operations through the transformation and upgrading of human resources. ICBC focused on building four kinds of talented workforce, namely, leading talents, innovative talents, professional talents and young talents. Focusing on key areas such as emerging business, international business, risk control and security, sci-tech data, etc., ICBC cultivated, introduced and made good use of talents in all respects, and put forth effort to build a high-end financial workforce that meets the requirements of financial work in the New Era. In addition, ICBC accelerated digital transformation, deepened technology-driven empowerment, optimized institutional function setting, enriched the frontline marketing workforce, and promoted financial service resources to lower tiers.

ICBC continuously optimized the remuneration resource allocation mechanism with value creation as the core, resolutely maintained a fair allocation concept with incentives commensurate with restraint, transmitted the ICBC Group's strategic objectives for business management, and allocated more remuneration resources to the grassroots employees, for the purpose of mobilizing and inspiring the business vitality of institutions at all levels and of all classes.

Focusing on building a learning organization and a learning bank, ICBC strived to implement a number of high-quality training programs, to effectively facilitate training at all levels, cultivate business management talents and special talents, and accelerate the development of young talents. For management personnel, ICBC implemented training programs such as "ICBC Leadership" for heads of domestic institutions, capabilities improving program for heads in charge of credit division (credit risk officers), operating capabilities improving program for heads of tier-two branches, and English training for management personnel, to strengthen their strategic thinking, management competence and language ability. For professionals, ICBC implemented programs such as digital transformation training, "Sword Sharpening Program" for discipline inspection line, and training for HR heads from organization directly managed by the Head Office, to improve their professional and business capabilities. For front-line employees, ICBC implemented the rotating training program for outlet heads, "GBC+" outlets "iron triangle"1 training, to continuously improve the competence and services of outlet staff. For society and customers, ICBC implemented programs such as ICBC agricultural revitalization, innovation and financing training for large, medium and small enterprises, and high-quality development training for modern enterprises, and China's social security reform and development training, to support customer maintenance and business development. Focusing on the growth of talents, ICBC held programs including young and middle-aged cadres training, global leadership development program, ICBC Star Program – new employees training, new employee mentor training, etc., and built a full-chain, systematic training system.

ICBC carried out a wide variety of corporate culture activities, to promote the cultivation of the culture of probity, compliance, service, and innovation with a focus on the transmission of core values of ICBC. ICBC selected 75 cultural models with distinctive features, with the purpose of promoting mutual exchange and learning of corporate culture. ICBC set up a probity culture research center, which enriched the carrier of probity culture beside the education base for probity culture. The center focused on probity culture research, resource development, publicity and education, aiming at assisting in building a clean ICBC. ICBC also set up an education base for innovation culture that comprehensively showcased the development of ICBC's innovation culture and its major innovation achievements in different stages through display boards, videos, VR devices etc.

As at the end of 30 June 2023, ICBC had a total of 415,719 employees, including 392,611 employees in the Head Office and domestic branches, 7,232 employees in major domestic subsidiaries, and 15,876 employees in overseas institutions.

Exposure to exchange rates

The ICBC Group is primarily exposed to structural interest rate risk arising from commercial banking and interest rate risk arising from treasury business positions. Interest rate risk is inherent in many of its businesses and largely arises from mismatches between the repricing dates of interest-generating assets and interest-bearing liabilities.

The ICBC Group's currency risk mainly results from the risk arising from exchange rate fluctuations on its foreign exchange exposures. Foreign exchange exposures include the foreign exchange exposures arising from currency structural imbalance between foreign currency assets and liabilities, and off-balance sheet foreign exchange exposures arising from currency derivative transactions.

The ICBC Group considers the market risk arising from stock price fluctuations in respect of its investment portfolios to be immaterial.

Contingent liabilities

The ICBC Group is involved in lawsuits and arbitrations during its normal course of operations. As at 30 June 2023, there were a number of legal proceedings and arbitrations outstanding against ICBC and/or its subsidiaries with a total claimed amount of RMB6,860 million (31 December 2022: RMB4,738 million). In the opinion of management, the ICBC Group has made adequate allowance for any probable losses based on the current facts and circumstances, and the ultimate outcome of these lawsuits and arbitrations will not have any significant impact on the financial position or operations of the ICBC Group.

