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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.

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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 17 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on page 18 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 19 to 44 of this circular.

A notice convening the EGM to be held at 28/F, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong on Wednesday, 20 December 2023 at 3:00 p.m. is set out on pages EGM-1 to EGM-2 of this circular. A proxy form for use at the EGM (or any adjournment thereof) is enclosed with this circular.

Whether or not you are able to attend the EGM, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, No. 183 Queen's Road East, Wan Chai, 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 proxy form will not preclude you from attending and voting in person at the EGM (or any adjournment thereof) should you so wish.

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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 3 November 2023 in relation to, among other things, the New Master Agreement
“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)
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened at 28/F, Low Block, Grand Millennium Plaza, 181 Queen’s Road Central, Hong Kong on Wednesday, 20 December 2023 at 3:00 p.m. 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 dated 2 December 2020 in relation to the provision of various services and the entering into certain transactions, the details of which are set out in the announcement of the Company dated 2 December 2020
“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 (but excluding the Group)
“GTJAF”	Guotai Junan Financial Holdings Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of GTJA; and a 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
“HuaAn Funds”	HuaAn Funds Management Co., Ltd. (華安基金管理有限公司), a limited liability company incorporated in the PRC, a non-wholly owned subsidiary of GTJA, is principally engaged in fund establishment, management of fund business and other businesses approved by the China Securities Regulatory Commission

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board (which comprises Dr. FU Tingmei, Mr. TSANG Yiu Keung, Professor CHAN Ka Keung Ceajer and Mr. LIU Chung Mun, being all the independent non-executive Directors) established to advise the Independent Shareholders with regards 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 regards 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”	24 November 2023, 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 dated 3 November 2023 in relation to the provision of various services and the entering into certain 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 the entering into transactions which may from time to time be entered into between members of the GTJA Group and members of the Group pursuant to the New Master Agreement
“PRC”	the People’s Republic of China
“SFO”	Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)
“Shareholders”	holders of Shares
“Shares”	ordinary shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs

DEFINITIONS

“%” per cent.

In this circular, the terms “associate”, “connected person”, “controlling shareholder” and “subsidiary” have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

LETTER FROM THE BOARD



GUOTAI JUNAN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1788)

Executive Directors:

Dr. YIM Fung (*Chairman*)
Ms. QI Haiying

Non-executive Directors:

Mr. YU Jian
Dr. HU Xupeng
Ms. YU Xuping

Independent Non-executive Directors:

Dr. FU Tingmei
Mr. TSANG Yiu Keung
Professor CHAN Ka Keung Ceajer
Mr. LIU Chung Mun

*Registered office, 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

30 November 2023

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.

CONTINUING CONNECTED TRANSACTIONS UNDER THE NEW MASTER AGREEMENT

Background

Reference is made to the announcement of the Company dated 2 December 2020 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 members of their respective groups to, provide various services to, and engage in

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investment and finance transactions with, the other pursuant to the terms set out in the Existing Master Agreement for a term of three years from 1 January 2021 to 31 December 2023.

On 3 November 2023, 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 members of their respective groups 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 2024 to 31 December 2026.

The provision of any services or the entering into any transactions between the Group and the GTJA Group under the New Master Agreement is subject to the Company's and GTJA's compliance with any applicable laws, regulations or administrative directives promulgated by competent authorities to which they are subject.

Date

3 November 2023

Parties

- (i) The Company
- (ii) 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 2024 to 31 December 2026. 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 members of their respective groups to, provide various services to, and engage in investment and finance transactions with, the other during the term of the New Master Agreement.

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1. Service Transactions

Brief particulars of the services to be provided by the Group to the GTJA Group and vice versa as contemplated under the New Master Agreement are summarised below:

(a) Brokerage services

The Group will provide brokerage services for Hong Kong and/or overseas stocks, futures, options, bonds etc., as well as various related ancillary services to the GTJA Group.

The GTJA Group will provide brokerage services permitted by the PRC laws, regulations and regulatory requirements and various ancillary services to the Group.

(b) Investment management, advisory and business collaboration services

The Group will provide services including but not limited to investment management and/or advisory services to the GTJA Group in relation to funds and accounts established and/or managed by the GTJA Group, cross-border transaction and business collaboration and other related services, and vice versa.

(c) Corporate finance services

The Group will provide initial public offering, refinancing and financial advisory services to the GTJA Group. Such services include but are not limited to advising on the Listing Rules and the Takeovers Code, as well as share placement, bond issuance, corporate restructuring and cross-border financial services, and other laws and regulations-related compliance advisory services.

The GTJA Group will provide referral of corporate finance and other financing project clients services, financial advisory and market research services to the Group, including but not limited to advisory services on compliance with the PRC laws and regulations, mergers and acquisitions, and advising on securities offerings and corporate restructurings.

(d) Consulting and operational support services

The Group will provide consulting and operational support services to the GTJA Group. Such services include but are not limited to (i) professional services in Hong Kong and/or overseas, such as client on-boarding and maintenance services; (ii) back office and operational support services; and (iii) services related to investor relations.

The GTJA Group will provide consulting and operational support services to the Group. Such services include but are not limited to (i) providing regular and on-demand information on the macroeconomic environment and business development in the PRC; (ii) back office and operational support services; and (iii) research services, including but not limited to writing industry or product reports and participating in roadshow activities.

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

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2. Investment and Finance Transactions

Brief particulars of the investment and finance transactions to be entered between the Group and the GTJA Group contemplated under the New Master Agreement are summarised below:

The Group and the GTJA Group will enter into investment and finance transactions which are principal-to-principal transactions. Such transactions include but are not limited to trading in primary and secondary equity markets, futures markets, bond markets, additional tier-1 bonds, private placement bonds, private equity, funds, indexes or other diversified underlying assets, derivative transactions under the framework of the market-standard derivative master agreements, trading of structured products and customised transactions, interest rate and foreign exchange 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 entering into the transactions in respect of the Category 1 Transactions and Category 2 Transactions between the Group and the GTJA Group is subject to the Company’s and GTJA’s compliance with any applicable laws, regulations or administrative directives promulgated by competent authorities to which they are subject, including the Listing Rules.

Terms of the Operational Agreements

Pursuant to the New Master Agreement, members of the Group and members 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 terms shall also not exceed the term of the New Master Agreement.

Pricing

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

When determining the pricing for individual transactions, each party shall follow the following principles:

Category 1 Transactions

1. *Category 1 Transactions*

- (a) Brokerage services: (i) 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 for independent third-party clients in the market and the expected total brokerage transaction amount; (ii) for futures brokerage, the commission follows the pricing standard applicable to all its clients including independent third parties which shall be

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determined with reference to (1) the type of futures contract; (2) the futures exchange on which it is traded; and (3) whether the trade is executed during the day or overnight in Hong Kong time; (iii) for margin financing services, the fees shall be determined based on the market-driven mechanism with reference to interest rates applicable to most of its clients including independent third parties; and (iv) for brokerage ancillary services, such as custodian and research services, the fees charged/chargeable or paid/payable (as the case may be) shall be determined with reference to cost-based pricing method, which are calculated based on the relevant costs in relation to the estimated manpower needed for providing such services.

- (b) Investment management, advisory and business collaboration 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 investment advisory fees of independent third parties in the market and/or fees from collaborative cooperation with reference to, among other things, fees of previous collaborative cooperation of similar nature in other businesses.
- (c) 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.
- (d) Consulting and operational support 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. The costs are primarily of an administrative nature, which are calculated based on staff costs in relation to the estimated manpower, corresponding office space sharing, utilities sharing, devices and software subscriptions, etc. Given the nature of the services, it is not practicable to obtain quotations from independent third parties for comparison, the Group shall conduct on an annual basis or more regularly, if required, a review of the fees incurred or to be incurred with reference to the scope of work performed or to be performed (as the case may be).

2. Category 2 Transactions

For principal-to-principal transactions, the pricing shall be determined based on 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 Group and the GTJA Group offers to independent third parties: (i) for the primary bond market, it shall be priced at face value; (ii) for over-the-counter trades on the secondary bond market, the pricing and terms shall be determined based on arm's length negotiations, the market conditions and client demand; and (iii) 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 (1) a reasonable interest, fees and commission to clients for underlying assets with higher liquidity; or (2) a mark-up rate based on the cost-plus pricing method, fees and/or income expectations for tailor made products on client demand or underlying assets with lower liquidity.

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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 by a party, including upon material default of the other party.

REASONS FOR, AND BENEFITS OF, THE CONTINUING CONNECTED TRANSACTIONS

The Group has been pursuing cooperation with the GTJA Group on potential projects and business plans to enlarge its business scale and thus maximise returns to Shareholders. The Group expects the demand for financial and trading services, especially cross-border ones, to keep growing. As the Category 1 Transactions and Category 2 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, by obtaining approval from the Independent Shareholders to enter into the New Master Agreement, the Group can efficiently execute these transactions that require expeditious completion, which will enable the Group to conduct business in a more flexible manner and facilitate the expansion of various business lines, thus bringing additional revenue to the Group and ultimately benefiting the Shareholders.

