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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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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 a licensed 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 accompanying the form of proxy to the purchaser or the transferee, or to the bank, licensed dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser or transferee.

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**GUOTAI JUNAN INTERNATIONAL HOLDINGS LIMITED**  
**國泰君安國際控股有限公司**  
*(Incorporated in Hong Kong with limited liability)*  
**(Stock Code: 1788)**

**REVISION OF ANNUAL CAPS  
FOR CONTINUING CONNECTED TRANSACTIONS  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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

**ALTUS CAPITAL LIMITED**

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A letter from the Board is set out on pages 4 to 13 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 14 to 15 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 30 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 at 3:00 p.m. on 3 September 2019 is set out on pages EGM-1 to EGM-2 of this circular.

Whether or not you are able to attend the EGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM (or any adjournment thereof). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM (or any adjournment thereof) should you so wish.

16 August 2019

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## DEFINITIONS

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*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 22 July 2019 in respect of the Supplemental Agreement and the Proposed Annual Caps contemplated thereunder
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Guotai Junan International Holdings Limited (Stock Code: 1788), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened at 28/F, Low Block, Grand Millennium Plaza, 181 Queen’s Road Central, Hong Kong at 3:00 p.m. on 3 September 2019 for the purpose of considering, and if thought fit, to approve the Supplemental Agreement and the Proposed Annual Caps contemplated thereunder
“Group”	the Company and its subsidiaries from time to time
“GTJA”	Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司), a joint stock 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 Stock Exchange (stock code: 2611)
“GTJA Group”	GTJA and its subsidiaries from time to time (excluding the Group)
“GTJAH”	Guotai Junan Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, an indirect wholly-owned subsidiary of GTJA, and the controlling shareholder of the Company
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

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## DEFINITIONS

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“Independent Board Committee”	an independent committee of the Board (which comprises Dr. FU Tingmei, Dr. SONG Ming, Mr. TSANG Yiu Keung and Professor CHAN Ka Keung Ceajer, all being the independent non-executive Directors) established to advise the Independent Shareholders with regards to the terms of the Supplemental Agreement and the Proposed Annual Caps contemplated thereunder
“Independent Financial Adviser” or “Altus Capital”	Altus Capital Limited, a corporation licensed under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) to conduct type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities and the independent financial adviser to the Independent Board Committee and the Independent Shareholders with regards to the terms of the Supplemental Agreement and the Proposed Annual Caps contemplated thereunder
“Independent Shareholders”	the Shareholders, other than GTJA and its associates
“Latest Practicable Date”	13 August 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Master Services Agreement”	the master services agreement entered into between the Company and GTJA on 19 March 2018 in relation to the provision of various services by the Group and the GTJA Group to each other (as the case may be)
“PRC”	the People’s Republic of China, which, for the purpose of this circular only, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Proposed Annual Caps”	the proposed annual caps in respect of the income attributable to the Group arising from corporate finance services provided to member(s) of the GTJA Group for the two years ending 31 December 2019 and 31 December 2020, as set out in the Supplemental Agreement
“SFO”	the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong)

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## DEFINITIONS

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“Share(s)”	ordinary share(s) of the Company
“Shareholders”	the shareholders of Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement entered into between the Company and GTJA on 22 July 2019 to amend certain terms of the New Master Services Agreement
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs
“%”	percentage



**國泰君安國際**  
GUOTAI JUNAN INTERNATIONAL

**GUOTAI JUNAN INTERNATIONAL HOLDINGS LIMITED**

**國泰君安國際控股有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 1788)**

*Executive Directors:*

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

*Registered Office:*

27/F, Low Block,  
Grand Millennium Plaza,  
181 Queen's Road Central,  
Hong Kong

*Non-executive Directors:*

Dr. XIE Lebin  
Mr. LIU Yiyong

*Principal Place of*

*Business in Hong Kong:*  
27/F, Low Block,  
Grand Millennium Plaza,  
181 Queen's Road Central,  
Hong Kong

*Independent Non-executive Director:*

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

16 August 2019

*To the Shareholders*

Dear Sirs or Madams,

**REVISION OF ANNUAL CAPS  
FOR CONTINUING CONNECTED TRANSACTIONS  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

References are made to the announcement dated 19 March 2018, the circular dated 26 March 2018 of the Company and the Announcement in relation to, among others, the New Master Services Agreement, the Supplemental Agreement and the Proposed Annual Caps.

The purpose of this circular is to provide you with, among other things, further details of the Supplemental Agreement and the Proposed Annual Caps contemplated thereunder, the letter of advice from the Independent Board Committee to the Independent

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## LETTER FROM THE BOARD

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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.

