
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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



GUOTAI JUNAN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1788)

CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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



A letter from the Board is set out on pages 4 to 18 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on page 19 of this circular. A letter from Somerley, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 20 to 43 of this circular.

A notice convening the EGM to be held at Edinburgh Room, 2/F, Mandarin Oriental, 5 Connaught Road Central, Hong Kong at 3:00 p.m. on 20 January 2021 is set out on pages EGM-1 to EGM-2 of this circular.

Whether or not you are able to attend the EGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, No. 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjournment thereof) should you so wish.

PRECAUTIONARY MEASURES FOR THE EGM

Special measures being taken to prevent and control the spread of the novel coronavirus at the EGM are set out below. For details, please refer to page ii of this circular.

- **compulsory temperature screening**
- **require to wear surgical face mask**
- **no distribution of corporate gift and refreshment**

Any person who does not comply with the precautionary measures may be denied entry into the EGM venue. Shareholders are encouraged to consider appointing the chairman of the EGM as your proxy to vote on the relevant resolutions, instead of attending the EGM in person.

5 January 2021

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	4
Letter from the Independent Board Committee	19
Letter from Somerley	20
Appendix — General Information	44
Notice of Extraordinary General Meeting	EGM-1

PRECAUTIONARY MEASURES FOR THE EGM

Taking into account the recent development relating to the novel coronavirus (COVID-19) and in the interest of all Shareholders' health, the Company has been informed by the Hotel that there will be compulsory body temperature screening by the Hotel in respect of all persons visiting the Hotel and anyone with a body temperature of more than 37.5 degrees Celsius will not be given access to the Hotel. In our case, denied entry to the Hotel also means you will not be allowed to attend the EGM. The Company is supportive of these efforts given the development of COVID-19 and, in addition, no refreshment will be reserved and no corporate gift will be distributed at the EGM. The Company will also require all who attend the EGM to wear surgical face masks when they are permitted the entry to the venue and during their attendance of the EGM.

The Company strongly urges the Shareholders (particularly the Shareholders who are subject to quarantine in relation to COVID-19 or has any flu-like symptoms or has had close contact with any person under quarantine, or has travelled overseas within 21 days immediately before the EGM) to complete, sign and return the relevant proxy form in respect of the EGM, pursuant to which you are encouraged to appoint the chairman of the EGM as your proxy to vote on the relevant resolutions, instead of attending the EGM in person.

Other precautionary measures for the EGM may be adopted by the Company to prevent COVID-19 according to the latest regulations published by the government of Hong Kong from time to time.

We sincerely apologise for any inconvenience caused to any participants in the EGM due to the measures taken at the EGM to protect participants against the COVID-19 pandemic.

DEFINITIONS

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

“Announcement”	the announcement of the Company dated 2 December 2020 in relation to, among other things, the New Master Agreement
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Guotai Junan International Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1788)
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened at Edinburgh Room, 2/F, Mandarin Oriental, 5 Connaught Road Central, Hong Kong at 3:00 p.m. on 20 January 2021 to consider and if thought fit, approve, the New Master Agreement, the proposed annual caps and the transactions contemplated thereunder
“Existing Master Agreement”	the master agreement entered into between the Company and GTJA on 19 March 2018 (and amended by the Supplemental Agreement) in relation to the provision of various services and transactions, the details of which are set out in the announcements of the Company dated 19 March 2018 and 22 July 2019
“Group”	the Company and its subsidiaries from time to time
“GTJA”	Guotai Junan Securities Co., Ltd., a joint stock limited company incorporated in the PRC with limited liability, whose A-shares are listed on the Shanghai Stock Exchange (stock code: 601211) and H-shares are listed on the Main Board of the Stock Exchange (stock code: 2611)
“GTJA Group”	GTJA and its subsidiaries from time to time

DEFINITIONS

“GTJAH”	Guotai Junan Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, an indirect wholly-owned subsidiary of GTJA; and the controlling shareholder of the Company
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board (which comprises Dr. FU Tingmei, Dr. SONG Ming, Mr. TSANG Yiu Keung and Professor CHAN Ka Keung Ceajer, being all the independent non-executive Directors) established to advise the Independent Shareholders with regard to the terms of the New Master Agreement, the proposed annual caps and the transactions contemplated thereunder
“Independent Financial Adviser” or “Somerley”	Somerley Capital Limited, a corporation licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to conduct Type 1 (Dealing in Securities) and Type 6 (Advising on Corporate Finance) regulated activities and the independent financial adviser to the Independent Board Committee and the Independent Shareholders with regard to the terms of the New Master Agreement, the proposed annual caps and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders, other than GTJA and its associates (as defined under the Listing Rules)
“Latest Practicable Date”	29 December 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Master Agreement”	the master agreement entered into between the Company and GTJA on 2 December 2020 in relation to the provision of various services and transactions, a summary of the terms of which is set out in this circular
“Operational Agreements”	the individual agreements in respect of the provision of any services or transactions which may from time to time be entered into between member(s) of the GTJA Group and member(s) of the Group pursuant to the New Master Agreement, and an “Operational Agreement” means any of them
“PRC”	the People’s Republic of China

DEFINITIONS

“SFO”	Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)
“Shareholder(s)”	shareholder(s) of the Company
“Share(s)”	ordinary share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement entered into between the Company and GTJA on 22 July 2019 to amend certain terms of the Existing Master Agreement, details of which are set out in the announcement of the Company dated 22 July 2019
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs
“%”	per cent.

LETTER FROM THE BOARD



國泰君安國際
GUOTAI JUNAN INTERNATIONAL

GUOTAI JUNAN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1788)

Executive Directors:

Dr. YIM Fung (*Chairman*)
Mr. WONG Tung Ching
Ms. QI Haiying
Mr. LI Guangjie

Non-executive Directors:

Dr. XIE Lebin
Mr. LIU Yiyong

Independent Non-executive Director:

Dr. FU Tingmei
Dr. SONG Ming
Mr. TSANG Yiu Keung
Professor CHAN Ka Keung Ceajer

Registered office:

27/F, Low Block,
Grand Millennium Plaza,
No. 181 Queen's Road Central,
Hong Kong

*Head office and principal place
of business in Hong Kong:*

27/F, Low Block,
Grand Millennium Plaza,
No. 181 Queen's Road Central,
Hong Kong

5 January 2021

To the Shareholders

Dear Sirs or Madams,

**CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement. The purpose of this circular is to provide you with, among other things, further details of the continuing connected transactions under the New Master Agreement, the letter of advice from the Independent Board Committee to the Independent Shareholders, the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and the notice convening the EGM.

LETTER FROM THE BOARD

CONTINUING CONNECTED TRANSACTIONS UNDER THE NEW MASTER AGREEMENT

Background

References are made to the Company's announcements dated 19 March 2018 and 22 July 2019 in connection with, among others, the Existing Master Agreement entered into between the Company and GTJA. Pursuant to the Existing Master Agreement, the Company and GTJA agreed that each of them would, and would procure member(s) of the Group and member(s) of the GTJA Group to, provide various services to member(s) of the GTJA Group or member(s) of the Group (as the case may be) and engage in transactions pursuant to the terms set out in the Existing Master Agreement for a term of three years from 1 January 2018 to 31 December 2020.

On 2 December 2020, the Company and GTJA entered into the New Master Agreement, pursuant to which both parties conditionally agreed that each of them will, and will procure member(s) of the Group and member(s) of the GTJA Group to provide various services to, and engage in investment and finance transactions with, the other pursuant to the terms set out in the New Master Agreement, subject to the approval by the Independent Shareholders at the EGM. The New Master Agreement will be effective for a term of three years from 1 January 2021 to 31 December 2023.

Date

2 December 2020

Parties

- (1) the Company
- (2) GTJA

Duration

Subject to the approval by the Independent Shareholders at the EGM, the New Master Agreement will be effective for a term of three years from 1 January 2021 to 31 December 2023. Subject to re-compliance with the applicable requirements under the Listing Rules, including the reporting, announcement and/or independent shareholders' approval requirements, the New Master Agreement may be renewed upon expiration of its term.

Nature of transactions

Under the New Master Agreement, the Company and GTJA conditionally agreed that each of them will, and will procure member(s) of the Group and member(s) of the GTJA Group to provide various services to, and engage in investment and finance transactions with, the other during the term of the New Master Agreement.

LETTER FROM THE BOARD

1. Service Transactions

Brief particulars of the services to be provided (a) by the Group to the GTJA Group and (b) by the GTJA Group to the Group as contemplated under the New Master Agreement are summarized below:

- (i) **Brokerage services:** the brokerage services (a) provided by the Group to the GTJA Group in relation to Hong Kong and/or overseas securities, futures, options, bonds, etc. and ancillary services; and (b) provided by the GTJA Group to the Group in relation to B-share and any permissible brokerage services and ancillary services.
- (ii) **Investment management and advisory services:** the investment management and/or advisory services, fund distribution services and various kinds of ancillary services provided by the Group to the GTJA Group in relation to funds and accounts established and/or managed by the GTJA Group, including but not limited to (i) identifying and researching for appropriate investment opportunities; (ii) providing advice on structuring, asset allocation and acquisition or divestment of respective investments; and (iii) providing information and data on particular investment opportunities and market comparisons, and vice versa.
- (iii) **Consulting services:** (a) provided by the Group to the GTJA Group, including but not limited to, the professional services, back office support and investor relations related services in Hong Kong, and (b) provided by the GTJA Group to the Group, including but not limited to, (i) provision of information relating to the macroeconomic environment and business development in the PRC on regular and ad-hoc basis; (ii) back office support; and (iii) carry out market research and prepare research reports for the PRC market for the Group's reference.
- (iv) **Corporate finance services:** (a) provided by the Group to the GTJA Group the initial public offering, refinancing and financial advisory services, including but not limited to advising on compliance with the Listing Rules and the Takeovers Code in Hong Kong, share placements, bonds issuances, corporate restructuring, cross-border financial services and other compliance advisory services relating to applicable laws and regulations; and (b) provided by the GTJA Group to the Group the referral of corporate finance clients and projects and financial advisory services, including but not limited to compliance advisory services in relation to rules and regulations in the PRC, mergers and acquisitions, offering of securities and corporate restructuring.

The transactions described in 1(i) to (iv) above are collectively referred to as “**Category 1 Transactions**” in this circular.

LETTER FROM THE BOARD

2. Investment and Finance Transactions

Brief particulars of the investment and finance transactions contemplated under the New Master Agreement are summarized below:

Principal-to-principal transactions between the Group and the GTJA Group, including but not limited to, trading of over-the-counter derivatives under the market standard master agreement with diversified underlying assets including shares and debt securities on the primary and secondary markets, additional tier-1 bonds, private placement bonds, private equity, funds, indexes, interest rate and foreign exchange, trading of debt securities, structured products and customized transactions as well as ancillary services.

The transactions described in 2 above are referred to as “**Category 2 Transactions**” in this circular.

The provision of any of the services or the transactions in respect of the Category 1 Transactions and Category 2 Transactions between the Group and the GTJA Group above shall be conditional upon the Company’s and GTJA’s compliance with any applicable laws, regulations or administrative directives promulgated by competent authorities to which they are subject to, including the Listing Rules.

Terms of the Operational Agreements

Pursuant to the New Master Agreement, member(s) of the Group and member(s) of the GTJA Group shall, from time to time during the term of the New Master Agreement, enter into separate Operational Agreements in respect of the Category 1 Transactions and/or Category 2 Transactions, provided that such Operational Agreements shall be subject to the terms of the New Master Agreement, and their respective term shall also not exceed the term of the New Master Agreement.