The Company and its parent, GTJA, have a strong and mutually beneficial relationship that should continue despite the market uncertainty. The Group provides a diversified platform for the GTJA Group to expand its overseas business, especially in Southeast Asia, while the GTJA Group supports the Group with its extensive domestic network, resources, and expertise. The two entities share a common brand, vision, and culture, and collaborate on various business segments, such as wealth management, institutional investor services, corporate finance services, and investment management. By maintaining their close cooperation, the Group can leverage the strengths of the GTJA Group to enhance its competitiveness, and create value for its clients, shareholders, and employees. Moreover, by continuing to provide services to each other, the Group can mitigate some of the risks and challenges posed by the market uncertainty, such as volatility, liquidity, regulation, and competition. Therefore, the Board considers that securing a long-term business relationship with the GTJA Group 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 (a) have been negotiated on an arm's length basis; (b) 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; (c) are entered into in the ordinary and usual course of business of the Group; (d) are fair and reasonable and in the interests of the Company and Shareholders as a whole; and (e) that the proposed annual caps for the three years ending 31 December 2026 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, Mr. YU Jian, Dr. HU Xupeng, and Ms. YU Xuping, is also a director/an officer of certain members of the GTJA Group, they have abstained from the Board meeting(s) in which the New Master Agreement was considered.

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 two years ended 31 December 2021 and 2022 and for the six months ended 30 June 2023 are shown below:

	Historical transaction figures		
	For the year ended 31 December		For the six months ended
	2021	2022	30 June 2023
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
Category 1 Transactions			
(a) Income received by the Group for services provided to the GTJA Group ^(Note 1)	3.3	7.8	8.8
(b) Fees paid by the Group for services received from the GTJA Group ^(Note 2)	110.8	68.4	38.3
	<i>(HK\$ billion)</i>	<i>(HK\$ billion)</i>	<i>(HK\$ billion)</i>
Category 2 Transactions			
Principal-to-principal transactions between the Group and the GTJA Group ^(Note 3)	11.6	18.5	31.4

Notes:

- (1) (i) Income received by the Group for brokerage services provided to the GTJA Group was approximately HK\$2.5 million, HK\$5.2 million and HK\$5.8 million for the two years ended 31 December 2021 and 2022 and for the six months ended 30 June 2023, respectively; (ii) income received by the Group from investment management and advisory services provided to the GTJA Group was nil, approximately HK\$2.2 million and nil for the two years ended 31 December 2021 and 2022 and for the six months ended 30 June 2023, respectively; (iii) income received by the Group from consulting services provided to the GTJA Group was nil, approximately HK\$0.4 million and HK\$2.6 million for the two years ended 31 December 2021 and 2022 and for the six months ended 30 June 2023, respectively; and (iv) income received by the Group from corporate finance services provided to the GTJA Group was approximately HK\$0.8 million, nil and HK\$0.4 million for the two years ended 31 December 2021 and 2022 and for the six months ended 30 June 2023, respectively.
- (2) (i) Fees paid by the Group for brokerage services provided by the GTJA Group were approximately HK\$1.6 million, HK\$0.8 million and HK\$3.5 million for the two years ended 31 December 2021 and 2022 and for the six months ended 30 June 2023, respectively; (ii) no fees were paid by the Group for investment management and advisory services provided by the GTJA Group for the two years ended 31 December 2021 and 2022 and for the six months ended 30 June 2023; (iii) fees paid by the Group for consulting services provided by the GTJA Group were approximately HK\$82.2 million, HK\$48.9 million and HK\$28.9 million for the two years ended 31 December 2021 and 2022 and for the six months ended 30 June 2023, respectively; and (iv) fees paid by the Group for corporate finance services provided by the GTJA Group were approximately HK\$27.0 million, HK\$18.7 million and HK\$5.9 million for the two years ended 31 December 2021 and 2022 and for the six months ended 30 June 2023, respectively.

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- (3) Principal-to-principal transactions between the Group and the GTJA Group amounted to (i) approximately HK\$4.5 billion, HK\$2.0 billion and HK\$0.7 billion for bond trades for the two years ended 31 December 2021 and 2022 and for the six months ended 30 June 2023, respectively; and (ii) approximately HK\$7.1 billion, HK\$16.5 billion and HK\$30.7 billion for structured product and derivative trades for the two years ended 31 December 2021 and 2022 and for the six months ended 30 June 2023, respectively.
- (4) As of the date of this circular, the annual caps under the Existing Master Agreement have not been exceeded.

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 2024, 2025 and 2026 are shown below:

	For the year ending 31 December		
	2024	2025	2026
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
Category 1 Transactions			
(a) Income (to be) received by the Group for services provided to the GTJA Group	201.0	236.0	276.0
(b) Fees (to be) paid by the Group for services received from the GTJA Group	244.0	283.0	327.0
	<i>(HK\$ billion)</i>	<i>(HK\$ billion)</i>	<i>(HK\$ billion)</i>
Category 2 Transactions			
Principal-to-principal transactions between the Group and the GTJA Group	263.4	315.6	378.0

Note:

When calculating the proposed annual caps, if the nature of an individual transaction falls under 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 other categories repeatedly.

The proposed annual caps for the income to be received and the fees to be paid under Category 1 Transactions and the Category 2 Transactions to be entered between the Group and the GTJA Group were determined based on (a) the historical figures of the relevant transactions and the existing scale and operations of those businesses of the Group and/or the GTJA Group; (b) the projected annualised amounts for the related transactions; (c) relevant national, regional and cross-border policies, such as the Stock Connect, Bond Connect, the internationalisation of Renminbi, Swap Connect, HK\$-RMB Dual Counter Model, more favourable terms for QFII and QDII, the Belt and Road Initiative as well as the Greater Bay Area development, resulting in more cooperation opportunities in cross-border business between the Mainland China and Hong Kong and expected larger demand for cross-border financial services; (d) business growth and client demand expectations; (e) the expected recovery of economy after the

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pandemic; and (f) a reasonable buffer to cater for unexpected business growth, inflation and currency fluctuations and on 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.

For the proposed annual caps for Category 1 Transactions, favourable factors such as newly enacted national and regional policies encouraging cross-border investments and transactions (including but not limited to futures and derivatives trades), Stock Connect, Bond Connect, Swap Connect, HK\$-RMB Dual Counter Model, expansion of types of commodity futures and options that QFII can invest in, and mutual recognition of funds arrangements etc. will stimulate the trading volume of brokerage business, the corporate finance market in Hong Kong, and demand for consulting and operating support services. Moreover, HuaAn Funds (a sizeable fund management company in the PRC), who originally was and still is a client of the Group, has become a non-wholly owned subsidiary of GTJA since November 2022. Therefore, the scope of the connected persons covered by the New Master Agreement has been expanded, and the transactions with HuaAn Funds have now become connected transactions of the Group. In addition, given the rapid growth in terms of the scale of cross-border financial products for institutional clients of the Group, the potential cooperation between the Group and the GTJA Group in the fund management, advisory and business collaboration services is expected to be expanded further and thus the related transaction amounts are expected to increase.

The estimated transaction amount for the income attribution to the Group arising from brokerage services for the years ending 31 December 2024, 2025 and 2026 is approximately HK\$35 million, HK\$42 million and HK\$49 million, respectively, which was determined with reference to, among others, the average historical fees and commission expenses of approximately RMB1.29 billion for futures brokerage business of the GTJA Group in past two years according to the annual report of the GTJA for the year ended 31 December 2022 and the relative size of approximately 1.97% of the recent trading volume of futures products in terms of number of contracts in Hong Kong as compared to that in the PRC. The estimated transaction amount for the income attribution to the Group arising from investment management, advisory and business collaboration services for the years ending 31 December 2024, 2025 and 2026 is approximately HK\$32 million, HK\$34 million and HK\$36 million, respectively, which was determined with reference to the potential business collaboration services may be provided jointly by the Group and the GTJA Group to the clients of the GTJA Group in connection with cross-border over-the-counter business, and the expected size of funds may engage the Group for investment management and advisory services. The estimated transaction amount for the income attribution to the Group arising from corporate finance services for the years ending 31 December 2024, 2025 and 2026 is approximately HK\$118 million, HK\$141 million and HK\$169 million, respectively, which was determined with reference to, among others, the expected placing fee rate to be charged by the Group in acting as the sole placing agent for placing shares up to a maximum of 20% of GTJA H-shares in issue under each of the two general mandates within in a year (i.e. one prior to and another one subsequent to the annual general meeting) that may be obtained by GTJA, as well as the potential participation by the Group as an underwriter in the GTJA Group's offshore bond issuance, among others, under the medium term note ("MTN") programme of the GTJA Group of up to US\$3,000 million, approved by the Stock Exchange for a 12-month period, and assuming the MTN programme may be renewed by the GTJA Group. The estimated transaction amount for the income attribution to the Group arising from consulting and operational support services for the years ending 31 December 2024, 2025 and 2026 is approximately HK\$16 million, HK\$19 million and HK\$22 million, respectively, which was determined with reference to the amount to the estimated number of manpower of the Group and respective costs incurred for providing operational and back office support services.