As an underwriting agent of the MOF, ICBC underwrites certain PRC government bonds and sells the bonds to the general public. ICBC is obliged to redeem these bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds plus any interest accrued up to the redemption date. The MOF will not provide funding for the early redemption of these PRC government bonds on a back-to-back basis but is obliged to repay the principal and the respective interest upon maturity. The redemption obligations, which represent the nominal value of government bonds underwritten and sold by the ICBC Group, but not yet matured as at 30 June 2023 were RMB63,486 million (31 December 2022: RMB62,140 million). Management expects that the redemption obligations of these PRC government bonds by ICBC prior to maturity will not be material. As at 30 June 2023, the ICBC Group has not had any outstanding securities underwriting commitments (31 December 2022: Nil).

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 Group. 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

Interests and short positions of Directors and chief executives in the shares of the Company and its associated corporations

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), 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 interests and short positions which they were taken or deemed to have been taken under such provisions of the SFO); or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange:

Long position in the shares of the Company

Name of Director	Capacity	Number of Shares held
Dr. Charles Yeung, GBS, JP [(1)]	– interest held through Glorious Sun Holdings (BVI) Limited (51.934% of the share capital was held by Dr. Charles Yeung)	622,263,000
	– interest held through Advancetex Holdings (BVI) Limited (51.934% of the share capital was held by Dr. Charles Yeung)	207,810,000
Yeung Chun Fan, BBS [(2)]	– interest held through Glorious Sun Holdings (BVI) Limited (48.066% of the share capital was held by Mr. Yeung Chun Fan)	622,263,000
	– interest held through Advancetex Holdings (BVI) Limited (48.066% of the share capital was held by Mr. Yeung Chun Fan)	207,810,000

Name of Director	Capacity	Number of Shares held
Dr. Charles Yeung, GBS, JP [(1)] and Yeung Chun Fan, BBS [(2)]	– beneficial owner (50% of the interest was held by each of Dr. Charles Yeung and Mr. Yeung Chun Fan)	138,285,499
Yeung Chun Fan, BBS [(2)]	– beneficial owner	75,000,000
Ms. Cheung Wai Yee [(3)]	– beneficial owner	10,095,000
Hui Chung Shing, Herman, GBS, MH, JP [(4)]	– beneficial owner	6,250,000
Lau Hon Chuen, Ambrose, GBS, JP [(5)]	– beneficial owner	1,492,402

Notes:

Calculations of the interests in shares disclosed pursuant to the SFO were as follows:

1. The total interests held were 968,358,499 shares which represented 63.597% of the Company's issued share capital as at the Latest Practicable Date.

2. Interest of spouse (Ms. Cheung Wai Yee) of 10,095,000 shares has to be included. Therefore, according to the calculation of interests under the SFO, the total interests held by Mr. Yeung Chun Fan were 1,053,453,499 shares which represented 69.186% of the Company's issued share capital as at the Latest Practicable Date.

3. Interest of spouse (Mr. Yeung Chun Fan) of 1,043,358,499 shares has to be included. Therefore, according to the calculation of interests under the SFO, the total interests held by Ms. Cheung Wai Yee were 1,053,453,499 shares which represented 69.186% of the Company's issued share capital as at the Latest Practicable Date.

4. The total interests held were 6,250,000 shares which represented 0.410% of the Company's issued share capital as at the Latest Practicable Date.