Pricing

The prices of the services to be paid or to be received in respect of the Category 1 Transactions or the transactions to be entered in respect of the Category 2 Transactions (as the case may be) under the terms of the New Master Agreement shall be determined on normal commercial terms and in the ordinary and usual course of business of the Group.

The parties to the agreement shall, in accordance with their own internal procedures, designate the following principles:

Category 1 Transactions

1. Brokerage services: (a) for securities brokerage, the fees charged/chargeable or paid/payable (as the case may be) shall be determined with reference to, among other things, the fees, rates and commission which ranges from 0.06% to 0.3% for independent third parties in the market and the expected total brokerage transaction amount; (b) for futures brokerage, the commission follows the pricing standard applicable to all its clients including independent third parties and shall be determined with reference to (i)

LETTER FROM THE BOARD

the type of futures contract; (ii) the futures exchange on which it is traded; and (iii) whether the trade is executed during the day or overnight in Hong Kong time; (c) for margin financing services, the interest rate charged at a progressive interest rate ranging from prime rate minus 3% per annum to prime rate plus 3% per annum, shall be determined by the risk level of underlying collaterals through a progressive interest rate mechanism applicable to all its clients including independent third parties; and (d) for brokerage ancillary services, such as research services, the fees charged/chargeable or paid/payable (as the case may be) shall be determined with reference to the cost-based pricing method.

2. Investment management and advisory services: the fees charged/chargeable or paid/payable (as the case may be) shall be determined with reference to, among other things, the fund management fees, performance fees and/or advisory fees of independent third parties in the market.
3. Consulting services: the fees charged/chargeable or paid/payable (as the case may be) shall be determined through arm's length negotiations by the respective business units with reference to the cost-based pricing method.
4. Corporate finance services: the fees shall be determined by the respective business units with reference to the transactions of independent third parties of similar size and nature in the market and the pricing shall be negotiated on an arm's length basis.

Category 2 Transactions

Principal-to-principal transactions, the pricing shall be determined on the basis of arm's length negotiations between the parties and with reference to, among other things, the prevailing rates generally being offered in the market, the market rates quoted by market participants, the market practice for transactions of similar nature and the price of similar transactions the Company offers to independent third parties: (a) for the primary bond market, it shall be priced with reference to face value; (b) for over-the-counter trades on the secondary bond market, the pricing and terms shall be determined on the basis of arm's length negotiations and its respective clients' demand for the Group's market making business; and (c) for structured products and derivatives, these shall be priced on normal and ordinary commercial terms (with reference to its finance costs, complexity of the product structure and issuance, market conditions at the time of issue and other factors) for which the Group charges either (i) a reasonable interest, fees and commission with mark-up rate at minimum 0.1% to clients for underlying assets with higher liquidity; or (ii) a mark-up rate based on the cost-plus pricing method, fees and/or income expectations with mark-up rate at minimum 0.1% for tailor made products on clients' demand or underlying assets with lower liquidity.

Termination

The New Master Agreement may be terminated before expiration of its full term upon mutual agreement in writing by both parties or in certain circumstances, including upon material default by a party.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

Notwithstanding the global economy and financial markets are facing pressures and challenges due to the pandemic caused by coronavirus, the measures implemented by the governments of mainland China and Hong Kong to prevent the spread of COVID-19 showed effective. The Group believes that the economy for both mainland China and Hong Kong will gradually recover to the situation before the pandemic.

The Company has continuously spent efforts in developing the Group's business and to maximize returns to Shareholders, and has been actively negotiating with the GTJA Group for cooperation on possible projects and business plans. It is anticipated that the demand for financial services including the cross-border financial services will continue to grow. The proposed annual caps under the New Master Agreement aim to cater the business need of the Company, some of which are time-sensitive in nature. By entering into the New Master Agreement, which allows the Company to enhance the ability of the Group to carry on business without the need for the Company to announce and convene separate general meeting on each occasion to seek Shareholders' prior approval for provision of services and engaging in the transactions, so as to provide an additional source to increase revenue of the Group which can in turn maximize returns to the Shareholders.

The transactions contemplated under the New Master Agreement are expected to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Group. The Board considers that securing a long-term business relationship with the GTJA Group who has reputable business associated with profound experience in the financial and securities industry in the PRC is beneficial to the Group. The increased cooperation would expect to bring considerable and stable contribution to the Group's revenue and profit in the long run. Accordingly, the entering into the New Master Agreement is in the interests of the Company and the Shareholders as a whole.

The Board (including the independent non-executive Directors who have taken into account the advice of the Independent Financial Adviser) considers that the transactions contemplated under the New Master Agreement (i) have been negotiated on an arm's length basis; (ii) will be conducted on normal commercial terms, or on terms no less favourable than those available to or from independent third parties under prevailing local market conditions; (iii) are entered into in the ordinary and usual course of business of the Group; (iv) are fair and reasonable and in the interests of the Company and Shareholders as a whole; and (v) that the proposed annual caps for the three years ending 31 December 2023 are fair and reasonable and in the interests of the Company and Shareholders as a whole.

No Director has material interest in the New Master Agreement, the transactions contemplated thereunder and the proposed annual caps, however as each of Dr. YIM Fung, Dr. XIE Lebin and Mr. LIU Yiyong, is also a director/an officer of certain members of the GTJA Group, they have voluntarily abstained from voting on the relevant Board resolution(s) for approving the New Master Agreement.

LETTER FROM THE BOARD

HISTORICAL TRANSACTION FIGURES AND THE PROPOSED ANNUAL CAPS

Historical transaction figures

Historical transaction figures in respect of continuing connected transactions carried out under the Existing Master Agreement for the year ended 31 December 2018, 31 December 2019 and for the ten months ended 31 October 2020 are shown below:

Historical transaction figures in respect of the income attributable to the Group arising from	For the year ended 31 December 2018 (HK\$ million)		For the year ended 31 December 2019 (HK\$ million)		For the year ending 31 December 2020 (HK\$ million)	
	Annual cap	Actual transaction amount	Annual cap	Actual transaction amount	Annual cap	Actual transaction amount*
1. Brokerage services provided to member(s) of the GTJA Group	19	2.8	26	16.3	35	1.2
2. Investment management and advisory services provided to member(s) of the GTJA Group	2	—	3	—	4	0.04
3. Consulting services provided to member(s) of the GTJA Group	2	—	2	—	2	—
4. Corporate finance services provided to member(s) of the GTJA Group	17	—	133	18.6	233	—
Total:	40	2.8	164	34.9	274	1.2

* The actual transaction amount was up to 31 October 2020.

Historical transaction figures in respect of the expenses incurred by the Group arising from	For the year ended 31 December 2018 (HK\$ million)		For the year ended 31 December 2019 (HK\$ million)		For the year ending 31 December 2020 (HK\$ million)	
	Annual cap	Actual transaction amount	Annual cap	Actual transaction amount	Annual cap	Actual transaction amount*
1. Brokerage services from member(s) of the GTJA Group	20	2.0	23	1.0	25	0.72
2. Investment management and advisory services provided by member(s) of the GTJA Group	18	—	34	—	59	—
3. Consulting services from member(s) of the GTJA Group	29	27.0	38	30.4	51	25.0
4. Corporate finance services provided by member(s) of the GTJA Group	32	26.8	38	28.8	45	12.9
Total:	99	55.8	133	60.2	180	38.7

* The actual transaction amount was up to 31 October 2020.

LETTER FROM THE BOARD

Historical transaction figures in respect of investment and finance transaction (which do not belong to any other categories of service transactions) attributable to principal-to-principal transaction between the Group and GTJA Group	For the year ended 31 December 2018 <i>(HK\$ billion)</i>		For the year ended 31 December 2019 <i>(HK\$ billion)</i>		For the year ending 31 December 2020 <i>(HK\$ billion)</i>	
	Annual cap	Actual transaction amount	Annual cap	Actual transaction amount	Annual cap	Actual transaction amount*
	1. Bonds traded	2.7	—	3.6	0.08	4.1
2. Structured products sold by the Group	3.9	0.06	5.9	0.06	10.6	3.27
3. Structured products purchased by the Group	1.6	—	1.6	—	1.6	—
Total:	<u>8.2</u>	<u>0.06</u>	<u>11.1</u>	<u>0.14</u>	<u>16.3</u>	<u>3.27</u>

* *The actual transaction amount was up to 31 October 2020.*

The low utilization rate of the annual caps for some of the sub-category services and transactions was mainly due to the nature of the services provided by or received from the Group or the GTJA Group or transactions entered between the Group and the GTJA Group (as the case may be) that large fraction of the previous annual caps were prepared to make provision against the potential demand for investment and the financing needs of the clients of the GTJA Group in the PRC and the Group in Hong Kong and/or overseas. The actual utilization rate is subject to the then market conditions, investment strategies and opportunities appeared in the market and accordingly the historical low utilization rate is intelligible. Notwithstanding of the low utilization rate of the annual caps for some of the sub-category services and transactions in the past, the Company considers that it is necessary to maintain the same or higher proposed annual caps for the year 2021 to 2023 in light of the proposed expansion of business activities due to the increase in possible demand for cross-border trading and services.

The Directors confirm that the annual caps in respect of continuing connected transactions carried out under the Existing Master Agreement for the year ending 31 December 2020 have not been exceeded up to the Latest Practicable Date.

LETTER FROM THE BOARD

Proposed annual caps

Proposed annual caps in respect of the continuing connected transactions contemplated under the New Master Agreement for the three years ending 31 December 2021, 2022 and 2023 are shown below:

	For the year ending 31 December		
	2021	2022	2023
	(HK\$ million)	(HK\$ million)	(HK\$ million)
Category 1 Transactions			
(a) Income (to be) received by the Group for services provided to member(s) of the GTJA Group	226	274	329
(b) Expenses (to be) incurred by the Group for services provided by member(s) of the GTJA Group	160	187	219
	(HK\$ billion)	(HK\$ billion)	(HK\$ billion)

Category 2 Transactions

Transaction amount attributable to principal-to-principal transactions between the Group and the GTJA Group	64.1	73.7	83.3
---	------	------	------

Note: Due to the nature of the services, a transaction could cover several sub-categories of the Category 1 Transactions or Category 2 Transactions. When negotiate the terms of the contract with respect to the services, the total contract amount will be used as reference for accounting entry and will not break down into several sub-categories. For the avoidance of doubt, when calculating the utilization amount of the proposed annual caps, if the nature of an individual transaction is covered by more than one category of transactions, such transaction amount may be included in more than one category of the proposed annual caps. However, if any transaction amount which has been included in one category of the proposed annual cap, then such amount will not be counted towards the other categories. Accordingly, consistent with the generally accepted market approach, the proposed annual caps under Category 1 Transactions and Category 2 Transactions are not further broken down in sub-categories. Further, by breaking down the proposed annual caps under Category 1 Transactions and/or Category 2 Transactions into sub-categories may also cause undue delay in the actual consummation of the services and transactions under the New Master Agreement, since the transactions of which is time-sensitive in nature.