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The estimated transaction amount for the expenses incurred by the Group arising from brokerage services for the years ending 31 December 2024, 2025 and 2026 is approximately HK\$39 million, HK\$44 million and HK\$51 million, respectively, which was determined with reference to, among others, the revenue of commodity futures brokerage business of the GTJA Group for the year ended 31 December 2022 of approximately RMB2.4 billion and part of such revenue will be the brokerage fee expenses of the Group. The estimated transaction amount for the expenses incurred by the Group arising from investment management, advisory and business collaboration services for the years ending 31 December 2024, 2025 and 2026 is approximately HK\$41 million, HK\$43 million and HK\$45 million, respectively, which was determined with reference to the potential business collaboration services may be provided jointly by the Group and the GTJA Group to the clients of the Group in connection with cross-border over-the-counter business and the expected size of funds may engage the GTJA Group for investment management and advisory services. The estimated transaction amount for the expenses incurred by the Group arising from corporate finance services for the years ending 31 December 2024, 2025 and 2026 is approximately HK\$55 million, HK\$67 million and HK\$80 million, respectively, which was determined with reference to, among others, the expected number of bond issuance projects with an average amount of US\$250 million may be referred by the GTJA Group to the Group. The estimated transaction amount for the expenses incurred by the Group arising from consulting and operational support services for the years ending 31 December 2024, 2025 and 2026 is approximately HK\$109 million, HK\$129 million and HK\$151 million, respectively, which was determined with reference to the provision of operational, back office support and financial technology services.

For the proposed annual caps for Category 2 Transactions, which mainly cover potential principal-to-principal transactions between the Group and the GTJA Group under the primary and secondary bond markets, structured product and derivative business of the Group. As for bond business, the proposed annual caps are determined with reference to, among others, the historical figures of relevant transactions under the bond issuance and market making business. As for structured product and derivative business, the cross-border principal-to-principal transactions have been driven by the surge in client demand of structured products and customised transactions under the favourable national and regional policies as well as northbound and southbound investment opportunities, this is demonstrated by the historical notional transaction amount of approximately HK\$30.7 billion for the first half of 2023, the annualised amount of which equals to over eight times and approximately four times as compared to the historical notional transaction amount of approximately HK\$7.1 billion and HK\$16.5 billion for the full year of 2021 and 2022, respectively. Furthermore, the notional amount of derivative contracts is much higher than its market value due to its leverage nature, and certain principal-to-principal transactions under the derivative business between the Group and the GTJA Group are cross-border swaps with different durations ranging from a few days to one year, these transactions may be rolled-over upon maturity and the amount of each rollover needs to be aggregated in calculating the utilisation amount of annual caps, and thus the proposed annual caps for Category 2 Transactions will be significantly increased as expected.

The estimated transaction amount for the principal-to-principal transactions to be entered between the Group and the GTJA Group for structured products and derivatives trades for the years ending 31 December 2024, 2025 and 2026 is approximately HK\$257.2 billion, HK\$308.7 billion and HK\$370.4 billion, respectively, was determined based on the historical notional transaction amount (without aggregation of rolled-over transactions) of the cross-border principal-to-principal transactions of structured products and derivatives amounted to approximately HK\$21.4 billion for the six months ended

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30 June 2023 and the annualised amount of the above for the calculation of the annual caps for the year ending 31 December 2024. It is expected that these transactions may be rolled over for six times for the years ending 31 December 2024 and on the assumption of a growth rate of 20.0% for each of the years ending 31 December 2025 and 2026. The estimated transaction amount for the principal-to-principal transactions to be entered between the Group and the GTJA Group for bond trades under the bond business of the Group and others for the year ending 31 December 2024, 2025 and 2026 is approximately HK\$6.2 billion, HK\$6.9 billion and HK\$7.6 billion, respectively, which was determined with reference to, among others, the historical transaction amount of approximately HK\$4.5 billion, HK\$2.0 billion and HK\$0.7 billion for the year ended 31 December 2021, 2022 and for the six months ended 30 June 2023, respectively, and the investment appetite of the GTJA Group to subscribe for the bonds underwritten by the Group.

The Company agrees with the summary of the Independent Financial Adviser's discussion with the Company's management and the determination basis of the annual caps contained in the letter from the Independent Financial Adviser as set out on pages 19 to 44 of the Circular.

INTERNAL CONTROL

Pursuant to the internal control measures set out in the connected transaction management policy of the Company, before the Group enters into any of the transactions, the responsible business units must ensure that (i) the pricing of the transaction follows the pricing policies set out in the New Master Agreement, which means it should be 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 (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 where standard brokerage rate applies).

Each of the legal and compliance, risk management, finance departments and office of the Board of the Company will review each of the proposed transactions from their respective expertise and responsible aspect with reference to applicable rules and requirements on continuing connected transactions. 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 (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 terms to the Group, than those available from independent third parties, and that the pricing and 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 will 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 issue reminders to the responsible business units where necessary. In addition, the Group will also conduct sampling tests on the effectiveness of the internal control procedures based on its audit plan.

LETTER FROM THE BOARD

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 prices are determined by reference to 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 through GTJAF, a wholly-owned subsidiary of GTJA, holds approximately 73.74% interest in the Company. Therefore, GTJA is a connected person of the Company by virtue of its being a controlling shareholder 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 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: (a) brokerage, (b) corporate finance, (c) asset management, (d) loans and financing, and (e) 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

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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. As at the Latest Practicable Date, GTJA is the ultimate controlling shareholder of the Company, which holds approximately 73.74% interest in the Company through GTJAF, a 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 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 28/F, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong on Wednesday, 20 December 2023 at 3:00 p.m. 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.

A proxy form for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, No. 183 Queen's Road East, Wan Chai, 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.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 18 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 19 to 44 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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



GUOTAI JUNAN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 1788)

To the Independent Shareholders

30 November 2023

Dear Sirs or Madams,

CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

We refer to the circular (the “**Circular**”) dated 30 November 2023 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 17 of the Circular; (ii) the letter from Somerley as set out on pages 19 to 44 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 favour 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

Mr. TSANG Yiu Keung

Professor CHAN Ka

Mr. LIU Chung Mun

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

30 November 2023

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

Dear Sirs or Madams,

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 (“**Continuing Connected Transactions**”) entered into between the Company and GTJA. Details of the terms of the New Master Agreement and the proposed annual caps (“**Annual Caps**”) are set out in the letter from the Board as contained in the circular (“**Circular**”) of the Company to the Shareholders dated 30 November 2023, 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 3 November 2023, the Company and GTJA entered into the New Master Agreement, which will be effective for a term of three years from 1 January 2024 to 31 December 2026 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 members of their respective groups 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 through GTJAF, a wholly-owned subsidiary of GTJA, holds approximately 73.74% interest in the Company, GTJA is a connected person of the Company by virtue of its being a controlling shareholder 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 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.

LETTER FROM SOMERLEY

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Dr. FU Tingmei, Mr. TSANG Yiu Keung, Professor CHAN Ka Keung Ceajer and Mr. LIU Chung Mun, 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.

During the past two years, we have not acted as an independent financial adviser to the Company. In addition, we are not associated with the Company, GTJA, GTJAF 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 or similar appointments, no arrangement exists whereby we will receive any fees or benefits from the Company, GTJA, GTJAF 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 2023 (“**2023 Interim Report**”), the annual reports of the Company for the years ended 31 December 2022 and 31 December 2021 (“**2022 Annual Report**” and “**2021 Annual Report**”, respectively). We have also discussed with and reviewed the information provided by the management of the Group (“**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 businesses include: (i) wealth management; (ii) institutional investor services; (iii) corporate finance services; and (iv) investment management. Set out below a brief summary of each segment’s function:

- (i) For wealth management segment, the Company is engaged in provision of comprehensive financial services and solutions to individual investors, small to medium-sized businesses and family office including: brokerage, loans and financing and other wealth management services.

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- (ii) For institutional investor services segment, the Company is engaged in provision of market making, investments, structured product solutions and other services to corporations, governments and financial institutions.
- (iii) For corporate finance services segment, the Company is engaged in provision of advisory services, placing and underwriting services of debt and equity securities.
- (iv) For investment management segment, the Company is engaged in provision of asset management and fund management services to institutions and individuals, and also includes investment in funds, debts and equity securities.

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 brokerage, securities proprietary trading, securities underwriting and sponsorship, securities investment consultation, the financial advisory business relating to securities trading and securities investment, margin financing and securities lending, the agency sale of securities investment funds, the agency sale of financial products, introducing brokerage for futures companies, asset management, fund management, commodity futures brokerage, financial futures brokerage, futures investment consulting, equity investment, venture capital, investment management, investment consultation and other business activities approved by the China Securities Regulatory Commission (“CSRC”).

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 2022, 2021 and 2020 and the six months ended 30 June 2023 and 2022.

	For the six months ended		For the year ended		
	30 June		31 December		
	2023	2022	2022	2021	2020
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
Revenue					
Wealth management	893.3	561.0	1,271.3	1,829.4	1,449.2
Institutional investor services	527.2	708.9	1,329.5	1,619.1	2,168.5
Corporate finance services	87.9	146.3	287.0	617.2	610.5
Investment management	34.7	(208.4)	(572.9)	(99.3)	644.8
	1,543.1	1,207.8	2,314.9	3,966.4	4,873.0
Profit for the period/year attributable to owners of the Company	119.4	161.3	80.4	1,094.7	1,562.6

Note: Figures above are subject to round adjustments.