5. The total interests held were 1,492,402 shares which represented 0.098% of the Company's issued share capital as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations, within the meaning of Divisions 7 and 8 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial shareholders

As at the Latest Practicable Date, the register required to be kept by the Company pursuant to Section 336 of the SFO showed that the following shareholders had disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO an interest or a short position in the shares or underlying shares of the Company:

Long position in the shares of the Company

Name of shareholder		Capacity	Number of Shares held
Glorious Sun Holdings (BVI) Limited [(1)] (51.934% of the share capital was held by Dr. Charles Yeung and 48.066% of the share capital was held by Mr. Yeung Chun Fan)	–	beneficial owner	622,263,000
Advancetex Holdings (BVI) Limited [(2)] (51.934% of the share capital was held by Dr. Charles Yeung and 48.066% of the share capital was held by Mr. Yeung Chun Fan)	–	beneficial owner	207,810,000
Dr. Charles Yeung, GBS, JP [(3 & 6)]	–	50% of the interest was held by each of Dr. Charles Yeung and Mr. Yeung Chun Fan	138,285,499
Yeung Chun Fan, BBS [(4 & 6)]	–	50% of the interest was held by each of Dr. Charles Yeung and Mr. Yeung Chun Fan	138,285,499
	–	beneficial owner	75,000,000
Ms. Cheung Wai Yee [(5 & 6)]	–	beneficial owner	10,095,000

Notes:

Calculations of the interests in shares disclosed pursuant to the SFO were as follows:

1. The total interests held were 622,263,000 shares which represented 40.867% of the Company's issued share capital as at the Latest Practicable Date.

2. The total interests held were 207,810,000 shares which represented 13.648% of the Company's issued share capital as at the Latest Practicable Date.

3. Interests of controlled corporations (Glorious Sun Holdings (BVI) Limited and Advancetex Holdings (BVI) Limited) of 830,073,000 shares have to be included. Therefore, according to the calculation of interests under the SFO, the total interests held by Dr. Charles Yeung were 968,358,499 shares which represented 63.597% of the Company's issued share capital as at the Latest Practicable Date.

4. Interests of controlled corporations (Glorious Sun Holdings (BVI) Limited and Advancetex Holdings (BVI) Limited) of 830,073,000 shares and interest of spouse (Ms. Cheung Wai Yee) of 10,095,000 shares have to be included. Therefore, according to the calculation of interests under the SFO, the total interests held by Mr. Yeung Chun Fan were 1,053,453,499 shares which represented 69.186% of the Company's issued share capital as at the Latest Practicable Date.

5. Interest of spouse (Mr. Yeung Chun Fan) of 1,043,358,499 shares has to be included. Therefore, according to the calculation of interests under the SFO, the total interests held by Ms. Cheung Wai Yee were 1,053,453,499 shares which represented 69.186% of the Company's issued share capital as at the Latest Practicable Date.

6. As at the Latest Practicable Date, so far was known to the Directors, each of Dr. Charles Yeung, Mr. Yeung Chun Fan, Ms. Cheung Wai Yee and Ms. Yeung Yin Chi, Jennifer was a director of Glorious Sun Holdings (BVI) Limited and Advancetex Holdings (BVI) Limited, respectively. Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or an employee of a company which had an interest or short position in the shares or 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.

Save as disclosed above, no other parties disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as having an interest or a short position in the shares or underlying shares of the Company as at the Latest Practicable Date.

3. DIRECTORS' OTHER INTEREST

As at the Latest Practicable Date, none of the Directors (or proposed Directors, if any) or their respective close associates had any interest in a business which competes or may compete, either directly or indirectly, with the business of the Group and would require disclosure under Rule 8.10 of the Listing Rules.

As at the Latest Practicable Date, save for the tenancy agreement set out below, none of the Directors had any direct or indirect interest in any assets which had, since 31 December 2022 (being the date to which the latest published audited consolidated financial statements of the Company were made up), been acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group.