The proposed annual caps for the income to be received and the expenses to be incurred under Category 1 Transactions and the transactions to be entered between the Group and the GTJA Group under Category 2 Transactions were determined based on (a) the historical figures of the relevant transactions (if any) and the existing scale and operations of those businesses of the Group and/or the GTJA Group; (b) the projected

LETTER FROM THE BOARD

annualised amounts for the related transactions; (c) relevant national and cross-border policies, such as the Stock Connect, the process of Renminbi internationalization, the Belt and Road Initiative as well as the Greater Bay Area development, etc. resulting in more frequent cooperation in cross-border business development trends between mainland China and Hong Kong; (d) business growth and customer demand expectations; and (e) a reasonable buffer in the range of 14% to 20% to cater for the anticipated business growth which was determined based on the historical revenue growth of the Group for the years 2016 to 2019 and taking into consideration of unexpected inflation and currency fluctuations as well as the general assumption that there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the businesses of the Group and the GTJA Group during the projected period. In deriving the proposed annual caps under the New Master Agreement, the buffer to cater for the anticipated business growth in respect of the sub-category services and transactions under the Category 1 Transactions and Category 2 Transactions was also adjusted by taking into consideration of the particular expected business growth with reference to the proportionate revenue that was generated by the Group under the different sub-category services and transactions in the past.

For Category 1 Transactions, favorable factors such as national policies encouraging cross-border investments and transactions, homecoming listings of sizeable China concept stocks on the Stock Exchange, the Stock Connect, QFII and QDII related policies and mutual recognition of funds arrangements etc. will stimulate the securities trading volume, corporate finance market in Hong Kong and demand for cross-border consulting services and fund distribution and advisory services etc., as a result, the potential cooperation between the Group and the GTJA Group in the brokerage, corporate finance, consulting, fund management and advisory businesses is expected to be further expanded and thus the related transaction amounts will be significantly increased.

The estimated transaction amount for the income attributable to the Group arising from brokerage services for the years ending 31 December 2021, 2022 and 2023 is approximately HK\$33 million, HK\$41 million and HK\$52 million, respectively, which was determined with reference to the trading quota under the QDII granted to the GTJA Group which has been increased from US\$450 million to US\$650 million in September 2020. The estimated transaction amount for the income attributable to the Group arising from investment management and advisory services for the years ending 31 December 2021, 2022 and 2023 is approximately HK\$6 million, HK\$7 million and HK\$7 million, respectively, which was determined with reference to (i) the total asset under management of the funds managed by the GTJA Group in August 2020 through the trading quota of QDII granted to the GTJA Group; and (ii) the expected maximum of 10% of the aforesaid funds may engage the Group for investment advisory services. The estimated transaction amount for the income attributable to the Group arising from consulting services for the years ending 31 December 2021, 2022 and 2023 is approximately HK\$2 million for each year, which was determined based on the expected general support services may be provided by the Group to the GTJA Group, including but not limited to, the professional services, back office support and investor relations related services in Hong Kong. The estimated transaction amount for the income attributable to the Group arising from corporate finance services for the years ending 31 December 2021, 2022 and 2023 is approximately HK\$185 million, HK\$224

LETTER FROM THE BOARD

million and HK\$268 million, respectively, which was determined with reference to, among others, the total number of 1,391,827,180 H-shares in issue of the GTJA as at the date of the Announcement, 52-week average share price of GTJA up to 31 October 2020, and a maximum 20% of which may be issued under the general mandates to be obtained at the annual general meetings of GTJA each year, assuming the Group will act as the sole placing agent thereof and the typical commission fee percentage of 2% to be charged by the Group as well as the expected demand for offshore bonds may be issued by the GTJA Group with reference to the outstanding of US\$955 million offshore bonds of GTJA Group in issue according to the published audited financial statements of GTJA for the year ended 31 December 2019 and assuming the Group will act as one of the global coordinators.

The estimated transaction amount for the expenses incurred by the Group arising from brokerage services for the years ending 31 December 2021, 2022 and 2023 is approximately HK\$6 million, HK\$7 million and HK\$8 million, respectively, which was determined with reference to the total other commission expenses of HK\$53 million recorded in the audited financial statement of the Group for the year ended 31 December 2019 divided evenly by the number of geographical markets the Group currently accesses. The estimated transaction amount for the expenses incurred by the Group arising from investment management and advisory services for the years ending 31 December 2021, 2022 and 2023 is approximately HK\$19 million, HK\$20 million and HK\$22 million, respectively, which was determined with reference to, among others, the expected maximum amount of funds to be managed by the Group through trading quota of RQFII and QFII (where applicable) granted to the Group of approximately HK\$5.4 billion and it is expected that maximum of 30% of the aforesaid funds managed by the Group will engage the GTJA Group for provision of investment advisory services in the PRC. The estimated transaction amount for the expenses incurred by the Group arising from consulting services for the years ending 31 December 2021, 2022 and 2023 is approximately HK\$66 million, HK\$83 million and HK\$103 million, respectively, which was determined with reference to the provision of research related services and back office support based on the cost-based pricing approach. The estimated transaction amount for the expenses incurred by the Group arising from corporate finance services for the years ending 31 December 2021, 2022 and 2023 is approximately HK\$69 million, HK\$77 million and HK\$86 million, respectively, which was determined with reference to, among others, the expected maximum number ranging from 20 to 30 offshore bonds projects with an average amount of US\$250 million may be referred by the GTJA Group to the Group.

For Category 2 Transactions, the increase from the historical transaction amount to the proposed annual caps under the New Master Agreement for the three years ending 31 December 2023 is primarily due to the potential expansion of structured product and derivative business following the establishment of a new unit for this area in October 2020. On the equity-related side, the recent uplift of the relevant risk limit by the Company allows a significant increase of the transaction size, especially after taking into consideration the fact that most of the equity structured product and derivative transactions between the Group and the GTJA Group are cross-border swaps settled on a monthly basis, these transactions may be rolled over and amounts of which need to be aggregated. On the fixed income side, a new business line was set up for the fixed income structured product and

LETTER FROM THE BOARD

derivative transactions due to the potential growth of market demand for cross-border total return swap trades, which is expected to cause a significant increase in the transaction amount for the Category 2 Transactions on top of the existing businesses.

The estimated transaction amount for the principal-to-principal transactions to be entered between the Group and GTJA Group for equity structured products and derivatives for the years ending 31 December 2021, 2022 and 2023 is approximately HK\$36.2 billion, HK\$42.4 billion and HK\$48.5 billion, respectively, which was determined with reference to the significant increase of transaction amounts of over 50 times for the ten months ended 31 October 2020 as compared to 2019 for equity structured product and derivatives transaction, the expected continuing strong demand given the recent uplift of the gross notional risk limit approved by the Group for this area, the short period term together with rolled over nature of these transactions and the notional amounts of which need to be aggregated in calculating the proposed annual caps. The estimated transaction amount for the principal-to-principal transactions to be entered between the Group and GTJA Group for fixed income structured products and derivatives for the years ending 31 December 2021, 2022 and 2023 is approximately HK\$23 billion, HK\$26 billion and HK\$29 billion, respectively, which was determined with reference to the fixed income financial assets of HK\$59 billion held by the Group as at 30 June 2020 and assuming part of them may be used for fixed income structured product and derivative trades. The estimated transaction amount for the principal-to-principal transactions to be entered between the Group and GTJA Group for bond trades under the bond market making business of the Group for the years ending 31 December 2021, 2022 and 2023 is approximately HK\$4.9 billion, HK\$5.3 billion and HK\$5.8 billion, respectively, which was determined with reference to the trading scale of approximately US\$17 billion of the Group for the six months ended 30 June 2020 under its bond market making business divided evenly by 450 counterparties of the Group.

INTERNAL CONTROL

Pursuant to the internal control measures and policies of the Company, before the Group enters into any of the transactions, the responsible business units must ensure that (i) the price of the transaction is the same as, or within the price range of, comparable transactions carried out by independent third parties in the market (where such transactions are available for references) and the pricing policies of the New Master Agreement; and (ii) if there is any change to the Group's pricing policy or mechanism, that the revised pricing policy or mechanism is in line with market practice. Further, the relevant business units are required to consult and obtain pre-approvals from the relevant departments for each continuing connected transaction (except for brokerage transactions with standard brokerage rate applied).

Each of the legal, compliance, risk management, finance departments and office of the Board of the Company will review each of the proposed transactions from their respective expertise with reference to comparable transactions with independent third parties. In addition, the relevant personnel of the responsible business units of the Group will compare other contemporaneous transactions or quotations for similar transactions with independent third parties in the market, in any event, not less than two comparable transactions (if no comparable transaction is available, each aforesaid department will

LETTER FROM THE BOARD

review the proposed transactions based on their past experience and public information on the market, if available) and ensure that the transactions will be made on no more favourable terms to the GTJA Group, or no less favourable terms to the Group, than those available from independent third parties, and that the terms offered to or by the GTJA Group are (i) within the ordinary businesses of the Group; (ii) on normal commercial terms and conditions; (iii) fair and reasonable and in the interests of the Shareholders; and (iv) in compliance with the Group's pricing and internal control measures and policies for connected transactions.

The Group would regularly monitor transactions between the Group and the GTJA Group as to whether such transactions fall within the scope of the New Master Agreement, whether the relevant annual caps have nearly been fully utilised, and issuing reminders to the responsible business units where necessary. A compliance notice was issued to all department heads of the Group in relation to the internal control policy for continuing connected transactions of the Group. The Group will also conduct sampling inspections on the effectiveness of the internal control procedures based on the audit plan.

With the internal control measures adopted by the Company, the Board is of the view that the transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its Shareholders as the price are determined by the prevailing market price or the market price normally applicable to independent third parties for similar types of transactions.

The Company's external auditor, the Company's audit committee and the independent non-executive Directors will conduct annual review on the operation of the continuing connected transactions and ensure that the transactions are in compliance with the Listing Rules.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, GTJA, the ultimate controlling shareholder of the Company, which holds approximately 73.25% interest in the Company through GTJAH, an indirect wholly-owned subsidiary of GTJA, and is a connected person of the Company. The transactions contemplated under the New Master Agreement are expected to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Group. Accordingly, the transactions contemplated under the New Master Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios based on the proposed annual caps of the transactions contemplated under the New Master Agreement exceed 5%, the transactions and the proposed annual caps contemplated under the New Master Agreement are subject to the reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee (comprising all independent non-executive Directors) has been established to advise the Independent Shareholders as to whether the terms of the New Master Agreement are fair and reasonable, and whether the transactions

LETTER FROM THE BOARD

are on normal commercial terms and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendation of the Independent Financial Adviser. Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

GENERAL INFORMATION OF THE PARTIES TO THE TRANSACTIONS

The Company is an investment holding company. The operations of the Group are mainly based in Hong Kong and its services include: (i) brokerage; (ii) corporate finance; (iii) asset management; (iv) loans and financing; and (v) financial products, market making and investments.

GTJA is a joint stock limited company incorporated in the PRC, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2611) and the Shanghai Stock Exchange (stock code: 601211). The GTJA Group is principally engaged in securities and futures brokerage, proprietary trading, securities underwriting and sponsoring, asset management, direct investment, fund management, securities investment consultancy, securities dealing and securities investment related financial advisory, margin financing and securities lending, sales of securities investment funds and financial products, provision of intermediary services to futures companies, market making, establishing private investment fund subsidiary and alternative investment subsidiary to engage in business related to private investment funds and alternative investment and other businesses in the PRC as approved by the China Securities Regulatory Commission, as well as the provision of securities products and services overseas.

EGM

Under Rule 14A.36 of the Listing Rules, any shareholder who has a material interest in a proposed transaction must abstain from voting at the relevant general meeting on the relevant resolution(s). As at the Latest Practicable Date, GTJA is the ultimate controlling shareholder of the Company, which holds approximately 73.25% interest in the Company through GTJAH, an indirect wholly-owned subsidiary of GTJA, and is a connected person of the Company. As such, GTJA and its associates will abstain from voting on the resolution(s) to be passed at the EGM.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, as at the Latest Practicable Date, except GTJA and its associates, none of the other Shareholders will be required to abstain from voting on the resolution(s) to be passed at the EGM.