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Revenue of the Group decreased by approximately 18.6% from approximately HK\$4,873.0 million for the year ended 31 December 2020 to approximately HK\$3,966.4 million for the year ended 31 December 2021, mainly due to year-on-year impact on the Group's trading and investment income and interest income from the significant pullback in market indices and the low interest rate environment during 2021. As mentioned in the 2021 Annual Report, Hong Kong stock market has been severely tested by the recurring impacts from the pandemic, the default risk of mainland real estate corporate bonds, the United States ("US") Federal Reserve's announcement of reducing bond purchase and releasing expectations about interest rate hikes, as well as Hong Kong's policy of raising stamp duty on stocks. In addition to the drop in revenue, there were increases in commission to account executives and other operating expenses, which had reduced the Group's profit attributable to owners of the Company by approximately 29.9% from approximately HK\$1,562.6 million for the year ended 31 December 2020 to approximately HK\$1,094.7 million for the year ended 31 December 2021.

Revenue of the Group further decreased by approximately 41.6% from approximately HK\$3,966.4 million for the year ended 31 December 2021 to approximately HK\$2,314.9 million for the year ended 31 December 2022, mainly due to the challenging environment in the global financial market and the sluggish Hong Kong stock market. As stated in the 2022 Annual Report, 2022 witnessed a tremendous impact casted on economic activities and capital markets, caused by the factors such as COVID-19 prevention and control in the Mainland China, prolonged debt crisis of mainland real estate corporates, the US Federal Reserve System's tightening monetary policies, and global geopolitical tensions. The Hong Kong capital market was greatly affected. As a result, the Group's profit attributable to owners of the Company decreased from approximately HK\$1,094.7 million for the year ended 31 December 2021 to approximately HK\$80.4 million for the year ended 31 December 2022, representing a decrease of approximately 92.7%.

Revenue of the Group increased by approximately 27.8% from approximately HK\$1,207.8 million for the six months ended 30 June 2022 to approximately HK\$1,543.1 million for the six months ended 30 June 2023, mainly driven by (i) income from wealth management segment increased by approximately 59.2% as compared to the corresponding period in prior year, mainly due to the significant increase in interest and coupon income under the interest rate hike environment; and (ii) the income of investment management segment showed a turn from loss to gain, mainly due to the significant reduction of the Group's position in high-risk Chinese-issued US dollar-denominated bonds and other risk assets in the prior year and a gain from lower-risk investment in the six months ended 30 June 2023. Despite the increase in revenue, the finance costs of the Group increased by approximately 115.7% from approximately HK\$330.1 million for the six months ended 30 June 2022 to approximately HK\$712.1 million for the six months ended 30 June 2023, mainly due to the increase in the finance costs associated with (i) bank borrowings and overdrafts; (ii) debt securities in issue; and (iii) repurchase agreements. As a result, the Group's profit attributable to owners of the Company decreased from approximately HK\$161.3 million for the six months ended 30 June 2022 to approximately HK\$119.4 million for the six months ended 30 June 2023, representing a decrease of approximately 26.0%.

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

(a) Relationship with the GTJA Group

As set out in the letter from the Board contained in the Circular, the Group has been pursuing cooperation with the GTJA Group on potential projects and business plans to enlarge its business scale and thus maximise returns to Shareholders. The Group expects the demand for financial and trading services, especially cross-border ones, to keep growing. As the Category 1 Transactions and Category 2 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, by obtaining approval from the Independent Shareholders to enter into the New Master Agreement, the Group can efficiently execute these transactions that require expeditious completion, which will enable the Group to conduct business in a more flexible manner and facilitate the expansion of various business lines, thus bringing additional revenue to the Group and ultimately benefiting the Shareholders.

By maintaining their close cooperation, the Group can leverage the strengths of the GTJA Group to enhance its competitiveness, and create value for its clients, shareholders, and employees. Moreover, by continuing to provide services to each other, the Group can mitigate some of the risks and challenges posed by the market uncertainty, such as volatility, liquidity, regulation, and competition. The increased cooperation would expect to bring considerable and stable contribution to the Group's revenue and profit in the long run.

Moreover, HuaAn Funds (a sizeable fund management company in the PRC), who originally was and still is a client of the Group, has become a non-wholly owned subsidiary of GTJA since November 2022. Therefore, the scope of the connected persons covered by the New Master Agreement has been expanded, and the transactions with HuaAn Funds have now become connected transactions of the Group.

(b) 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. As advised by the Management, the recent policies enacted by the PRC government in relation to the cross-border transactions encourage market cooperation and activate financial market economy. 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”, together with QFII, “QFIs”) schemes

Over the years, the State Administration of Foreign Exchange of the PRC (“SAFE”) had made various relaxation revisions 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 QFIs' permitted investments, to encourage the participation of such schemes and signifies the progress of RMB internationalisation. In

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May 2020, the SAFE announced the removal of restrictions on investment quota of the QFIs such that the qualified investors will no longer have to apply for investment quota from the SAFE.

In October 2021, the CSRC announced that commodity futures, commodity options and stock index options would be added as eligible financial derivatives accessible to QFIs from 1 November 2021. On 2 September 2022, the Shanghai Futures Exchange (SHFE), the Shanghai International Energy Exchange (INE), the Dalian Commodity Exchange (DCE), the Zhengzhou Commodity Exchange (ZCE) and the China Financial Futures Exchange (CFFEX) further announced that the CSRC had approved certain types of commodity futures and options contracts permissible for the QFIs to trade. Opening up the onshore securities and futures market broadens the investment scope for the QFIs, which could encourage foreign investors to invest in securities and futures in the PRC.

(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 2023, the total number of the QDII was 186 and their total approved investment quota amounted to approximately US\$165.5 billion.

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

In 2014, Securities and Futures Commission (“**SFC**”) 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 the Mainland China and Hong Kong and to uplift the liquidity of the stock markets in the two regions. Based on the latest available information, the respective northbound and southbound daily quota were set at RMB52.0 billion and RMB42.0 billion for each of Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect.

(iv) Swap Connect program, Bond Connect program and HK\$-RMB Dual Counter Model (“**Dual Counter Model**”)

In July 2022, the People’s Bank of China, SFC and the Hong Kong Monetary Authority (“**HKMA**”) jointly announced an arrangement which would enable investors to participate in the financial derivatives markets in the PRC and Hong Kong through a connection between infrastructure institutions in both places (i.e. Swap Connect). In May 2023, northbound trading under the Swap Connect was officially launched. As stated in the 2023 Interim Report, the Group has become one of the first batch overseas qualified participants of Swap Connect and has traded relevant products since the launch of the Swap Connect.

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In addition, the Dual Counter Model was launched in June 2023, and it offers investors the choice of trading the security of a Hong Kong-listed company in either HK\$ or RMB. As stated in the 2023 Interim Report, the Group has become one of the first batch qualified market makers under the Dual Counter Model for Hong Kong stocks and has started to provide market making services to institutional clients since the launch of the Dual Counter Model. The Group has also provided clients with brokerage services under the Dual Counter Model, and launched relevant products with competitive financing rates, expanding clients' investment channels in the offshore RMB market. Furthermore, HKMA announced in September 2023 that nine additional financial institutions, including a subsidiary of the Company, as market makers for southbound trading under Bond Connect (designated market makers).

With consideration of the abovementioned policies, the Management expects the demand for, including but not limited to, brokerage services, investment management, advisory and business collaboration services and other transaction services and customer base of the Group and the GTJA Group to continue to grow which will result in an 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, the Company and GTJA agreed that each of them would, and would procure members of their respective groups to, provide various services to, and engage in investment and finance transactions with, the other pursuant to the terms set out in the Existing Master Agreement for a term of three years from 1 January 2021 to 31 December 2023.

On 3 November 2023, the Company and GTJA entered into the New Master Agreement, which will be effective for a term of three years from 1 January 2024 to 31 December 2026 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 members of their respective groups to, provide various services to, and engage in investment and finance transactions with, the other during the term of the New Master Agreement.

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(b) Service transactions contemplated under the New Master Agreement

- (i) 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:
- (1) *Brokerage services*: the brokerage services (a) to be provided by the Group to the GTJA Group in relation to Hong Kong and/or overseas stocks, futures, options, bonds, etc. and ancillary services; and (b) to be provided by the GTJA Group to the Group in relation to permissible brokerage services and ancillary services.
 - (2) *Investment management, advisory and business collaboration services*: the investment management and/or advisory services to be provided by the Group to the GTJA Group in relation to funds and accounts established and/or managed by the GTJA Group, cross-border transaction and business collaboration and other related services, and vice versa.
 - (3) *Corporate finance services*: (a) to be provided by the Group to the GTJA Group the initial public offering (“**IPO**”), refinancing and financial advisory services, including but not limited to advising on the Listing Rules and the Takeovers Code, share placements, bonds issuances, corporate restructuring, cross-border financial services and other laws and regulations-related compliance advisory services; and (b) to be provided by the GTJA Group to the Group the referral of corporate finance and other financing project clients services, financial advisory services and market research services, including but not limited to advisory services on compliance with the PRC laws and regulations, mergers and acquisitions, and advising on securities offering and corporate restructuring.
 - (4) *Consulting and operational support services*: (a) to be provided by the Group to the GTJA Group, including but not limited to, (i) the professional services in Hong Kong and/or overseas, such as client on-boarding and maintenance services; (ii) back office and operational support services; and (iii) services related to investor relations; and (b) to be provided by the GTJA Group to the Group, including but not limited to, (i) provision of regular and on-demand information on the macroeconomic environment and business development in the PRC; (ii) back office and operational support services; and (iii) research services, including but not limited to writing industry or product reports and participating in roadshow activities.