### BACKGROUND

The Company and GTJA entered into the New Master Services Agreement pursuant to which, the Company and GTJA conditionally agreed that each of them will, and will procure member(s) of the Group and member(s) of the GTJA Group to, provide various services to member(s) of the GTJA Group or member(s) of the Group (as the case may be) pursuant to the terms set out in the New Master Services Agreement, which is effective for a term of three years from 1 January 2018 to 31 December 2020.

Due to the increasing demand for cross-border financial services and corporate finance advisory services including the Group's participation in GTJA's recent share placement completed on 17 April 2019, the aggregate income attributable to the Group arising from the corporate finance services provided by the Group to the GTJA Group under the New Master Services Agreement amounted to approximately HK\$18.6 million for the five (5) months ended 31 May 2019, representing an utilization rate of approximately 97.9% of the approved annual cap for the year ending 31 December 2019 in respect of such services. Based on the historical transaction figures and the current trend, it is estimated that the annual caps in respect of the corporate finance services provided by the Group to the GTJA Group, including but not limited to advising on compliance with the Listing Rules and the Takeovers Code, the offering of securities and corporate restructuring and other advisory services in compliance with applicable laws and regulations, for the two years ending 31 December 2019 and 2020 under the New Master Services Agreement are likely to exceed the approved annual caps. Accordingly, on 22 July 2019, the Company and GTJA entered into the Supplemental Agreement to revise the approved annual caps.

### SUPPLEMENTAL AGREEMENT

#### Date

22 July 2019

#### Parties

- (1) the Company; and
- (2) GTJA

#### Conditionality

The Supplemental Agreement and the Proposed Annual Caps contemplated thereunder are conditional upon the approval by the Independent Shareholders at the EGM.

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## LETTER FROM THE BOARD

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### HISTORICAL TRANSACTION FIGURES AND THE PROPOSED ANNUAL CAPS

For the financial year ended 31 December 2018, there was no income recorded from corporate finance services provided by the Group to the GTJA Group. For the five (5) months ended 31 May 2019, the aggregate income attributable to the Group arising from the corporate finance services provided by the Group to the GTJA Group under the New Master Services Agreement amounted to approximately HK\$18.6 million, which has not exceeded the approved annual cap of HK\$19 million. Based on the historical transaction figures and the current trend, it is estimated that the annual caps in respect of the corporate finance services provided by the Group to the GTJA Group for the two years ending 31 December 2019 and 2020 under the New Master Services Agreement are likely to exceed the approved annual caps. The historical transaction figures and the annual caps in respect of the income attributable to the Group arising from corporate finance services provided to member(s) of the GTJA Group for the year ended 31 December 2018 and five (5) months ended 31 May 2019 are shown in the table below:

	<b>For the financial year ended 31 December 2018 (HK\$ million)</b>	<b>For the five (5) months ended 31 May 2019 (HK\$ million)</b>
Historical transaction figures in respect of the income attributable to the Group arising from corporate finance services provided to member(s) of the GTJA Group	0	18.6
(Existing approved annual caps)	<u>17</u>	<u>19</u>

### Proposed Annual Caps

Proposed Annual Caps in respect of the income attributable to the Group arising from corporate finance services provided to member(s) of the GTJA Group contemplated under the Supplemental Agreement are shown below:

<b>In respect of the income attributable to the Group arising from corporate finance services provided to member(s) of the GTJA Group</b>	<b>For the financial year ending 31 December 2019 (HK\$ million)</b>	<b>For the financial year ending 31 December 2020 (HK\$ million)</b>
Existing approved annual caps	<u>19</u>	<u>21</u>
Proposed Annual Caps	<u>133</u>	<u>233</u>



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## LETTER FROM THE BOARD

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Save for the amendments set out above, all other terms and conditions of the New Master Services Agreement shall remain in full force and effect. The approved annual caps for the other categories of services under the New Master Services Agreement, namely brokerage services, investment management and advisory services, consulting services and the approved annual caps in respect of the principal-to-principal investment and finance transactions between the Group and the GTJA Group remain unchanged. The term of the New Master Services Agreement will also remain unchanged. Accordingly, the New Master Services Agreement will expire on 31 December 2020.