A notice convening the EGM to be held at Edinburgh Room, 2/F, Mandarin Oriental, 5 Connaught Road Central, Hong Kong at 3:00 p.m. on 20 January 2021 is set out on pages EGM-1 to EGM-2 of this circular. Shareholders are advised to read the notice and complete and return the form of proxy for use at the EGM enclosed with this circular in accordance with the instructions printed thereon.

LETTER FROM THE BOARD

A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, No. 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjournment thereof) should you so wish.

RECOMMENDATION

Taking into consideration of the reasons set out in the paragraph headed "Reasons for and benefits of the Continuing Connected Transactions" in this circular, the Directors (including the independent non-executive Directors who have taken into account the advice of the Independent Financial Adviser) are of the view that the transactions contemplated under the New Master Agreement are conducted in the ordinary and usual course of business of the Group and the terms are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of the EGM to approve the New Master Agreement, the proposed annual caps and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 19 of this circular, the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 20 to 43 of this circular and the information set out in the appendix of this circular.

By Order of the Board
Guotai Junan International Holdings Limited
YIM Fung
Chairman



國泰君安國際

GUOTAI JUNAN INTERNATIONAL

GUOTAI JUNAN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1788)

To the Independent Shareholders

5 January 2021

Dear Sirs or Madams,

**CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular (the “**Circular**”) dated 5 January 2021 issued by the Company of which this letter forms part. Capitalised terms used in this letter have the same meanings as those defined in the Circular unless specified otherwise.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders in relation to the New Master Agreement, the proposed annual caps and the transactions contemplated thereunder. Somerley has been appointed by the Company as the Independent Financial Adviser to advise us and the Independent Shareholders in this regard.

We wish to draw your attention to (i) the letter from the Board set out on pages 4 to 18 of the Circular; (ii) the letter from Somerley as set out on pages 20 to 43 of the Circular which contains its recommendation to the Independent Board Committee and the Independent Shareholders in relation to the terms of the New Master Agreement, the proposed annual caps and the transactions contemplated thereunder as well as the principal factors and reasons considered by Somerley in arriving at its recommendation; and (iii) the additional information as set out in the appendix to the Circular.

After taking into account the factors and reasons considered by Somerley and its conclusion and advice, we concur with its views and consider that the New Master Agreement, the proposed annual caps and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group, and the terms are fair and reasonable so far as the Company and the Shareholders are concerned, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favor of the resolution to be proposed at the EGM to approve the New Master Agreement, the proposed annual caps and the transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee

Dr. FU Tingmei

Dr. SONG Ming

**Mr. TSANG
Yiu Keung**

**Professor CHAN
Ka Keung Ceajer**

Independent non-executive Directors

LETTER FROM SOMERLEY

The following is the text of a letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders, which has been prepared in respect of the New Master Agreement and the transactions contemplated thereunder for the purpose of inclusion in this circular.



SOMERLEY CAPITAL LIMITED

20th Floor
China Building
29 Queen's Road Central
Hong Kong

5 January 2021

*To: the Independent Board Committee and the Independent Shareholders of
Guotai Junan International Holdings Limited*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the New Master Agreement (the “**Continuing Connected Transactions**”) entered into between the Company and GTJA. Details of the terms of the New Master Agreement and the proposed annual caps (the “**Annual Caps**”) are set out in the letter from the Board as contained in the circular (the “**Circular**”) of the Company to the Shareholders dated 5 January 2021, of which this letter forms part. Unless otherwise defined, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

On 2 December 2020, the Company and GTJA entered into the New Master Agreement, which will be effective for a term of three years from 1 January 2021 to 31 December 2023 subject to approval by the Independent Shareholders at the EGM. Under the New Master Agreement, the Company and GTJA conditionally agreed that each of them will, and will procure member(s) of the Group and member(s) of the GTJA Group to provide various services to, and engage in investment and finance transactions with, the other during the term of the New Master Agreement.

Since GTJA holds approximately 73.25% interest in the Company through GTJAH, an indirect wholly-owned subsidiary of GTJA, GTJA is a connected person of the Company. The Continuing Connected Transactions are expected to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Group. Therefore, the entering into of the New Master Agreement between the Company and GTJA and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the applicable

LETTER FROM SOMERLEY

percentage ratios based on the Annual Caps exceed 5%, the Company has to comply with the reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules. GTJA and its associates will abstain from voting at the EGM in respect of the resolution approving the New Master Agreement, the Annual Caps and the transactions contemplated thereunder.

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Dr. FU Tingmei, Dr. SONG Ming, Mr. TSANG Yiu Keung and Professor CHAN Ka Keung Ceajer, has been established to advise the Independent Shareholders with regard to the terms of the New Master Agreement, the Continuing Connected Transactions and the Annual Caps. We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

We are not associated with the Company, GTJA, GTJAH or any of their respective core connected persons, close associates or associates (all as defined in the Listing Rules), and accordingly, are considered eligible to give independent advice on the terms of the New Master Agreement, the Continuing Connected Transactions and the Annual Caps. Apart from normal professional fee payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, GTJA, GTJAH or any of their respective core connected persons, close associates or associates.

In formulating our opinion, we have reviewed, among other things, the New Master Agreement and the information contained in the Circular, the interim report of the Company for the six months ended 30 June 2020 (the “**2020 Interim Report**”), the annual reports of the Company for the years ended 31 December 2019 and 31 December 2018 (the “**2019 Annual Report**” and the “**2018 Annual Report**”, respectively). We have also discussed with and reviewed the information provided by the management of the Group (the “**Management**”) regarding the businesses of the Group.

We have relied on the information and facts supplied, and the opinions expressed, by the Directors and the Management and have assumed that they are true, accurate and complete. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to believe that any material information has been withheld from us, or to doubt the truth or accuracy of the information provided. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view. We have not, however, conducted any independent investigation into the business and affairs of the Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the terms of the New Master Agreement, the Continuing Connected Transactions and the Annual Caps, we have taken into account the following principal factors and reasons:

1. Background of the Company and GTJA

The Company is an investment holding company. The operations of the Group are mainly based in Hong Kong and its services include: (i) brokerage; (ii) corporate finance; (iii) asset management services; (iv) loans and financing; and (v) financial products, market making and investments. Set out below a brief summary of each segment's function:

- (i) For brokerage segment, the Company is engaged in provision of securities, futures, options and leveraged foreign exchange dealing and broking as well as insurance brokerage services to customers.
- (ii) For corporate finance segment, the Company is engaged in provision of advisory services, placing and underwriting services of debt and equity securities.
- (iii) For asset management segment, the Company is engaged in asset management which includes fund management and provision of investment advisory services.
- (iv) For loans and financing segment, the Company is engaged in provision of margin financing and securities borrowing and lending to margin customers, initial public offering (“**IPO**”) loans, other loans to customers and bank deposits.
- (v) For financial products, market making and investments segment, it represents funds, fixed income securities and equity investments, structuring of financial products as well as trading and market making of fixed income securities, exchange traded funds and derivatives.

GTJA is a joint stock limited company incorporated in the PRC, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2611) and the Shanghai Stock Exchange (stock code: 601211). The GTJA Group is principally engaged in securities and futures brokerage, proprietary trading, securities underwriting and sponsoring, asset management, direct investment, fund management, securities investment consultancy, securities dealing and securities investment related financial advisory, margin financing and securities lending, sales of securities investment funds and financial products, provision of intermediary services to futures companies, market making, establishing private investment fund subsidiary and alternative investment subsidiary to engage in business related to private investment funds and alternative investment and other businesses in the PRC as approved by the China Securities Regulatory Commission (“**CSRC**”), as well as the provision of securities products and services overseas.

LETTER FROM SOMERLEY

2. Financial information of the Company

Set out in the table below is a summary of the Group's financial performance for the years ended 31 December 2019, 2018 and 2017 and the six months ended 30 June 2020 and 2019.

	For the six months ended		For the year ended		
	30 June		31 December		
	2020	2019	2019	2018	2017
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
Revenue					
Brokerage	276	292	531	455	517
Corporate finance	243	452	809	595	683
Asset management	24	10	37	17	30
Loans and financing	518	559	1,135	1,307	1,289
Financial products, market making and investments	737	1,009	1,734	652	613
	1,798	2,322	4,246	3,026	3,132
Profit for the period/year attributable to owners of the Company	606	639	895	797	1,228

Note: Figures above are subject to round adjustments.

Revenue of the Group decreased by approximately 3.4% from approximately HK\$3,132 million for the year ended 31 December 2017 to approximately HK\$3,026 million for the year ended 31 December 2018. As mentioned in the 2018 Annual Report, the global economy and financial market faced various challenges including the United States of America (“US”) interest rate hikes, trade friction between China and US as well as “de-leveraging” policy implemented by China to reduce financial risks. In addition to the drop in revenue, there were significant increases in other operating expenses and finance costs, which had reduced the Group's profit attributable to owners of the Company by approximately 35.1% from approximately HK\$1,228 million for the year ended 31 December 2017 to approximately HK\$797 million for the year ended 31 December 2018.

Revenue of the Group increased noticeably by approximately 40.3% from approximately HK\$3,026 million for the year ended 31 December 2018 to approximately HK\$4,246 million for the year ended 31 December 2019. As stated in the 2019 Annual Report, the improved business performance was mainly driven by (i) increased brokerage business, which was partly attributable to the increase in asset under management from new clients of wealth management business which helped driving brokerage related trading activities; (ii) improved performance of both debt and equity capital markets of the corporate finance segment; and (iii) significant growth in market making services for debt securities and sound performance of the Group's investment in global stock and fixed income markets. As a result, the Group's profit attributable to owners of the Company

LETTER FROM SOMERLEY

increased from approximately HK\$797 million for the year ended 31 December 2018 to approximately HK\$895 million for the year ended 31 December 2019, representing an increase of approximately 12.3%.

Revenue of the Group decreased by approximately 22.6% from approximately HK\$2,322 million for the six months ended 30 June 2019 to approximately HK\$1,798 million for the six months ended 30 June 2020. As stated in the 2020 Interim Report, the pandemic caused by the coronavirus has affected the business environment in Hong Kong to certain extent and hindered financing initiatives carried out by corporate clients such as IPOs, share and bond issuances in Hong Kong. Suspension in economic activities also led to significant impacts on the global financial markets. As a result, the Group's profit attributable to owners of the Company decreased from approximately HK\$639 million for the six months ended 30 June 2019 to approximately HK\$606 million for the six months ended 30 June 2020, representing a decrease of approximately 5.2%.

3. Reasons for and benefits of entering into the New Master Agreement

(a) Macroeconomy

According to the letter from the Board contained in the Circular, notwithstanding the global economy and financial markets are facing pressures and challenges due to the pandemic caused by coronavirus, the measures implemented by the governments of mainland China and Hong Kong to prevent the spread of COVID-19 showed effectiveness. The Group believes that the economy for both mainland China and Hong Kong will gradually recover to the situation before the pandemic.