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- (ii) 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 in primary and secondary equity markets, futures markets, bond markets, additional tier-1 bonds, private placement bonds, private equity, funds, indexes or other diversified underlying assets, derivative transactions under the framework of the market-standard derivative master agreements, trading of structured products and customised transactions, interest rate and foreign exchange 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 each of the Category 1 Transactions and Category 2 Transactions are as follow:

Category 1 Transactions:

- (i) Brokerage services:

(1) 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 for independent third-party clients in the market and the expected total brokerage transaction amount; (2) for futures brokerage, the commission follows the pricing standard applicable to all its clients including independent third parties which 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; (3) for margin financing services, the fees shall be determined based on the market-driven mechanism with reference to interest rates applicable to most of its clients including independent third parties; and (4) for brokerage ancillary services, such as custodian and 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, which are calculated based on the relevant costs in relation to the estimated manpower needed for providing such services.

- (ii) Investment management, advisory and business collaboration 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 investment advisory fees of independent third parties in the market and/or fees from collaborative cooperation with reference to, among other things, fees of previous collaborative cooperation of similar nature in other businesses.

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(iii) 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.

(iv) Consulting and operational support 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. The costs are primarily of an administrative nature, which are calculated based on staff costs in relation to the estimated manpower, corresponding office space sharing, utilities sharing, devices and software subscriptions, etc. Given the nature of the services, it is not practicable to obtain quotations from independent third parties for comparison, the Group shall conduct on an annual basis or more regularly, if required, a review of the fees incurred or to be incurred with reference to the scope of work performed or to be performed (as the case may be).

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 Group and the GTJA Group offers to independent third parties:

- (i) for the primary bond market, it shall be priced at face value;
- (ii) for over-the-counter trades on the secondary bond market, the pricing and terms shall be determined on arm's length negotiations, the market conditions and client demand; and
- (iii) 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 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 for tailor made products on client demand or underlying assets with lower liquidity.

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Overall, the 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. The cost-based pricing for brokerage ancillary services is calculated based on the relevant costs in relation to the estimated manpower needed for providing such services. As advised by the Management, the above cost-based pricing for brokerage ancillary services is applicable to all clients (including both connected persons and independent third parties). The cost-based pricing for consulting and operational support services is calculated based on staff costs in relation to the estimated manpower, corresponding office space sharing, utilities sharing, devices and software subscriptions, etc. We are given to understand that the fees charged/chargeable or paid/payable for consulting and operational support services are primarily sharing of administrative services. As mentioned above, it is not practicable to obtain quotations from independent third parties for comparison, and the Group will review the fees incurred or to be incurred with reference to the scope of work performed or to be performed on a regular basis. In our view, the cost-based pricing for brokerage ancillary services and consulting and operational support services are reasonable. As such, we consider that the pricing policies shall enable the pricing in both Category 1 Transactions and Category 2 Transactions to be no less favourable to the Group than those available to or from 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 set out in the connected transaction management policy of the Company (“**Connected Transaction Management Policy**”), before the Group enters into any of the transactions, the responsible business units must ensure that (i) the pricing of the transaction follows the pricing policies set out in the New Master Agreement, which means it should be 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 (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 applies).

In view of the above, we have obtained and reviewed the Connected Transaction Management Policy issued to, among others, all staffs of the Group in relation to internal control measures for continuing connected transactions of the Group. We noted from the Connected Transaction Management Policy 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 Connected Transaction Management Policy.

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We further noted from the Connected Transaction Management Policy 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 and compliance, risk management, finance departments and office of the Board of the Company will review each of the proposed transactions from their respective expertise and responsible aspect with reference to applicable rules and requirements on continuing connected transactions. In addition, the relevant personnel of the responsible business units will compare other contemporaneous transactions or quotations for similar transactions with independent third parties in the market (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 terms to the Group, than those available from independent third parties, and that the pricing and 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 will 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 tests on the effectiveness of the internal control procedures based on the audit plan. In this respect, we have obtained and reviewed 6 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 Connected Transaction Management Policy. We are of the view that these put in place additional internal control measures to ensure the Continuing Connected Transactions can be carried out 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, the auditor of the Company shall report on the continuing connected transactions of the Company annually according to Rule 14A.56 of the Listing Rules.

In consideration of (i) each of the Continuing Connected Transactions will be reviewed by various departments of the Group; (ii) the relevant personnel of the responsible business units will compare other contemporaneous transactions or quotations for similar transactions with independent third parties in the market; (iii) the Group will regularly monitor transactions between the Group and the GTJA Group; and (iv) the Group will also conduct sampling tests on the effectiveness of the internal control procedures based on the audit plan, we concur with the Management that the pricing mechanism and the internal control measures 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.

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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 2021 and 2022 and the six months ended 30 June 2023:

	For the year ended 31 December		For the six months ended 30 June
	2021	2022	2023
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
Category 1 Transactions			
(i) Income received by the Group for services provided to the GTJA Group <i>(Note 1)</i>	3.3	7.8	8.8
(ii) Fees paid by the Group for services received from the GTJA Group <i>(Note 2)</i>	110.8	68.4	38.3
	<i>(HK\$ billion)</i>	<i>(HK\$ billion)</i>	<i>(HK\$ billion)</i>
Category 2 Transactions			
Principal-to-principal transactions between the Group and the GTJA Group <i>(Note 3)</i>	11.6	18.5	31.4

Notes:

1. (i) Income received by the Group for brokerage services provided to the GTJA Group was approximately HK\$2.5 million, HK\$5.2 million and HK\$5.8 million for the two years ended 31 December 2021 and 2022 and for the six months ended 30 June 2023, respectively; (ii) income received by the Group from investment management and advisory services provided to the GTJA Group was nil, approximately HK\$2.2 million and nil for the two years ended 31 December 2021 and 2022 and for the six months ended 30 June 2023, respectively; (iii) income received by the Group from consulting services provided to the GTJA Group was nil, approximately HK\$0.4 million and HK\$2.6 million for the two years ended 31 December 2021 and 2022 and for the six months ended 30 June 2023, respectively; and (iv) income received by the Group from corporate finance services provided to the GTJA Group was approximately HK\$0.8 million, nil and HK\$0.4 million for the two years ended 31 December 2021 and 2022 and for the six months ended 30 June 2023, respectively.
2. (i) Fees paid by the Group for brokerage services provided by the GTJA Group were approximately HK\$1.6 million, HK\$0.8 million and HK\$3.5 million for the two years ended 31 December 2021 and 2022 and for the six months ended 30 June 2023, respectively; (ii) no fees were paid by the Group for investment management and advisory services provided by the GTJA Group for the two years ended 31 December 2021 and 2022 and for the six months ended 30 June 2023; (iii) fees paid by the Group for consulting services provided by the GTJA Group were approximately HK\$82.2 million, HK\$48.9 million and HK\$28.9 million for the two years ended 31 December 2021 and 2022 and for the six months ended 30 June 2023, respectively; and (iv) fees paid by the Group for corporate finance services provided by the GTJA Group were approximately HK\$27.0 million, HK\$18.7 million and HK\$5.9 million for the two years ended 31 December 2021 and 2022 and for the six months ended 30 June 2023, respectively.

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3. Principal-to-principal transactions between the Group and the GTJA Group amounted to (i) approximately HK\$4.5 billion, HK\$2.0 billion and HK\$0.7 billion for bond trades for the two years ended 31 December 2021 and 2022 and for the six months ended 30 June 2023, respectively; and (ii) approximately HK\$7.1 billion, HK\$16.5 billion and HK\$30.7 billion for structured product and derivative trades for the two years ended 31 December 2021 and 2022 and for the six months ended 30 June 2023, respectively.

Set out below are the Annual Caps in respect of the Continuing Connected Transactions for the years ending 31 December 2024, 2025 and 2026 (the “**Period**”):

	For the year ending 31 December		
	2024	2025	2026
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
Category 1 Transactions			
(i) Income (to be) received by the Group for services provided to the GTJA Group	201.0	236.0	276.0
(ii) Fees (to be) paid by the Group for services received from the GTJA Group	244.0	283.0	327.0
	<i>(HK\$ billion)</i>	<i>(HK\$ billion)</i>	<i>(HK\$ billion)</i>
Category 2 Transactions			
Transaction amount attributable to principal-to-principal transactions between the Group and the GTJA Group	263.4	315.6	378.0

Note: When calculating the proposed annual caps, if the nature of an individual transaction falls under 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 other categories repeatedly.