### **REASONS FOR AND BENEFITS OF THE PROPOSED ANNUAL CAPS**

With the proceeding of economic globalization and capital market reform, the PRC capital market has entered a new stage of opening-up (such as the launch of science and technology innovation board) which provides securities companies with a broader platform for further development. It is estimated that the demand for cross-border financial services and corporate finance advisory services will continue to grow rapidly. By entering into the Supplemental Agreement, the Group can further expand the corporate finance services provided to the GTJA Group and increase revenues generated from the services which can in turn maximize returns to the Shareholders. The transactions contemplated under the Supplemental Agreement are expected to be of a recurrent nature and will occur on a regular and continuing basis in the ordinary and usual course of business of the Group. The Board considers that securing a long-term business relationship with the GTJA Group who has reputable business associated with profound experience in the financial and securities industry in the PRC is beneficial to the Group. The increased co-operation would expect to bring considerable and stable contribution to the Group's revenue and profit in the long run.

The Board are of the view that the terms of the Supplemental Agreement regarding the Proposed Annual Caps for corporate finance services provided by the Group to the GTJA Group are fair and reasonable and on normal commercial terms and that the entering into of the Supplemental Agreement is in the best interest of the Company and the Shareholders as a whole.

No Director has material interest in the Supplemental Agreement and the Proposed Annual Caps contemplated thereunder, however as each of Dr. YIM Fung, Ms. QI Haiying, Dr. XIE Lebin and Mr. LIU Yiyong is also a director/an officer of certain members of the GTJA Group, they have voluntarily abstained from voting on the relevant Board resolution(s) for approving the Supplemental Agreement and the Proposed Annual Caps contemplated thereunder.

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## LETTER FROM THE BOARD

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### **BASIS OF THE PROPOSED ANNUAL CAPS**

The Proposed Annual Caps in respect of the corporate finance services provided by the Group to the member(s) of the GTJA Group for the two financial years ending 31 December 2019 and 2020 have been determined by reference to the following factors:

- (a) the historical transaction amounts in respect of the corporate finance services provided by the Group to the GTJA Group;
- (b) the estimated annualized amount for related transactions;
- (c) the national policies such as the implementation of the interconnection and belt and road policies and their impact on cross-border transactions and business;
- (d) the business growth and customer demand expectations; and
- (e) the global market status and forecast.

The PRC has been experiencing a steady and robust economic growth in the recent years, notwithstanding the uncertainties surrounding the global economic outlook such as the recent trade talks between the PRC and the United States and risks in Europe and emerging markets as highlighted by the Securities and Futures Commission in their research report released on 26 July 2019. According to the research report of The Hong Kong Trade Development Council released on 15 July 2019, the PRC's gross domestic products grew by 6.4% in the first quarter of 2019 and 6.2% in the second quarter of 2019 where fixed assets investment grew by 5.8% in the first half year of 2019, compared with the corresponding periods in 2018. The PRC is one of the leading sources of inward investment in Hong Kong, the stock of Hong Kong's inward investment from the PRC amounted to US\$496.5 billion at market value or 25.5% of the total for the year ended 31 December 2017. As of 31 December 2018, 1,146 companies with principal businesses in PRC were listed in Hong Kong, comprising H-share and red-chip with total market capitalization of around US\$2.6 trillion, or 68% of the market in total. National policies such as the interconnection and belt and road initiatives as well as the development of the Greater Bay Area are the key development strategies for the country's reform and opening up. The Greater Bay Area is strategically positioned to be (i) a vibrant world-class city cluster, (ii) a globally influential international innovation and technology hub, (iii) an important support pillar for the belt and road initiative, (iv) a showcase for in-depth cooperation between the PRC, Hong Kong and Macao and (v) a quality living circle for living, working and travelling. Further, significant measures such as the launch of science and technology innovation board, the implementation of the Shanghai-Hong Kong Stock Connect scheme and the Shenzhen-Hong Kong Stock Connect scheme broaden market access and enhance the development of the capital market which will in turn reform and open up the financial system and will further diversify the services and products of securities companies. As a result, more medium-term and long-term funds will be attracted and this will provide more valuable growth opportunities. It is expected that the demand for the corporate finance service in particular, for cross-border services, will be increased significantly.

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## LETTER FROM THE BOARD

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The shares of GTJA were first listed on the Stock Exchange in 2017. It mainly uses financing products such as debt securities repurchase, short-term financing bills, corporate bonds, subordinated bonds, structured notes, convertible bonds, new issuance and placing to conduct short-term financing and medium to long-term financing through various platforms including exchanges and interbank and over-the-counter markets according to relevant policies and regulations and market environment and its own needs. The Group has participated as the global coordinator, one of the joint bookrunners and placing agents of the completed share placement of GTJA on 17 April 2019 using the general mandate obtained by GTJA at its annual general meeting and the existing approved annual cap for corporate financial services for the year ending 31 December 2019 has substantially been utilized. In light of the national policies and newly implemented schemes and development plans mentioned above, the GTJA Group intends to further explore its cross-border collaborations with the Group by appointing the Group to provide corporate financial services in possible fund raising activities and other advisory services.