(b) Relationship with the GTJA Group

As set out in the letter from the Board contained in the Circular, the Company has continuously spent efforts in developing the Group's business and to maximise returns to the Shareholders, and it has been actively negotiating with the GTJA Group for cooperation on possible projects and business plans. It is anticipated that the demand for financial services including the cross-border financial services will continue to grow. The Annual Caps aim to cater the business need of the Company, some of which are time-sensitive in nature. In addition, we noted from the 2019 Annual Report that the Company was expecting to increase investment in the Guangdong-Hong Kong-Macao Greater Bay Area and the "Belt and Road Initiative" region in 2020, expedite the business development in Southeast Asian countries and the Company would work closely with the GTJA Group to leverage on their competencies and resources to match and satisfy both the demand for overseas financing and risk management from rapid growing Chinese enterprises as well as the demand for overseas asset allocation from high-net-worth individual clients in China.

It is further stated in the letter from the Board contained in the Circular that, by entering into the New Master Agreement, it allows the Company to enhance the ability of the Group to carry on business without the need for the Company to announce and convene separate general meeting on each occasion to seek Shareholders' prior

approval for provision of services and engaging in the transactions, so as to provide an additional source to increase revenue of the Group which can in turn maximise returns to the Shareholders.

Furthermore, the transactions contemplated under the New Master Agreement are expected to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Group. The Board considers that securing a long-term business relationship with the GTJA Group who has reputable business associated with profound experience in the financial and securities industry in the PRC is beneficial to the Group. The increased cooperation would expect to bring considerable and stable contribution to the Group's revenue and profit in the long run.

(c) Prospects of the Group and the GTJA Group

Financial performance of the Group is largely correlated to the economic condition, which is then in turn affected by various state policies implemented by the PRC government. In light of above, we have considered the potential effects from the implementation of and changes to the policies as follow:

(i) Qualified Foreign Institutional Investor (“QFII”) and Renminbi Qualified Foreign Institutional Investor (“RQFII”) schemes

In 2002, the QFII scheme was introduced, which is a transitional arrangement that allows institutional investors who meet certain qualification to invest in a limited scope of cross-border securities products, in the context of incomplete free flow of capital accounts. Similarly, the RQFII scheme was initiated in 2011, which allows the use of RMB funds raised in Hong Kong, or offshore RMB, by the subsidiaries of domestic fund management companies and securities companies in Hong Kong to invest in the PRC domestic securities market. The QFII is one of the state policies implemented to internationalise the RMB, allowing the global institutional investors to get access to the RMB denominated capital market. According to the State Administration of Foreign Exchange of the PRC (the “SAFE”), the total number of the QFII and the RQFII reached 295 and 230 respectively as at 30 September 2020.

Over the years, various relaxation revisions had been made to the QFII and the RQFII schemes, including increase in trading quota, loosening of restrictions of capital transfer, simplified quota examination and enlargement of the scope of the QFII and the RQFII's permitted investments, to encourage the participation of such schemes and signifies the progress of RMB internationalisation. In May 2020, the SAFE announced the removal of restrictions on investment quota of the QFII and the RQFII such that the qualified investors will no longer have to apply for investment quota from the SAFE, which was the latest policy promulgated by the PRC Government to encourage foreign investors to invest in stocks in the PRC.

LETTER FROM SOMERLEY

(ii) Qualified Domestic Institutional Investor (“QDII”) scheme

As part of the PRC government’s transitional arrangement to granting and progressively opening its capital market, the QDII scheme was introduced in 2002 to allow certain qualified financial institutions in the PRC to invest in offshore markets in financial products such as securities and bonds. As at 30 September 2020, the total number of the QDII was 157 and their total approved investment quota amounted to approximately US\$107.3 billion.

(iii) Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect

In 2014, Securities and Futures Commission and CSRC made a joint announcement to approve the Shanghai-Hong Kong stock-connect and the Shenzhen-Hong Kong stock-connect, which were eventually launched in November 2014 and December 2016, respectively. The introduction of cross-border trading was designed to allow investors to gain mutual market access between Hong Kong and the Mainland China and to uplift the liquidity of the stock markets in the two regions. As of the Latest Practicable Date, the respective northbound and southbound daily quota were set at RMB52 billion and RMB42 billion for each of Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect.

(iv) H-share “full circulation” program

In 2018, the CSRC announced the trial implementation of the H-share “full circulation” pilot program to pave way for listing and circulation of domestic unlisted shares of H-share companies (including unlisted domestic shares held by domestic shareholders before overseas listing, unlisted domestic shares additionally issued after overseas listing and unlisted shares held by foreign shareholders) on the Stock Exchange. In November 2019, the CSRC announced the full implementation of the H-share “full circulation” program, the Company expects trading demand will increase when the domestic shares of H-share companies convert into H-shares and list on the Stock Exchange for trading.

With consideration of the abovementioned policies, the Management expects the demand for, including but not limited to, brokerage services, investment management and advisory services and other transaction services and customer base of the Group and the GTJA Group to continue to grow and, accordingly, the increase in the volume of the Continuing Connected Transactions contemplated under the New Master Agreement.

Taking into account the principal activities of the Group and the GTJA Group, as the counterparty to the New Master Agreement, we consider that the entering into of the New Master Agreement is in the ordinary and usual course of the business of the Group and is in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the New Master Agreement

(a) Background

Pursuant to the Existing Master Agreement entered into between the Company and GTJA, the Company and GTJA conditionally agreed that each of them would, and would procure member(s) of the Group and member(s) of the GTJA Group to, provide various services to member(s) of the GTJA Group or member(s) of the Group (as the case may be) and engage in transactions pursuant to the terms set out in the Existing Master Agreement for a term of three years from 1 January 2018 to 31 December 2020.

On 2 December 2020, the Company and GTJA entered into the New Master Agreement, which will be effective for a term of three years from 1 January 2021 to 31 December 2023 subject to approval by the Independent Shareholders at the EGM. Under the New Master Agreement, the Company and GTJA conditionally agreed that each of them will, and will procure member(s) of the Group and member(s) of the GTJA Group to provide various services to, and engage in investment and finance transactions with, the other during the term of the New Master Agreement.

(b) Service transactions contemplated under the New Master Agreement

- (1) Brief particulars of the Category 1 Transactions to be provided by (a) the Group to the GTJA Group; and (b) the GTJA Group to the Group contemplated under the New Master Agreement are summarised below:
 - (i) *Brokerage services*: the brokerage services (a) provided by the Group to the GTJA Group in relation to Hong Kong and/or overseas securities, futures, options, bonds, etc. and ancillary services; and (b) provided by the GTJA Group to the Group in relation to B-share and any permissible brokerage services and ancillary services.
 - (ii) *Investment management and advisory services*: the investment management and/or advisory services, fund distribution services and various kinds of ancillary services provided by the Group to the GTJA Group in relation to funds and accounts established and/or managed by the GTJA Group, including but not limited to (i) identifying and researching for appropriate investment opportunities; (ii) providing advice on structuring, asset allocation and acquisition or divestment of respective investments; and (iii) providing information and data on particular investment opportunities and market comparisons, and vice versa.
 - (iii) *Consulting services*: (a) provided by the Group to the GTJA Group, including but not limited to, the professional services, back office support and investor relations related services in Hong Kong; and (b) provided by the GTJA Group to the Group, including but not limited to, (i) provision of information relating to the macroeconomic

LETTER FROM SOMERLEY

environment and business development in the PRC on regular and ad-hoc basis; (ii) back office support; and (iii) carry out market research and prepare research reports for the PRC market for the Group's reference.

- (iv) *Corporate finance services*: (a) provided by the Group to the GTJA Group the initial public offering, refinancing and financial advisory services, including but not limited to advising on compliance with the Listing Rules and the Takeovers Code in Hong Kong, share placements, bonds issuances, corporate restructuring, cross-border financial services and other compliance advisory services relating to applicable laws and regulations; and (b) provided by the GTJA Group to the Group the referral of corporate finance clients and projects and financial advisory services, including but not limited to compliance advisory services in relation to rules and regulations in the PRC, mergers and acquisitions, offering of securities and corporate restructuring.

- (2) Brief particulars of the Category 2 Transactions contemplated under the New Master Agreement are summarised below:

Principal-to-principal transactions between the Group and the GTJA Group, including but not limited to, trading of over-the-counter derivatives under the market standard master agreement with diversified underlying assets including shares and debt securities on the primary and secondary markets, additional tier-1 bonds, private placement bonds, private equity, funds, indexes, interest rate and foreign exchange, trading of debt securities, structured products and customised transactions, as well as ancillary services.

(c) Pricing policy

According to the pricing policy of the Group and as stated in the letter from the Board contained in the Circular, the prices of the service to be paid or to be received in respect of the Category 1 Transactions or the transactions to be entered in respect of the Category 2 Transactions (as the case may be) under the terms of the New Master Agreement shall be determined on normal commercial terms and in the ordinary and usual course of business of the Group. The pricing principles of the Category 1 Transactions and Category 2 Transactions are as follow:

Category 1 Transactions:

(1) Brokerage services:

- (a) For securities brokerage, the fees charged/chargeable or paid/payable (as the case may be) shall be determined with reference to, among other things, the fees, rates and commission which ranges from 0.06% to 0.3% for independent third parties in the market and the expected total brokerage transaction amount;

LETTER FROM SOMERLEY

- (b) For futures brokerage, the commission follows the pricing standard applicable to all its clients including independent third parties and shall be determined with reference to (i) the type of futures contract; (ii) the futures exchange on which it is traded; and (iii) whether the trade is executed during the day or overnight in Hong Kong time;
- (c) For margin financing services, the interest rate charged at a progressive interest rate ranging from prime rate minus 3% per annum to prime rate plus 3% per annum, shall be determined by the risk level of underlying collaterals through a progressive interest rate mechanism applicable to all its clients including independent third parties; and
- (d) For brokerage ancillary services, such as research services, the fees charged/chargeable or paid/payable (as the case may be) shall be determined with reference to the cost-based pricing method.

(2) Investment management and advisory services:

The fees charged/chargeable or paid/payable (as the case may be) shall be determined with reference to, among other things, the fund management fees, performance fees and/or advisory fees of independent third parties in the market.

(3) Consulting services:

The fees charged/chargeable or paid/payable (as the case may be) shall be determined through arm's length negotiations by the respective business units with reference to the cost-based pricing method.

(4) Corporate finance services:

The fees shall be determined by the respective business units with reference to the transactions of independent third parties of similar size and nature in the market and the pricing shall be negotiated on an arm's length basis.

Category 2 Transactions:

Principal-to-principal transactions:

The pricing shall be determined on the basis of arm's length negotiations between the parties and with reference to, among other things, the prevailing rates generally being offered in the market, the market rates quoted by market participants, the market practice for transactions of similar nature and the price of similar transactions the Company offers to independent third parties:

- (1) for the primary bond market, it shall be priced with reference to face value;

LETTER FROM SOMERLEY

- (2) for over-the-counter trades on the secondary bond market, the pricing and terms shall be determined on the basis of arm's length negotiations and its respective clients' demand for the Group's market making business; and
- (3) for structured products and derivatives, these shall be priced on normal and ordinary commercial terms (with reference to its finance costs, complexity of the product structure and issuance, market conditions at the time of issue and other factors) for which the Group charges either (i) a reasonable interest, fees and commission with mark-up rate at minimum 0.1% to clients for underlying assets with higher liquidity; or (ii) a mark-up rate based on the cost-plus pricing method, fees and/or income expectations with mark-up rate at minimum 0.1% for tailor made products on clients' demand or underlying assets with lower liquidity.