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 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;
- (iii) the relevant national, regional and cross-border policies, such as the Stock Connect, Bond Connect, the internationalisation of Renminbi, Swap Connect, Dual Counter Model, more favourable terms for QFII and QDII, the Belt and Road Initiative as well as the Greater Bay Area development, resulting in more cooperation opportunities in cross-border business between the Mainland China and Hong Kong and expected larger demand for cross-border financial services;

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- (iv) business growth and client demand expectations;
- (v) the expected recovery of economy after the pandemic;
- (vi) a reasonable buffer to cater for unexpected business growth, inflation and currency fluctuations; and
- (vii) 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 Period.

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, advisory and business collaboration services; (iii) corporate finance services; and (iv) consulting and operational support services, which contribute approximately 17.4%, 15.9%, 58.7% and 8.0% of the Annual Caps for income receivable by the Group for service transactions to be provided to the GTJA Group for the year ending 31 December 2024, respectively, and approximately 16.0%, 16.8%, 22.5% and 44.7% of the Annual Caps for fees payable by the Group for service transactions to be provided by the GTJA Group for the year ending 31 December 2024, respectively.

- (i) Income receivable 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 as set out below.

(1) Brokerage services

The estimated transaction amount for the income attribution to the Group arising from brokerage services for the years ending 31 December 2024, 2025 and 2026 is approximately HK\$35.0 million, HK\$42.0 million and HK\$49.0 million, respectively. Based on our discussion with the Management and review of information provided, we are given to understand that the Annual Caps in relation to this sub-category were determined based on:

- (I) the estimated demand for offshore futures brokerage services to be provided by the Group to the GTJA Group, which contributes over 75.0% of the Annual Caps for brokerage services income. We have discussed with the Management and noted that the new Futures and Derivatives Law of the PRC (“**FDL**”) took effect in August 2022.

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According to Article 120 of the FDL, a domestic entity or individual that intends to engage in overseas trading in futures shall entrust a domestic futures business organisation qualified for overseas futures brokerage to do so. The implementation of the FDL has opened a channel for the GTJA Group's clients without trading accounts in Hong Kong to conduct southbound trading in futures products in Hong Kong through the GTJA Group's accounts opened with the Group and this is anticipated to have a positive impact on the Group's futures brokerage business. The estimated demand for offshore futures brokerage services was determined with reference to the average historical fees and commission expenses of approximately RMB1.29 billion for futures brokerage business of the GTJA Group in the past two years according to the annual report of GTJA for the year ended 31 December 2022 and their annual growth rate in the most recent year of approximately 16.0%, as well as the relative size of approximately 1.97% of the recent trading volume of futures products in terms of number of contracts in Hong Kong as compared to that in the PRC. We have reviewed the calculation of the Annual Caps of this sub-category based on the above factors and we are of the view that the figures used in the calculation are reasonable; and

- (II) the estimated demand for other brokerage and custodian services to be provided by the Group to the GTJA Group, which contributes the remaining Annual Caps for brokerage service income. It was determined with reference to the historical transaction amount and historical growth of other brokerage and custodian services provided to the GTJA Group in the past years.

(2) Investment management, advisory and business collaboration services

The estimated transaction amount for the income attribution to the Group arising from investment management, advisory and business collaboration services for the years ending 31 December 2024, 2025 and 2026 is approximately HK\$32.0 million, HK\$34.0 million and HK\$36.0 million, respectively. Based on our discussion with the Management and review of information provided, we are given to understand that the Annual Caps in relation to this sub-category were determined based on:

- (I) the possible provision of business collaboration services by the Group to the GTJA Group, which contributes approximately 70.0 to 80.0% of the Annual Caps for investment management, advisory and business collaboration service income. The business collaboration service income was determined with reference to the segment revenue of institutional and trading business of the GTJA Group in the most recent year. According to the annual report of GTJA for the years ended 31 December 2021 and 2022, the cumulative amount of additional nominal principal of over-the-counter (“OTC”) equity derivatives for

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cross-border business in 2021 and 2022 was approximately RMB148.8 billion and RMB243.6 billion, representing increases of approximately 338.8% and 63.7% as compared with the previous year, respectively. The provision of business collaboration services by the Group refers to part of the aforementioned OTC equity derivatives for cross-border business may be provided jointly by the Group and the GTJA Group to the clients of the GTJA Group and as a result the Group will be entitled to the business collaboration service income. In view of the strong growth of the cross-border OTC business, it was expected that the offshore business collaboration services to be provided by the Group could take advantages of such strong growth and participate in part of the cross-border OTC business of the GTJA Group. We have reviewed the calculation of the Annual Caps of this sub-category based on the above factors and we are of the view that the figures used in the calculation are reasonable; and

- (II) the estimated demand for investment management and advisory services to be provided by the Group to the GTJA Group, which contributes the remaining Annual Caps for investment management, advisory and business collaboration service income. It was determined with reference to (i) the size (i.e. assets-under-management (“AUM”)) of the fund currently managed by the Group and the expected management fee rate, and after considering the historical management fee rates charged to independent third parties by the Group. We have obtained and reviewed the management fee rates charged to clients independent of the Group and we noted that they are generally comparable to the expected management fee rate; and (ii) the possible fund investment amount to be made by potential client(s) of the Group currently in discussion and the expected investment advisory fee percentage of the fund. In this regard, we have obtained and reviewed the investment advisory fees charged by a number of funds independent of the Group and we noted that the expected investment advisory fee percentage to be charged by the Group to the GTJA Group is within the range of the investment advisory fee percentages charged by the independent third party funds.

(3) Corporate finance services

The estimated transaction amount for the income attribution to the Group arising from corporate finance services for the years ending 31 December 2024, 2025 and 2026 is approximately HK\$118.0 million, HK\$141.0 million and HK\$169.0 million, respectively. 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 this sub-category were determined based on:

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- (I) the possibility of the Group to act as the sole placing agent for the potential placements of shares up to a maximum of 20% of GTJA H-shares in issue under each of the two general mandates (i.e. one prior to and another one subsequent to the annual general meeting) may be obtained by GTJA in each of the years ending 31 December 2024, 2025 and 2026, and the expected placing fee rate. The maximum placing fees were estimated to be approximately HK\$113.3 million, approximately HK\$136.0 million and approximately HK\$163.2 million for the years ending 31 December 2024, 2025 and 2026, respectively, which contributes over 95.0% of the Annual Caps for corporate finance services income. We have reviewed the calculation and noted they were determined based on (a) the maximum issuance size under the general mandates of GTJA that can 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; and
- (II) the estimated demand for bond underwriting and other corporate finance services to be provided by the Group to the GTJA Group, which contributes the remaining Annual Caps for corporate finance service income, including (i) the Group's potential participation in the GTJA Group's offshore bond issuance as an underwriter, which was determined with reference to the historical underwriting fee income of the Group. In addition, we noted that the GTJA Group have obtained the approval from the Stock Exchange for the listing of a medium term note programme ("**MTN Programme**") of up to US\$3,000 million in November 2022, under which medium term notes may be issued by the GTJA Group to professional investors within the 12-month period. As advised by the Management, the MTN Programme may be renewed by the GTJA Group annually based on the market practices. As a result, it was anticipated that more offshore bonds may be issued by the GTJA Group for the three years ending 31 December 2024, 2025 and 2026, and the Group may underwrite part of these offshore bonds; and (ii) the corporate finance projects currently in contemplation for the year ending 31 December 2024 to be participated by both the Group and the GTJA Group. The corporate finance service fee income of the Group is determined based on the notice agreed between the Group and the GTJA Group governing the fee split on investment banking business between the two parties ("**Investment Banking Business Cooperation Notice**"), which sets out 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 to the corporate finance services provider shall not be higher than 50%.

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(4) Consulting and operational support services

The estimated transaction amount for the income attribution to the Group arising from consulting and operational support services for the years ending 31 December 2024, 2025 and 2026 is approximately HK\$16.0 million, HK\$19.0 million and HK\$22.0 million, respectively. 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 this sub-category were determined based on (a) the projected consulting and operational support service income to be received from the GTJA Group for the year ending 31 December 2023, which was determined with reference to the amount to be charged to the GTJA Group based on the number of manpower of the Group and respective costs incurred for providing operational and back office support services for the year ending 31 December 2023; and (b) growths of approximately 46.0%, 17.0% and 17.0% for the years ending 31 December 2024, 2025 and 2026, respectively. As advised by the Management, the GTJA Group has indicated the likelihood of requiring to double the number of manpower providing such services for the coming years due to the anticipated increase in the operational and back office support services. In view of the above, we have obtained and reviewed the breakdown of the amount to be charged to the GTJA Group for the year ending 31 December 2023.

(ii) Fees payable 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 as set out below.