Full particulars of the nature and extent of the interest of every Director or proposed Director are set out below:

Date of tenancy agreement	Property leased by the Group	Use of property	Location	Landlord	Term	Monthly rental, air-conditioning and management fee	Relationship between landlord and the Directors
31 July 2023	One Kowloon Premises	Office	Hong Kong	Rank Profit Industries Limited	1 August 2023 to 31 July 2026	HK$141,153	the landlord is owned as to 66.7% and 33.3% by Dr. Charles Yeung[(1)] and Mr. Yeung Chun Fan[(2)]

Notes:

1. Dr. Charles Yeung is a Director and a substantial shareholder of the Company.

2. Mr. Yeung Chun Fan is a Director and a substantial shareholder of the Company.

As at the Latest Practicable Date, save for the consulting service agreement dated 1 August 2023 entered into between Smart Empire Asset Management Limited ("**Smart Empire**") (as service provider), a wholly-owned subsidiary of the Company, and Glory Star Investments Limited ("**Glory Star**") (as service user), a company held as to 51% by Dr. Charles Yeung and 34% by Mr. Yeung Chun Fan, both being Directors and substantial shareholders of the Company, pursuant to which Smart Empire agreed to provide certain consulting services to Glory Star in relation to financial investments at a consideration of HK$5,680,000, details of which are set out in the Company's announcement dated 1 August 2023, none of the Directors was materially interested in any contract or arrangement subsisting which was significant in relation to the business of the Group.

4. SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into, with any member of the Group, a service contract which is not expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. LITIGATION

As at the Latest Practicable Date, there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

6. MATERIAL CONTRACTS

There were no material contracts (not being contracts entered into in the ordinary course of business carried out by the Group) have been entered into by any member of the Group within the two years immediately preceding the Latest Practicable Date.

7. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice contained in this circular:

Name	Qualification
Ernst & Young	Certified Public Accountants

Ernst & Young has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its report or letter and references to its name in the form and context in which they are included.

As at the Latest Practicable Date, Ernst & Young had no shareholding in any member of the Group, nor did it have any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of the Group.

As at the Latest Practicable Date, Ernst & Young did not have any direct or indirect interest in any assets which have been, since 31 December 2022 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to any member of the Group.

The report from Ernst & Young on the unaudited pro forma statement of assets and liabilities of the Group as set out in Appendix II is given as of the date of this circular for incorporation herein.

8. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Company (www.glorisun.com) and the Stock Exchange (www.hkexnews.hk) for a period of 14 days from the date of this circular (both days inclusive):

(a) the report from Ernst & Young on the unaudited pro forma statement of assets and liabilities of the Group as set out in Appendix II of this circular;

(b) the annual reports of the Company for the three financial years ended 31 December 2020, 2021 and 2022 and the interim report of the Company for the six months ended 30 June 2023; and

(c) this circular.

9. MISCELLANEOUS

(a) The company secretary of the Company is Ms. Hoi Siu Ling, who is a member of the Hong Kong Chartered Governance Institute;

(b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the head office and principal place of business of the Company in Hong Kong is at 38/F., One Kowloon, 1 Wang Yuen Street, Kowloon Bay, Hong Kong;

(c) The principal share registrar and transfer office of the Company is Conyers Corporate Services (Bermuda) Limited at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda;

(d) The branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong; and

(e) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

GLORIOUS SUN ENTERPRISES LIMITED
旭 日 企 業 有 限 公 司

(Incorporated in Bermuda with limited liability)
(Stock Code: 393)

NOTICE IS HEREBY GIVEN that a special general meeting of Glorious Sun Enterprises Limited (the "**Company**") will be held at Dynasty II, The Dynasty Club, 7th Floor, South West Tower, Convention Plaza, 1 Harbour Road, Wan Chai, Hong Kong on Wednesday, 21 February 2024 at 2:00 p.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolutions as ordinary resolutions of the Company. Capitalised terms defined in the circular of the Company dated 5 February 2024 (the "**Circular**") shall have the same meaning when used in this notice unless otherwise specified.