Overall, pricing policies of the Group for Category 1 Transactions and Category 2 Transactions primarily have been made with reference to (i) standard pricing rate which is applicable to all clients (including both connected persons and independent third parties); (ii) fees or rates chargeable to independent third parties for transactions of similar in nature and size; and (iii) cost-based pricing. As such, we consider that the pricing policies shall enable the income to be generated or expenses to be paid under Category 1 Transactions and transaction value attributable to Category 2 Transactions to be no less favourable to the Group than that those the independent third parties such that the abovementioned pricing policies are fair and reasonable to the Group. The Group has also implemented sufficient internal control to ensure the terms of each Continuing Connected Transaction under the New Master Agreement will be conducted on normal commercial terms, please refer to the sub-section headed "(d) Internal control" in this letter for further details.

(d) Internal control

As stated in the letter from the Board contained in the Circular, pursuant to the internal control measures and policies of the Company, before the Group enters into any of the Continuing Connected Transactions, the responsible business units must ensure that (i) the price of the transaction is the same as, or within the price range of, comparable transactions carried out by independent third parties in the market (where such transactions are available for reference) and the pricing policies of the New Master Agreement; and (ii) if there is any change to the Group's pricing policy or mechanism, the revised pricing policy or mechanism is in line with market practice. Further, the relevant business units are required to consult and obtain pre-approvals from the relevant departments for each continuing connected transaction (except for brokerage transactions with standard brokerage rate applied).

In addition, the relevant personnel of the business units of the Group will compare other contemporaneous transactions or quotations for similar transactions with independent third parties in the market which, in any event, it shall not be less

LETTER FROM SOMERLEY

than two comparable transactions (if no comparable transaction is available, each aforesaid department will review the proposed transactions based on their past experience and public information on the market, if available) and ensure that the transactions will be made on no more favourable terms to the GTJA Group, or no less favourable to the Group, than those available from independent third parties. The Group will also conduct sampling inspections on the effectiveness of the internal control procedures based on the audit plan.

In view of the above, we have obtained and reviewed the Company's compliance notice issued to, among others, all department heads of the Group in relation to internal control policy for continuing connected transactions of the Group (the "**Compliance Notice**"). We noted from the Compliance Notice that it has outlined the requirements on pricing mechanisms for each sub-category (if applicable) of Category 1 Transactions and Category 2 Transactions and the abovementioned pricing policy is in line with the requirements sets forth in the Compliance Notice.

In addition, we further noted from the Compliance Notice that it is the responsibility of each business unit to ensure terms of the Continuing Connected Transactions to be carried out are on normal commercial terms and in the ordinary and usual course of business of the Group. The legal, compliance, risk management, finance departments and office of the Board review each of the Continuing Connected Transactions from their respective expertise with reference to comparable transactions with independent third parties. In addition, the relevant personnel of the responsible business units compare other contemporaneous transactions or quotations for similar transactions with independent third parties and ensure that the terms offered to or by the GTJA Group are (i) within the ordinary businesses of the Group; (ii) on normal commercial terms and conditions; (iii) fair and reasonable and in the interests of the Shareholders; and (iv) in compliance with the Group's pricing and internal control measures and policies of the Company for connected transactions. The Group would regularly monitor transactions between the Group and the GTJA Group as to whether such transactions fall within the scope of the New Master Agreement, whether the relevant annual caps have nearly been fully utilised, and issuing reminders to the responsible business units where necessary. The Group will also conduct sampling inspections on the effectiveness of the internal control procedures based on the audit plan. In view of this, we have obtained and reviewed records in relation to the application and grant of consent for carrying out certain continuing connected transactions and we noted that the Group strictly adhered to the requirements as set out in the Compliance Notice. We are of the view that this puts in place an additional layer of internal control to ensure the Continuing Connected Transactions to be carried out shall be made on terms no more favourable to the GTJA Group, or no less favourable to the Group, than those available from or to the independent third parties. In addition, auditor of the Company shall report on the continuing connected transactions of the Company annually according to Rule 14A.56 of the Listing Rules.

LETTER FROM SOMERLEY

In consideration of the above, we concur with the Management that the pricing mechanism and the internal control adopted are sufficient to ensure each Continuing Connected Transaction under the New Master Agreement will be conducted on normal commercial terms and shall safeguard the interests of the Independent Shareholders.

5. The Annual Caps

Set out below are the historical transaction amounts in respect of the continuing connected transactions carried out under the Existing Master Agreement for the years ended 31 December 2018 and 2019 and the ten months ended 31 October 2020:

Historical transaction amounts in respect of the income attributable to the Group arising from:	For the year ended/ending 31 December					
	2018		2019		2020	
	Annual cap	Actual transaction amount	Annual cap	Actual transaction amount	Annual cap	Actual transaction amount
			<i>(HK\$ million)</i>			<i>(Note)</i>
1. Brokerage services provided to member(s) of the GTJA Group	19	2.8	26	16.3	35	1.2
2. Investment management and advisory services provided to member(s) of the GTJA Group	2	—	3	—	4	0.04
3. Consulting services provided to member(s) of the GTJA Group	2	—	2	—	2	—
4. Corporate finance services provided to member(s) of the GTJA Group	17	—	133	18.6	233	—
Total:	40	2.8	164	34.9	274	1.2

LETTER FROM SOMERLEY

Historical transaction amounts in respect of the expenses incurred by the Group arising from:	For the year ended/ending 31 December					
	2018		2019		2020	
	Annual cap	Actual transaction amount	Annual cap	Actual transaction amount	Annual cap	Actual transaction amount
			<i>(HK\$ million)</i>			<i>(Note)</i>
1. Brokerage services from member(s) of the GTJA Group	20	2.0	23	1.0	25	0.72
2. Investment management and advisory services provided by member(s) of the GTJA Group	18	—	34	—	59	—
3. Consulting services from member(s) of the GTJA Group	29	27.0	38	30.4	51	25.0
4. Corporate finance services provided by member(s) of the GTJA Group	32	26.8	38	28.8	45	12.9
Total:	99	55.8	133	60.2	180	38.7

Historical transaction amounts in respect of investment and finance transaction (which do not belong to any other categories of service transactions) attributable to principal-to-principal transaction between the Group and GTJA Group

Historical transaction amounts in respect of investment and finance transaction (which do not belong to any other categories of service transactions) attributable to principal-to-principal transaction between the Group and GTJA Group	For the year ended/ending 31 December					
	2018		2019		2020	
	Annual cap	Actual transaction amount	Annual cap	Actual transaction amount	Annual cap	Actual transaction amount
			<i>(HK\$ billion)</i>			<i>(Note)</i>
1. Bonds traded	2.7	—	3.6	0.08	4.1	—
2. Structured products sold by the Group	3.9	0.06	5.9	0.06	10.6	3.27
3. Structured products purchased by the Group	1.6	—	1.6	—	1.6	—
Total:	8.2	0.06	11.1	0.14	16.3	3.27

Note: As stated in the letter from the Board contained in the Circular, the actual transaction amount was up to 31 October 2020.

LETTER FROM SOMERLEY

As discussed in the letter from the Board contained in the Circular, the low utilisation rate of the annual caps for some of the sub-category services and transactions for the years ended 31 December 2018 and 2019 and the ten months ended 31 October 2020 was mainly due to the nature of the services provided by or received from the Group or the GTJA Group or transactions entered between the Group and the GTJA Group (as the case may be) that large fraction of the annual caps for the years ended/ending 31 December 2018, 2019 and 2020 (the “**Previous Annual Caps**”) were prepared to make provision against the potential demand for investment and the financing needs of the clients of the GTJA Group in the PRC and the Group in Hong Kong and/or overseas. The actual utilisation rate is subject to the then market conditions, investment strategies and opportunities appeared in the market and accordingly the historical low utilisation rate is intelligible. Notwithstanding of the low utilisation rate of the annual caps for some of the sub-category services and transactions in the past, the Company considers that it is necessary to maintain the same or higher proposed annual caps for the three years ending 31 December 2023 in light of the proposed expansion of business activities due to the increase in possible demand for cross-border trading and services.

In view of the above, we have discussed with the Management and we were given to understand that the Previous Annual Caps were determined based on the Management’s then expectation on market conditions for the three years ending 31 December 2020 and the then state policies. Also, the actual utilisation of the Previous Annual Caps would depend on the business demands from both the Group and the GTJA Group driven by actual market conditions. On the other hand, the Annual Caps determined were based on the Management’s current expectation on future market conditions and the potential business demand to be generated from the state policies and factors as described in the section headed “3. Reasons for and benefits of entering into the New Master Agreement” in this letter.

LETTER FROM SOMERLEY

Set out below are the Annual Caps in respect of the Continuing Connected Transactions for the years ending 31 December 2021, 2022 and 2023 (the “Period”):

	For the year ending 31 December		
	2021	2022	2023
Category 1 Transactions	<i>(HK\$ million)</i>		
(i) Income (to be) received by the Group for services provided to member(s) of the GTJA Group	226	274	329
(ii) Expenses (to be) incurred by the Group for services provided by member(s) of the GTJA Group	160	187	219
Category 2 Transactions	<i>(HK\$ billion)</i>		
Transaction amount attributable to principal-to-principal transactions between the Group and the GTJA Group	64.1	73.7	83.3

Note: As stated in the letter from the Board contained in the Circular, due to the nature of the services, a transaction could cover several sub-categories of the Category 1 Transactions or Category 2 Transactions. When negotiate the terms of the contract with respect to the services, the total contract amount will be used as reference for accounting entry and will not break down into several sub-categories. For the avoidance of doubt, when calculating the utilisation amount of the Annual Caps, if the nature of an individual transaction is covered by more than one category of transaction, such transaction amount may be included in more than one category of the Annual Caps. However, if any transaction amount which has been included in one category of the Annual Caps, then such amount will not be counted towards the other categories. Accordingly, consistent with the generally accepted market approach, the proposed annual caps under Category 1 Transactions and Category 2 Transactions are not further broken down in sub-categories. Further, by breaking down the proposed annual caps under Category 1 Transactions and/or Category 2 Transactions into sub-categories may also cause undue delay in the actual consummation of the services and transactions under the New Master Agreement, since the transactions of which is time-sensitive in nature.

As set out in the letter from the Board contained in the Circular, the Annual Caps have been determined by reference to the following:

- (i) the historical figures of the relevant transactions (if any) and the existing scale and operations of those businesses of the Group and/or the GTJA Group;
- (ii) the projected annualised amounts for the related transactions;

LETTER FROM SOMERLEY

- (iii) the relevant national and cross-border policies, such as the Stock Connect, the process of Renminbi internationalisation, the Belt and Road Initiative as well as the Greater Bay Area development, etc., resulting in more frequent cooperation in cross-border business development trends between mainland China and Hong Kong;
- (iv) business growth and customer demand expectations;
- (v) a reasonable buffer in the range of 14% to 20% to cater for the anticipated business growth which was determined based on the historical revenue growth of the Group for the years 2016 to 2019 and taking into consideration of unexpected inflation and currency fluctuations; and
- (vi) the general assumption that there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the businesses of the Group and the GTJA Group during the years ending 31 December 2021, 2022 and 2023.

In deriving the proposed annual caps under the New Master Agreement, the buffer to cater for the anticipated business growth in respect of the sub-category services and transactions under the Category 1 Transactions and Category 2 Transactions was also adjusted by taking into consideration of the particular expected business growth with reference to the proportionate revenue that was generated by the Group under the different sub-category services and transactions in the past.

In order to assess the fairness and reasonableness of the Annual Caps, we have reviewed the factors below.