(1) Brokerage services

The estimated transaction amount for the expenses incurred by the Group arising from brokerage services for the years ending 31 December 2024, 2025 and 2026 is approximately HK\$39.0 million, HK\$44.0 million and HK\$51.0 million, respectively. Based on our discussion with the Management and review of information provided, we are given to understand that the Annual Caps in relation to this sub-category were determined based on:

- (I) the estimated demand for onshore commodity futures brokerage services to be provided by the GTJA Group to the Group, which contributes approximately 84.0% of the Annual Caps of brokerage services fees expenses. As mentioned in the section headed “3. Reasons for and benefits of entering into the New Master Agreement” in this letter above, CSRC has approved certain types of commodity futures and options contracts permissible for QFIs to trade in the futures exchanges in the PRC with effect from 2 September 2022. It is expected that the opening-up of the commodity futures market in the PRC will enable the

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participation of foreign investors to trade in a more direct way for particular commodity products through the Group's accounts opened with the GTJA Group and hence increase the demand for onshore commodity futures brokerage services. The Annual Caps of this sub-category was determined with reference to the revenue of commodity futures brokerage business of the GTJA Group for the year ended 31 December 2022 of approximately RMB2.4 billion and the annual growth rate of such revenue in the most recent year of approximately 5.0%, and part of such revenue will be the brokerage fee expenses of the Group. We have reviewed the calculation of the Annual Caps of this sub-category based on the above factors and consider that the figures used in the calculation are reasonable; and

- (II) the estimated brokerage fee expenses for other brokerage trading activities carried out through the Group's securities accounts opened with the GTJA Group. It contributes the remaining Annual Caps for brokerage fee expenses, which was determined with reference to the historical amount of brokerage expenses of the Group in the past years and the assumption of annual growth rates of approximately 20.0% for such services.

(2) Investment management, advisory and business collaboration services

The estimated transaction amount for the expenses incurred by the Group arising from investment management, advisory and business collaboration services for the years ending 31 December 2024, 2025 and 2026 is approximately HK\$41.0 million, HK\$43.0 million and HK\$45.0 million, respectively. Based on our discussion with the Management and review of information provided, we are given to understand that the Annual Caps in relation to this sub-category were determined based on:

- (I) the possible provision of business collaboration services by the GTJA Group to the Group, which contributes over 60.0% of the Annual Caps for investment management, advisory and business collaboration services fee expenses. It was determined with reference to the segment revenue of institutional investor services business of the Group of approximately HK\$1.3 billion in the most recent year. The provision of business collaboration services by the GTJA Group refers to the cross-border OTC business to be provided jointly by the Group and the GTJA Group to the clients of the Group and as a result the GTJA Group will be entitled to the business collaboration service fee. Taking into account the strong presence of the GTJA Group in the PRC market and the strong growth of cross-border OTC business of the GTJA Group (the cumulative amount of additional nominal principal of OTC equity derivatives for cross-border business in 2021 and 2022 increased by approximately 338.8% and 63.7% as compared with the previous year, respectively), it was projected that the business collaboration between

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the Group and the GTJA Group would bring 10.0% growth of the institutional investor services revenue of the Group and an amount equivalent to part of such revenue would be charged to the Group as fee expenses for the business collaboration services to be provided by the GTJA Group. The fee split arrangement between the Group and the GTJA Group for the business collaboration projects depends on the level of involvement and work allocation by each party with reference to the Investment Banking Business Cooperation Notice. We have obtained the Investment Banking Business Cooperation Notice and have reviewed the calculation of the Annual Caps of this sub-category based on the above factors, and we are of the view that the figures used in the calculation are reasonable; and

- (II) the estimated demand for the investment management and advisory services to be provided by the GTJA Group for funds managed by the Group. It contributes the remaining Annual Caps for investment management, advisory and business collaboration service fee expenses, which were determined with reference to (i) the estimated fund investment amount from potential client(s) currently in discussion and the expected management fee percentage; and (ii) the AUM amounts, which were estimated to be US\$50.0 million for the year ending 31 December 2024 and the assumption of annual growth rates of approximately 40.0% for the years ending 31 December 2025 and 2026, taking into account the historical AUM size of the pre-REIT fund managed by the Group and the strong growth of the onshore quasi-REIT for the past years. As advised by the Management, the management fee rate and the investment advisory fee rate were determined with reference to (i) the management fee rates charged to clients independent of the Group; (ii) the management fee rates of the onshore private equity fund managed by the independent third party funds; and (iii) the investment advisory fee rates charged by independent third party fund management companies as advised by the Management. In this regard, we have obtained and reviewed the fund management fee and investment advisory fees charged by a number of funds independent of the Group and we noted that the expected fund management fee and investment advisory fee percentages to be charged to the Group by the GTJA Group are within the range of the fund management fee and investment advisory fee percentages charged by the independent funds.

(3) Corporate finance services

The estimated transaction amount for the expenses incurred by the Group arising from corporate finance services for the years ending 31 December 2024, 2025 and 2026 is approximately HK\$55.0 million, HK\$67.0 million and HK\$80.0 million, respectively. Based on our discussion with the Management and review of information provided, we are given to understand that the Annual Caps in relation to this sub-category were mainly determined based on:

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- (I) the estimated demand for corporate finance services to be provided by the GTJA Group to the Group, which is based on the expected average issuance size of US\$250.0 million for potential offshore bond issuance projects referred by the GTJA Group to the Group for the years ending 31 December 2024, 2025 and 2026, which was determined with reference to the average size of offshore bonds issued by clients of the Group for the years ended 31 December 2021 and 2022, expected number of projects, expected fee percentage based on historical average fee percentage level and the fee split between the Group and the GTJA Group according to the Investment Banking Business Cooperation Notice. The aforesaid service fees contribute approximately 65.0% to 75.0% of the Annual Caps for corporate finance service fee expenses. In this regard, we have reviewed the calculation of the service fee for underwriting the offshore bonds, which is based on the expected issuance size, expected number of projects, expected fee split with the GTJA Group and the expected average fee percentage. We have also obtained the underwriting fee percentage charged to clients independent of the Group and we noted that the expected underwriting fee percentages are comparable with the underwriting fee percentages charged to clients independent of the Group; and
- (II) the expected demand for equity capital market projects involving the cooperation between the Group and the GTJA Group, which contributes the remaining Annual Caps for corporate finance service fee expenses. It was determined with reference to (i) the expected issuance size of IPO projects of the clients of the Group. In this respect, we have reviewed the calculation of the expected fee to be received by the Group based on (a) the expected issuance size of IPO projects for the year ending 31 December 2024, 2025 and 2026 with reference to the historical issuance size of IPO projects that involved the cooperation between the Group and the GTJA Group; (b) the expected proportion of those projects to be underwritten by the Group; (c) the expected fee percentage based on historical fee percentage level; and (d) the corresponding percentage of fee split according to the Investment Banking Business Cooperation Notice; (ii) the average of historical underwriting income received from share placing projects involving the cooperation between the Group and the GTJA Group and the expected proportion of those projects to be underwritten by the Group. We have obtained the list of historical share placing projects and reviewed the calculation of the average of historical underwriting income received from the share placing projects. It is expected that the number of IPO projects and share placing projects for the years ending 31 December 2025 and 2026 will be increased; and (iii) the expected fees to be paid for other corporate finance service referrals from the GTJA Group for the year ending 31 December 2024 with reference the expected corporate finance fee income of the GTJA Group in 2024 based on the signed mandates, the historical transaction amount for the year ended 31 December 2021 and an annual growth rate of approximately 20.0% for the years ending 31 December 2025 and 2026.

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(4) Consulting and operational support services

The estimated transaction amount for the expenses incurred by the Group arising from consulting and operational support services for the years ending 31 December 2024, 2025 and 2026 is approximately HK\$109.0 million, HK\$129.0 million and HK\$151.0 million, respectively. Based on our discussion with the Management and review of information provided, we are given to understand that the Annual Caps in relation to this sub-category were determined based on:

- (I) the expected demand for consulting and operational support services to be provided by the GTJA Group to the Group, which contributes over 50.0% of the Annual Caps for consulting and operational support service fee expenses. It was determined with reference to the historical transaction amounts of the consulting and operational support services provided by the GTJA Group to the Group in the past years and the assumption of a growth rate of 10.0% for each of the years ending 31 December 2025 and 2026. As discussed with the Management, the expected number of manpower providing operational and back office support services and respective costs to be incurred will be increased in the coming three years gradually after the pandemic, subject to the recovery of the economy; and
- (II) the expected demand in relation to financial technology (“**fintech**”) services to be provided by the GTJA Group to the Group. It contributes the remaining Annual Caps for consulting and operational support service fee expenses, which was determined with reference to the costs for provision of fintech services to the Group in the development center in Shanghai. As discussed with the Management, in order to cope with corporate direction on various new business initiatives, the information technology (“**IT**”) resources must be further strengthened. With the fintech services to be provided by the development center in Shanghai, the Group can properly leverage the head office IT framework and development experience to speed up the Group’s digital transformation. As for the Annual Caps for this sub-category for the years ending 31 December 2025 and 2026, they were determined based on growth rates of approximately 33.3% and 26.9%, respectively, after taking into account the expected expansion of the development center in Shanghai and the possible inflation. We have obtained and reviewed the breakdown of the costs to be incurred in the development center in Shanghai, which include expected number of manpower, average staff costs per headcount, office area sharing, utilities, and other administrative expenses, and we noted that were determined with reference to staff costs of the existing number of manpower and other costs incurred for the year ending 31 December 2023.