ORDINARY RESOLUTIONS

1. To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"**THAT**:

(a) the CCB Acquisition Mandate to authorise the Directors in advance to conduct the Further CCB Acquisitions, for an aggregate amount of not exceeding HK$200 million (excluding stamp duty and related expenses) in open market transactions on an ongoing basis, during the Mandate Period, namely the period of 12 months from the date on which this ordinary resolution is duly passed by the Shareholders, as more particularly described in the Circular be and is hereby approved and confirmed; and

(b) any one or more of the Directors be and are hereby authorised for and on behalf of the Company and in its name to execute each other documents, instruments, instructions and agreements and to do all such acts or things which he/she/they may consider necessary, expedient or desirable to give effect to the CCB Acquisition Mandate and the Further CCB Acquisitions contemplated thereunder."

2. To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"**THAT**:

(a) the ICBC Acquisition Mandate to authorise the Directors in advance to conduct the Further ICBC Acquisitions, for an aggregate amount of not exceeding HK$200 million (excluding stamp duty and related expenses) in open market transactions on an ongoing basis, during the Mandate Period, namely the period of 12 months from the date on which this ordinary resolution is duly passed by the Shareholders, as more particularly described in the Circular be and is hereby approved and confirmed; and

(b) any one or more of the Directors be and are hereby authorised for and on behalf of the Company and in its name to execute each other documents, instruments, instructions and agreements and to do all such acts or things which he/she/they may consider necessary, expedient or desirable to give effect to the ICBC Acquisition Mandate and the Further ICBC Acquisitions contemplated thereunder."

By order of the Board
Glorious Sun Enterprises Limited
Hoi Siu Ling
Company Secretary

Hong Kong, 5 February 2024

Principal Place of Business:
38/F., One Kowloon
1 Wang Yuen Street
Kowloon Bay
Hong Kong

Registered Office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Notes:

(1) A form of proxy for use at the meeting is enclosed herewith.

(2) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his/her stead. A member who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf. A proxy need not be a member of the Company.

(3) The register of members of the Company will be closed from Tuesday, 20 February 2024 to Wednesday, 21 February 2024, both days inclusive, for the purpose of determining the entitlement of the Shareholders to attend and vote at the SGM. During such period, no transfer of Shares will be effected. In order to qualify for the entitlement to attend and vote at the SGM, all completed transfer documents accompanied by the relevant share certificate(s) must be lodged with the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Monday, 19 February 2024. Shareholders whose names appear on the register of members of the Company on Wednesday, 21 February 2024 shall be entitled to attend and vote at the SGM.

(4) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

(5) In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be lodged with the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time for holding the meeting or any adjournment thereof (as the case may be).

(6) Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.

(7) If tropical cyclone warning signal No. 8 or above, or an announcement of "extreme conditions" by the Government of Hong Kong in accordance with the revised "Code of Practice in Times of Typhoon and Rainstorms" issued by the Hong Kong Labour Department in June 2019 or a "black" rainstorm warning is in effect any time after 7:00 a.m. on the date of the SGM, the SGM will be postponed. The Company will post an announcement on the website of the Company at www.glorisun.com and on the HKEXnews website of the Stock Exchange at www.hkexnews.hk to notify Shareholders of the date, time and place of the re-scheduled meeting. If a tropical cyclone warning signal No. 8 or above or a "black" rainstorm warning signal is lowered or cancelled at or before 7:00 a.m. on the date of the SGM and where conditions permit, the SGM will be held as scheduled. The SGM will be held as scheduled when a tropical cyclone warning signal No. 3 or below or an "amber" or "red" rainstorm warning signal is in force. After considering their own situations, Shareholders should decide on their own whether or not they would attend the SGM under any bad weather condition and if they do so, they are advised to exercise care and caution.

As at the date of this notice, the directors of the Company are as follows:

Executive Directors:
Dr. Charles Yeung, GBS, JP, Yeung Chun Fan, BBS, Hui Chung Shing, Herman, GBS, MH, JP, Ms. Cheung Wai Yee and Ms. Yeung Yin Chi, Jennifer

Independent Non-executive Directors:
Lau Hon Chuen, Ambrose, GBS, JP, Dr. Chan Chung Bun, Bunny, GBM, GBS, JP, Ng Wing Ka, Jimmy, BBS, JP and Choi Tak Shing, Stanley, JP