(a) Category 1 Transactions

As mentioned above, Category 1 Transactions comprise (i) brokerage services; (ii) investment management and advisory services; (iii) consulting services; and (iv) corporate finance services.

(1) Income to be received by the Group for service transactions to be provided to member(s) of the GTJA Group

We have reviewed all the sub-categories individually to assess the fairness and reasonableness of income under the Annual Caps in relation to Category 1 Transactions. In our review, we noted that income of brokerage services, investment management and advisory services and corporate finance services altogether amounted to not less than 99% of the Annual Caps in relation to income to be received by the Group for service transactions to be provided to member(s) of the GTJA Group, details of which are set out below.

LETTER FROM SOMERLEY

(i) Brokerage services

Based on our discussion with the Management and review of information provided, we are given to understand that the Annual Caps in relation to brokerage services to be provided by the Group to the GTJA Group are based on (I) the full implementation of H-share “full circulation” program since November 2019, as mentioned in the sub-section headed “(c) Prospects of the Group and the GTJA Group” under the section headed “3. Reasons for and benefits of entering into the New Master Agreement” in this letter and it is expected to have a positive impact on securities trading volume; (II) the anticipated growth of the Group’s IPO sponsorship projects and underwriting business which may increase the GTJA Group’s trading in securities and eligible products for the QDII products via its securities trading account opened with the Group. We have discussed with the Management and noted that the trading quota under the QDII scheme granted to the GTJA Group has recently increased from US\$450 million to US\$650 million in September 2020. This will provide additional room for the GTJA Group to carry out investment as described above; (III) the estimated demand for futures brokerage services, which was determined with reference to the historical trading records plus 50% buffer per annum as the demand for futures brokerage services may fluctuate due to high market volatility. We have reviewed the historical income generated from the provision of futures brokerage services by the Group to the GTJA Group and it is noted that such income had been volatile and it had declined noticeably by approximately 83.7% for the year ended 31 December 2019 when compared to that for the year ended 31 December 2018. Hence, the Company applies a 50% buffer in case of demand for futures brokerage service increase back to the level prior to the significant decline in 2019 and to cater for future potential growth in demand for futures brokerage service; and (IV) the projected demand for bonds settlement and bonds custodian services to be provided by Group, which is based on historical transaction records.

(ii) Investment management and advisory services

Based on our discussion with the Management and review of information provided, we are given to understand that the determination of the Annual Caps in relation to investment management and advisory services to be provided by the Group to the GTJA Group is based on the possible provision of investment advisory services to the funds managed by the GTJA Group under the QDII scheme and, accordingly, the Group may receive advisory fees from the GTJA Group. The determination of this sub-category of the Annual Caps was made with reference to the estimated allocation under the QDII scheme of up to 10% of the total assets under management of the funds managed by the GTJA Group and an expected advisory fee percentage of approximately 1%. In view of the above, we have obtained and reviewed the fund advisory fees charged by a number of funds independent of the Group and we noted that the expected advisory fee

LETTER FROM SOMERLEY

percentage to be charged by the Group to the GTJA Group is generally comparable with the advisory fee percentage charged by the independent funds.

(iii) Corporate finance services

Based on our discussion with the Management and review of the information provided, we are given to understand that the Annual Caps in relation to corporate finance services to be provided by the Group to the GTJA Group are based on (I) the potential corporate finance projects for the year ending 31 December 2021 involving both the Group and the GTJA Group. In view of this, we have reviewed the relevant engagements and noted that there are a fee split arrangement between the Group and the GTJA Group as referred to the notice issued by GTJA governing the fee split on investment banking business between the two parties (the “**Investment Banking Business Cooperation Notice**”). The Investment Banking Business Cooperation Notice governs the fee split arrangement for corporate finance projects in cooperation between the Group and the GTJA Group in accordance to the following factors: (a) level of involvement in project execution; (b) each party’s accountability for project origination; and (c) level of information provided to support such project origination. In any event, the fee split percentage between the Group and the GTJA Group shall not be higher than 50%. As for the Annual Caps of this sub-category for the years ending 31 December 2022 and 2023, they are based on an annual growth rate of 20%; (II) the possibility of the Group to act as the placing agent for the potential placements of GTJA’s H-shares under the general mandate to be granted to the board of directors of GTJA to issue, allot and deal with new H-shares of GTJA of up to 20% of the H-shares of GTJA in issue which might be obtained at the GTJA’s annual general meeting for each of the years ending 31 December 2021, 2022 and 2023. In view of this, we have reviewed the calculation of the maximum placing fees of approximately HK\$149 million, approximately HK\$178 million and approximately HK\$214 million for the years ending 31 December 2021, 2022 and 2023 respectively, which are based on (a) the maximum issuance size based on the general mandate of GTJA to be granted by its shareholders and the historical average share price of GTJA; (b) the assumption that 100% of the newly issued shares will be distributed by the Group; and (c) the expected placing fee percentage; and (III) the Group’s potential participation in GTJA Group’s offshore bond issuance as an underwriter. We noted from the annual report of GTJA for the year ended 31 December 2019 that the GTJA Group had offshore bonds of approximately US\$500 million and EUR255 million in issue as at 31 December 2019 and it is anticipated that more offshore bonds may be issued by the GTJA Group, the Group may underwrite part of these offshore bonds. In view of this, we have reviewed the calculation of the fee for underwriting the offshore bonds, which is based on the expected issuance size of approximately US\$1.0 billion, approximately US\$1.25 billion and approximately US\$1.5 billion for the years ending 31 December 2021, 2022

LETTER FROM SOMERLEY

and 2023 respectively, the expected distribution by the Group of 50% of the expected issuance size and the expected underwriting fee percentage of 0.5%. We have also obtained the underwriting fee percentage charged against clients independent of the Group and we noted that the expected underwriting fee percentage is generally comparable with the underwriting fee percentage charged against clients independent of the Group.

Based on the above, we are of the view that the Annual Caps in relation to income to be received by the Group for service transactions to be provided to member(s) of the GTJA Group under Category 1 Transactions to be reasonable and justifiable.

(2) Expenses to be incurred by the Group for service transactions to be provided by member(s) of the GTJA Group

We have reviewed all the sub-categories individually to assess the fairness and reasonableness of expenses under the Annual Caps in relation to Category 1 Transactions. In our review, we noted that the expenses of investment management and advisory services, consulting services and corporate finance services altogether amounted to not less than 96% of the Annual Caps in relation to expenses to be incurred by the Group for service transactions to be provided by member(s) of the GTJA Group, details of which are set out below.

(i) Investment management and advisory services

Based on our discussion with the Management and review of information provided, we are given to understand that the Annual Caps in relation to investment management and advisory services to be provided by the GTJA Group to the Group are based on (I) the distribution fee to be charged by the GTJA Group to the Group for distributing funds permissible under the scheme of mutual recognition of funds. The funds are managed by the Group and the total distribution amount shall be approximately US\$500 million over the three years ending 31 December 2023 and the distribution fee is determined based on the fund management fee percentages between 1% and 2% charged to the funds' subscribers and an expected fee split to a distributor plus a buffer of 20% for a possible increase in distribution amount of the aforesaid funds. In view of the above, we have reviewed the fund management fee percentage of the funds managed by the independent third party fund managers and we noted that the fee percentages of 1% to 2% are generally comparable to that charged by independent third parties; and (II) the Group may engage the GTJA Group for the provision of investment advisory services for funds under the QFII and RQFII schemes managed by the Group when the qualification for mutual fund management business in the PRC has been obtained by the GTJA Group. Therefore, there might be an expansion in investment advisory services to be provided by the GTJA Group to the funds managed by the Group and, accordingly, the GTJA Group may receive advisory fees from the Group. The Management

LETTER FROM SOMERLEY

estimated the investment advisory fees based on (a) the total asset under management of the funds managed by the Group; (b) the estimated demand for investment advisory service from the GTJA Group for the funds which is determined based on 30% of the then QFII and RQFII trading quota of the Group; and (c) the expected advisory fee percentage of 0.4%. In view of the above, we have obtained and reviewed the fund advisory fee percentages charged by a number of funds independent of the Group and we noted that the expected fund advisory fee percentage to be charged by the GTJA Group to the Group is generally comparable with that of the aforesaid independent funds.

(ii) Consulting services

Based on our discussion with the Management and review of information provided, we are given to understand that the Annual Caps in relation to consulting services to be provided by the GTJA Group to the Group are based on historical transaction amounts in the past years and the annual growth rate in the most recent year of approximately 13% plus a buffer of 12% for any unexpected increase in demand for such consulting services and the assumption of a constant growth rate of 25% for this sub-category of the Annual Caps for the years ending 31 December 2021, 2022 and 2023.

(iii) Corporate finance services

Based on our discussion with the Management and review of information provided, we are given to understand that the Annual Caps in relation to corporate finance services to be provided by the GTJA Group to the Group are based on (I) potential IPO sponsorship and other corporate finance service referrals to be made by the GTJA Group for the year ending 31 December 2021. In view of this, we have reviewed the relevant engagement memorandums and noted that there is a fee split arrangement between the Group and the GTJA Group for the aforementioned projects depending on the level of involvement and work allocation by each party according to the Investment Banking Business Cooperation Notice. For details of the fee split arrangement, please refer to the sub-paragraph headed “(iii) Corporate finance services” under the paragraph headed “(1) Income to be received by the Group for service transactions to be provided to member(s) of the GTJA Group” of the sub-section headed “(a) Category 1 Transactions” in this section above. As for the Annual Caps of this sub-category for the years ending 31 December 2022 and 2023, they are based on an annual growth rate of 20%; (II) the expected issuance size of IPO projects and share placement projects of the clients of the Group for the year ending 31 December 2021 involving the cooperation between the Group and the GTJA Group. In view of this, we have reviewed the calculation of the expected fee to be received by the Group based on the expected issuance size of IPO projects and share placement projects involving the cooperation between the Group and the

LETTER FROM SOMERLEY

GTJA Group for the year ending 31 December 2020, which is expected to be remain unchanged for the years ending 31 December 2022 and 2023, the expected distribution size of up to 20% of the expected issuance size of those projects to be taken up by the Group, the expected fee percentage of 3% based on historical fee percentage level and the corresponding percentage for fee split according to the Investment Banking Business Cooperation Notice; and (III) the possibility of the Group's clients referred by the GTJA Group to issue offshore bonds with average issuance size of US\$250 million for the years ending 31 December 2021, 2022 and 2023, which is determined with reference to the average size of offshore bonds issued by clients of the Group for the year ended 31 December 2019 and adjusted for the current market conditions and the fee split arrangement between the Group and the GTJA Group for those projects depending on the level of involvement and work allocation by each party according to the Investment Banking Business Cooperation Notice. In view of this, we have reviewed the calculation of the fee for underwriting the offshore bonds, which is based on the expected issuance size, expected fee split with the GTJA Group and the expected average fee percentage of 0.45%. We have also obtained the underwriting fee percentage charged against clients independent of the Group and we noted that the expected underwriting fee percentages are comparable with the underwriting fee percentages charged against clients independent of the Group.

Based on the above, we are of the view that the Annual Caps in relation to expenses to be incurred by the Group for service transactions to be provided by member(s) of the GTJA Group under Category 1 Transactions to be reasonable and justifiable.

(b) Category 2 Transactions

As mentioned above, Category 2 Transactions include, but not limited to, trading of structured products and derivatives and fixed income, currencies and commodities ("FICC"). In light of this, we have reviewed the aforesaid sub-categories individually to assess the fairness and reasonableness of the Annual Caps in relation to Category 2 Transactions:

(i) Structured products and derivatives

As advised by the Management, the Company has undergone an internal restructuring and formed a new unit for structured solution and derivative businesses in October 2020.