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As stated in the letter from the Board contained in this Circular, for the proposed annual caps for Category 1 Transactions, favourable factors such as newly enacted national and regional policies encouraging cross-border investments and transactions (including but not limited to futures and derivatives trades), Stock Connect, Bond Connect, Swap Connect, Dual Counter Model, expansion of types of commodity futures and options that QFII can invest in, and mutual recognition of funds arrangements etc. will stimulate the trading volume of brokerage business, the corporate finance market in Hong Kong, and demand for consulting and operating support services.

Moreover, HuaAn Funds (a sizeable fund management company in the PRC), who originally was and still is a client of the Group, has become a non-wholly owned subsidiary of GTJA since November 2022. Therefore, the scope of the connected persons covered by the New Master Agreement has been expanded, and the transactions with HuaAn Funds have now become connected transactions of the Group. In addition, given the rapid growth in terms of the scale of cross-border financial products for institutional clients of the Group, the potential cooperation between the Group and the GTJA Group in the fund management, advisory and business collaboration services is expected to be expanded further and thus the related transaction amounts are expected to increase.

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 and 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.

(b) *Category 2 Transactions*

As mentioned above, Category 2 Transactions include, but not limited to, trading of structured products and derivatives, bonds, 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

The Annual Caps for structured products and derivatives contribute over 97.0% of the Annual Caps for the Category 2 Transactions. The estimated transaction amount for the principal-to-principal transactions to be entered between the Group and the GTJA Group for structured products and derivatives trades for the years ending 31 December 2024, 2025 and 2026 is approximately HK\$257.2 billion, HK\$308.7 billion and HK\$370.4 billion, respectively. As stated in the letter from the Board contained in this Circular, the cross-border principal-to-principal transactions have been driven by the surge in client demand for structured products and customised transactions under the favourable national and regional policies as well as northbound and southbound investment opportunities. This is demonstrated by the historical aggregated notional transaction amount of approximately HK\$30.7 billion for the first half of 2023, the annualised amount of which equals to over eight times and approximately four times as compared to the historical notional transaction amount of approximately HK\$7.1 billion and HK\$16.5 billion for the full year of 2021 and

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2022, respectively. Furthermore, the notional amount of derivative contracts is much higher than the market value due to its leverage nature, and certain principal-to-principal transactions under the derivative business between the Group and the GTJA Group are cross-border swaps with different durations ranging from a few days to one year, these transactions may be rolled-over upon maturity and the amount of each rollover needs to be aggregated in calculating the utilisation amount of annual caps and thus the proposed annual caps for Category 2 Transactions will be significantly increased as expected.

Based on our discussion with the Management, we are given to understand that this sub-category of the Annual Caps was determined based on the historical notional transaction amount (without aggregation of rolled-over transactions) of the cross-border principal-to-principal transactions of structured products and derivatives amounted to approximately HK\$21.4 billion for the six months ended 30 June 2023 and the annualised amount of the above for the calculation of the Annual Caps for the year ending 31 December 2024. It is expected that these transactions may be rolled over of six times for the years ending 31 December 2024, based on the roll-over times of independent funds with a range of two to ten times and the historical roll-over times of these transactions for the six months ended 30 June 2023. We have obtained and reviewed a list of the historical cross-border principal-to-principal transactions of structured products and derivatives and noted that these transactions could be rolled over monthly or quarterly, depending on the clients' decision. In addition, this sub-category of the Annual Caps was determined based on the assumption of a growth rate of 20.0% for each of the years ending 31 December 2025 and 2026, taking into account the potential increase in the demand and as a buffer for inflation and currency fluctuations. 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 basis and assumptions used for the aforesaid calculation to be reasonable.

(ii) FICC transactions

The estimated transaction amount for the principal-to-principal transactions to be entered between the Group and the GTJA Group for bond trades under the bond business of the Group and others for the year ending 31 December 2024, 2025 and 2026 is approximately HK\$6.2 billion, HK\$6.9 billion and HK\$7.6 billion, respectively, which was determined with reference to, among others, the historical transaction amount of approximately HK\$4.5 billion, HK\$2.0 billion and HK\$0.7 billion for the year ended 31 December 2021, 2022 and for the six months ended 30 June 2023, respectively, and the investment appetite of the GTJA Group to subscribe for the bonds underwritten by the Group. Based on our discussion with the Management, we are given to understand that this sub-category of the Annual Caps was determined based on:

- (I) (a) the expected amount of bonds to be underwritten by the Group in the primary market in Hong Kong, which was estimated based on the historical amount of the bonds underwritten by the Group for the year ended 31 December 2022 and a growth rate of 10% for 2023 taking into account the historical growth of the bonds underwritten by the Group from 2019 to 2021. As advised by the Management, the interest rates of the US Federal Reserve had increased in 2022, which led to the reduction of bonds issued by the

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Group's clients and hence the amount of bonds underwritten by the Group in 2022. In view of the uncertainty of financial markets and the market anticipation of slowing US Federal Reserve interest rates increment, we consider such 10% growth rate for 2023 regarding the amount of bonds to be underwritten by the Group is reasonable; (b) the aforesaid bonds to be subscribed by the GTJA Group of up to 5% of issuing size of any single bond due to the internal control of the GTJA Group against concentration risk; and (c) an average of 2 times over-subscription and half of these bonds fit in the investment appetite of the GTJA Group based on experience; and

- (II) (a) the expected transaction amount of bonds between the Group and the GTJA Group under the market-making business of the Group, which was determined with reference to the historical transaction amount of approximately HK\$2.0 billion for the year ended 31 December 2022 under the Group's bond market-making business; and (b) a growth rate of 10.0% for each of the years ending 31 December 2024, 2025 and 2026 as a buffer for inflation and currency fluctuations. 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.

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 favour 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

Mr. Danny Cheng is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Somerley to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and has over 15 years of experience in corporate finance industry.

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 executive(s)' interests and short positions in Shares, underlying shares and debentures of the Company

As at the Latest Practicable Date, save as disclosed below, none of the Directors or the chief executive(s) 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 executive(s) 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.

Interests in the Company

Name of Directors	Number of 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%
QI Haiying	6,012,000	2,300,000	8,312,000	0.09%
FU Tingmei	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 Directors	Title	Company
Dr. YIM Fung	director and general manager	GTJAF
Mr. YU Jian	executive director and secretary to the board	GTJA
	director	GTJAF
Dr. HU Xupeng	management	GTJA
	director	GTJAF
Ms. YU Xuping	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(s) of the Company, no other person or company (other than the Directors or chief executive(s) 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
GTJAF	7,044,877,066	73.74%
GTJA <i>(Note)</i>	7,044,877,066	73.74%

Note:

GTJAF is a wholly-owned subsidiary of GTJA and accordingly, GTJA is deemed to be interested in these 7,044,877,066 Shares 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 2022 (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 2022, being the date to which the latest published audited financial statements of the Company were made up.

8. EXPERT AND CONSENT

The following is the qualification 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 it 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 2022, 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. DOCUMENT ON DISPLAY

A copy of the New Master Agreement will be published on the website of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<https://www.gtjai.com>) from the date of this circular up to and including the date of the EGM.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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 28/F, Low Block, Grand Millennium Plaza, 181 Queen’s Road Central, Hong Kong on Wednesday, 20 December 2023 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:

ORDINARY RESOLUTION

“**THAT:**

- (a) the entering into of the New Master Agreement dated 3 November 2023 as defined and described in the circular of the Company dated 30 November 2023 (the “**Circular**”) (a copy of the New Master Agreement has been produced to the EGM and marked “A” and initialled 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; and
- (b) any one director of the Company, or any two directors of the Company 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 consider 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(s), in the interest of the Company.”

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

Hong Kong, 30 November 2023

NOTICE OF EXTRAORDINARY GENERAL MEETING

Registered Office:

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

Notes:

1. At the EGM, the chairman of the EGM will put the above resolution to be voted by way of a poll pursuant to Article 71 of the articles of association of the Company.
2. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint a proxy to attend, speak and vote on his/her behalf. A member of the Company who holds two or more shares may appoint one or more proxies. A proxy need not be a member of the Company.
3. Where there are joint registered holders of any share(s), any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share(s) as if he/she is solely entitled thereto, but if more than one of such joint holders be present at the EGM 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(s) shall alone be entitled to vote in respect thereof.
4. 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, Wan Chai, 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).
5. If a tropical cyclone warning signal no. 8 or above is hoisted, or a black rainstorm warning signal is in force at any time between 12:00 p.m. and 3:00 p.m. on the day of the EGM, the EGM will be adjourned. The Company will post an announcement on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.gtjai.com) to notify shareholders of the date, time and place of the adjourned meeting.

The EGM will be held as scheduled even when tropical cyclone warning signal no. 3 or below is hoisted, or an amber or a red rainstorm warning signal is in force. Shareholders should make their own decision as to whether they would attend the EGM under bad weather conditions bearing in mind their own situation.

As at the date of this notice, the board of directors of the Company comprises two executive directors, being Dr. YIM Fung (Chairman) and Ms. QI Haiying; three non-executive directors, being Mr. YU Jian, Dr. HU Xupeng and Ms. YU Xuping; and four independent non-executive directors, being Dr. FU Tingmei, Mr. TSANG Yiu Keung, Professor CHAN Ka Keung Ceajer and Mr. LIU Chung Mun.