Based on our discussion with the Management, we are given to understand that this sub-category of the Annual Caps is determined based on the estimated demand for trading of (I) equity structured products and derivatives; (II) fixed income structured products and derivatives; and (III) foreign exchange swaps, details of which are set out below.

LETTER FROM SOMERLEY

We noted that the estimated demand for trading of equity structured products and derivatives is determined based on (I) the relevant gross notional risk limit for this business area, which was recently increased in the third quarter of 2020; and (II) the historical transaction amount for the six months ended 30 June 2020. The gross notional risk limit is determined by the Group based on its risk limit exposure. Given the recent uplift of the gross notional risk limit for this area, it is expected that the transaction amount will increase accordingly. We have discussed with the Management and noted that they have assumed the trading demand for equity structured products and derivatives may increase by approximately 3.0 times from historical amounts to 75% of the gross notional risk limit for the year ending 31 December 2021 and this sub-category of the Annual Caps will increase by an average of approximately 15% per annum until it reaches the highest gross notional risk limit by the year ending 31 December 2023 assuming that the gross notional risk limit to remain constant until then. In addition, since most of the structured product and derivative transactions between the Group and the GTJA Group are A-shares related swap transactions which are settled on a monthly basis, these transactions may be rolled over and amounts of these transactions need to be aggregated (as the case may be). In view of the above, we have obtained from the Management and reviewed the discussion and consent records of the Group in relation to the revision of the gross notional risk limit.

Furthermore, we noted that the estimated demand for trading of fixed income structured products and derivatives is determined based on the expectation of the increasing demand from customers of the GTJA Group for cross-border total return swap products as an alternative investment channel to the QDII scheme when the trading quota for the QDII scheme is significantly utilised. The Group can leverage on its fixed income business and use the financial assets it holds, such as bonds, funds, private bonds and private equities, as the underlying assets to carry out the cross-border total return swap trades. We have reviewed and noted that the Company held approximately HK\$59 billion worth of fixed income financial assets as of 30 June 2020 and the Management expects that approximately 40% of aforesaid assets may be used for cross-border total return swap trades. Accordingly, it is anticipated that this sub-category of the Annual Caps will amount to approximately HK\$23 billion, HK\$26 billion and HK\$29 billion for the years ending 31 December 2021, 2022 and 2023 respectively.

Lastly, we understand that the estimated demand for trading of foreign exchange swaps is determined based on the historical transaction amounts between the Group and the GTJA Group regarding foreign exchange swaps, which amounted to approximately HK\$510 million, approximately HK\$694 million and approximately HK\$84 million for the years ended 31 December 2017, 2018 and 2019 respectively. In view of this, we have reviewed the aforesaid historical transaction amounts in relation to foreign exchange swaps for the years ended 31 December 2017, 2018 and 2019 and we noted that this sub-category of the Annual Caps is within the range of the historical transaction amounts between the Group and the GTJA Group during the aforesaid years.

LETTER FROM SOMERLEY

(ii) FICC transactions

Based on our discussion with the Management, we are given to understand that this sub-category of the Annual Caps is determined based on (I) expected amounts of bonds to be underwritten by the Group in the primary market in Hong Kong, which are estimated based on the historical amount for the year ended 31 December 2019 and an annual growth rate of 10%. In addition, the bonds to be subscribed by the GTJA Group may be up to 5% of issuing size of any single bond due to the internal control of the GTJA Group against concentration risk. Furthermore, based on past experience, the relevant bonds to be underwritten by the Group are expected to have an average of 3 times over-subscription and half of the bonds to be underwritten by the Group fit in the investment appetite of the GTJA Group; and (II) the expected transaction amount of bonds between the Group and the GTJA Group under the market-making business of the Group, which is determined with reference to the factors including (a) the historical transaction amount of approximately US\$17 billion for the six months ended 30 June 2020 under the Group's bond market making business; and (b) the Group has a total of 450 counterparties for its bond market making business and the assumption that bonds transacted under its bond market making business will be evenly distributed among these parties. In view of the above, we have obtained and reviewed the relevant calculation in relation to this sub-category of the Annual Caps and we are of the view that the assumptions used for the aforesaid calculation to be reasonable.

Based on the above, we are of the view that the Annual Caps in relation to transaction amount under Category 2 Transactions to be reasonable and justifiable.

OPINION AND RECOMMENDATION

Based on the above principal factors and reasons, we consider that the entering into of the New Master Agreement is in the ordinary and usual course of business of the Company and is in the interests of the Company and the Shareholders as a whole. We also consider that the terms of the New Master Agreement, the Continuing Connected Transactions and the Annual Caps are on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders, to vote in favor of the ordinary resolution to be proposed at the EGM in relation to the New Master Agreement, the Continuing Connected Transactions and the Annual Caps.

Yours faithfully,
For and on behalf of
SOMERLEY CAPITAL LIMITED
Danny Cheng
Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in Shares, underlying Shares and debentures

As at the Latest Practicable Date, save as disclosed below, none of the Directors or the chief executives of the Company or their respective associates had or was deemed to have any interests and short positions in the Shares, underlying Shares and debentures of the Company and 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 the Directors or the chief executives of the Company or their respective associates were deemed or taken to have under provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

Interest in the Company

Name of Directors	Number of Shares	Number of awarded Shares	Number of underlying shares in relation to share options	Total	Percentage of Shares in issue
YIM Fung	68,546,955	—	2,300,000	70,846,955	0.74%
WONG Tung Ching	13,942,564	272,000	2,300,000	16,514,564	0.17%
QI Haiying	5,533,000	479,000	2,300,000	8,312,000	0.09%
LI Guangjie	9,965,970	310,000	2,300,000	12,575,970	0.13%
FU Tingmei	1,512,096	—	—	1,512,096	0.02%
SONG Ming	1,512,096	—	—	1,512,096	0.02%
TSANG Yiu Keung	1,512,096	—	—	1,512,096	0.02%

As at the Latest Practicable Date, save as disclosed below, none of the Directors is a director or employee of a company which has, or is deemed to have, an interest or a short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Director	Title	Company
Dr. YIM Fung	Director	GTJAH
Dr. YIM Fung	Director and General Manager	Guotai Junan Financial Holdings Limited
Dr. XIE Lebin	Management	GTJA
Mr. LIU Yiyong	Management	GTJA

(b) Substantial Shareholders' interests and short positions

As at the Latest Practicable Date, save as disclosed below, so far as was known to any Director or chief executive of the Company, no other person or company (other than the Directors or chief executives of the Company) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register kept by the Company pursuant to section 336 of the SFO which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

Name of Shareholders	Number of Shares	Percentage of Shares in issue
GTJAH	7,044,877,066	73.25%
Guotai Junan Financial Holdings Limited ^(Note 1)	7,044,877,066	73.25%
GTJA ^(Note 1)	7,044,877,066	73.25%

Note:

- (1) GTJAH is wholly-owned by Guotai Junan Financial Holdings Limited which in turn is a wholly-owned subsidiary of GTJA. Accordingly, Guotai Junan Financial Holdings Limited and GTJA are deemed to be interested in the Shares held by GTJAH pursuant to the SFO.

3. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors nor their respective close associates is and was interested in any business (other than the Group's business) which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

4. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors had any interest, either directly or indirectly, in any assets which has since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up), up to the Latest Practicable Date, been acquired or disposed of by or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

5. DIRECTORS' SERVICE CONTRACTS

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

6. DIRECTORS' INTERESTS IN CONTRACT OR ARRANGEMENT OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which is significant in relation to the businesses of any member of the Group.

7. 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 2019, being the date to which the latest published audited financial statements of the Company were made up.

8. EXPERT AND CONSENT

The following are the qualifications of the expert who has given opinion contained in this circular:

Name	Qualification
Somerley	a corporation licensed to conduct Type 1 (Dealing in Securities) and Type 6 (Advising on Corporate Finance) regulated activities under the SFO

Somerley has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which they respectively appeared.

As at the Latest Practicable Date, Somerley did not have any direct or indirect interest in any assets which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2019, the date to which the latest audited financial statements of the Group was made up; and had no shareholding, directly or indirectly, in any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

9. MISCELLANEOUS

The English text of this circular shall prevail over its respective Chinese text for the purpose of interpretation.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's registered office and principal place of business in Hong Kong at 27/F, Low Block, Grand Millennium Plaza, No. 181 Queen's Road Central, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of the EGM:

- (a) the New Master Agreement;
- (b) the letter from the Independent Board Committee, the text of which is set out on page 19 of this circular;
- (c) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 20 to 43 of this circular;
- (d) the written consent referred to in the paragraph headed "Expert and Consent" in this appendix; and
- (e) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



國泰君安國際
GUOTAI JUNAN INTERNATIONAL

GUOTAI JUNAN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1788)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Guotai Junan International Holdings Limited (the “**Company**”) will be held at Edinburgh Room, 2/F, Mandarin Oriental, 5 Connaught Road Central, Hong Kong on 20 January 2021 at 3:00 p.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution of the Company:

Unless otherwise defined, capitalised terms used therein shall have the same meanings as those defined in the circular of the Company dated 5 January 2021.

ORDINARY RESOLUTION

“**THAT:**

- (a) the entering into of the New Master Agreement dated 2 December 2020 as defined and described in the circular of the Company dated 5 January 2021 (the “**Circular**”) (a copy of the New Master Agreement has been produced to the EGM and marked “**A**” and initialed by the chairman of the EGM for the purposes of identification), all the transactions contemplated thereunder, and the proposed annual caps set out in the Circular, be and are hereby approved, confirmed and ratified; and
- (b) any one Director, or any two Directors if the affixation of the common seal of the Company is necessary, be and is/are hereby authorised for and on behalf of the Company to do all such acts and things and sign, agree, ratify or execute all such documents which he/she/they in his/her/their discretion considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the New Master Agreement and any of the transactions contemplated thereunder and to agree to such variations, amendments or waivers of matters relating thereto as are, in the opinion of such Director, in the interest of the Company.”

By order of the Board
Guotai Junan International Holdings Limited
FENG Zheng Yao Helen
Company Secretary

Hong Kong, 5 January 2021

Registered Office:
27/F, Low Block,
Grand Millennium Plaza,
No. 181 Queen’s Road Central,
Hong Kong

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and on a poll, vote on his/her behalf. A proxy need not be a member of the Company.
2. Where there are joint registered holders of any Share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such Share as if he/she is solely entitled thereto, but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy together with any power of attorney (if any) or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, No. 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time for holding the EGM (or any adjournment thereof).
4. The above resolution will be put to vote at the EGM by way of poll.
5. In order to facilitate the prevention and control of the novel coronavirus pandemic and to safeguard the public health, shareholders of the Company are encouraged to consider appointing the chairman of the EGM as his/her/their proxy to vote on the relevant resolutions, instead of attending the EGM in person. Please refer to the section of "Precautionary Measures For the EGM" as set out in the Circular for details.

As at the date of this notice, the Board comprises four executive Directors, being Dr. YIM Fung (Chairman), Mr. WONG Tung Ching, Ms. QI Haiying and Mr. LI Guangjie; two non-executive Directors, being Dr. XIE Lebin and Mr. LIU Yiyong; and four independent non-executive Directors, being Dr. FU Tingmei, Dr. SONG Ming, Mr. TSANG Yiu Keung and Professor CHAN Ka Keung Ceajer.