In respect of the Proposed Annual Cap for 2019, assuming GTJA will utilize in full its existing general mandate, up to 278,365,436 H shares may be issued by GTJA. Based on the average closing price of HK\$16.07 per H share for the 12 months ended 30 June 2019, the market value of such H shares of GTJA will be HK\$4,473,332,557. Assuming the Group will be appointed by GTJA as the relevant agent and based on the typical commission fee of 2%, up to approximately HK\$90 million commission may be payable by GTJA for such H shares which may be issued under its general mandate. Further, based on 1% of the operating expenses of GTJA's investment banking business as handling fees charged by the Group, it is expected that approximately HK\$13 million may be attributable to the Group arising from the advisory services provided to member(s) of the GTJA Group. With a buffer of approximately 10% to account for any unforeseeable circumstances and taking into account the aforementioned factors and the estimated annualized amount from the related transactions for the year ending 31 December 2019 based on the income of HK\$18.6 million for the first five months in 2019 attributable to corporate finance service provided to members of the GTJA Group by the Group, the Proposed Annual Cap for the financial year ending 31 December 2019 is proposed to be HK\$133 million.

In respect of the Proposed Annual Cap for 2020, assuming GTJA will utilize in full its general mandate to be granted by its shareholders at the next annual general meeting of GTJA, up to 334,038,523 H shares may be issued by GTJA. Based on the average closing price of HK\$16.07 per H share for the 12 months ended 30 June 2019, the market value of such H shares of GTJA will be HK\$5,367,999,068. Assuming the Group will be appointed by GTJA as the relevant agent and based on the typical commission fee of 2%, up to approximately HK\$108 million commission may be payable by GTJA for such H shares which may be issued under its general mandate. Further, based on 1% of the operating expenses of GTJA's investment banking business as handling fees charged by the Group, it is expected that approximately HK\$13 million may be attributable to the Group arising from the advisory services provided to member(s) of the GTJA Group. With a buffer of approximately 10% to account for any unforeseeable circumstances and taking into account the aforementioned factors and the unused general mandate which may be brought forward from 2019, the Proposed Annual Cap for the financial year ending 31 December 2020 is proposed to be HK\$233 million.

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## LETTER FROM THE BOARD

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Pursuant to the New Master Services Agreement (as amended by the Supplemental Agreement) and a confirmation made by GTJA to the Company that the Group will have preference to be chosen as the service provider of the GTJA Group should financial advisory services, including but not limited to advising on compliance with the Listing Rules and the Takeovers Code, the offering of securities such as share placement, bonds issuance, corporate restructuring, cross-border financial services and other advisory services be required, subject to the terms and conditions, to the market environment and GTJA Group's own needs.

### PRICING BASIS AND INTERNAL CONTROL

As set out in the announcement dated 19 March 2018 and the circular dated 26 March 2018 of the Company, with respect to the services provided under the terms of the New Master Services Agreement and prices of the services thereunder, they are determined on normal commercial terms in the ordinary course of business.

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

With respect to the corporate finance transactions, each of the (i) legal, (ii) compliance, (iii) risk management, (iv) finance and (v) office of the Board department of the Company will review the proposed transactions from their respective expertise with reference to the major and comparable transactions of independent third parties in the market, in any event, not less than two (unless otherwise there is one comparable transaction only) and the selection criteria of the comparable transactions will take into account of the scale and nature of the relevant transactions. If no comparable transaction is available, each aforesaid department will review the proposed transactions based on their past experience and public information on the market, if available. The Company will conduct a comparison between (i) the fee quotation obtained from those independent third parties and (ii) the offers to the GTJA Group. Members and the head of each of these departments (who does not have any position at the GTJA Group) will from their respective expertise provide comments on the proposed transactions and ensure the proposed transactions 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 guideline (as amended from time to time) for connected transactions. Further, the aforesaid departments will regularly inspect the agreements and the relevant supporting documents from different departments

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## LETTER FROM THE BOARD

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in connection to the connected transactions and ensure the services rendered under the connected transactions are within the agreed scope and that do not exceed the annual caps for such services (if applicable).

The Group would regularly monitor transactions between the Group and the GTJA Group as to whether such transactions fall within the scope of the New Master Services Agreement (as amended by the Supplemental Agreement), whether the relevant annual caps have nearly been fully utilised, and issuing warnings to the responsible business departments where necessary. The Group will also conduct sampling inspections on the effectiveness of the internal control procedures based on the audit plan. With the internal control measures adopted by the Company, the Board are 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 fees are determined by the prevailing market price or the market price normally applicable to independent third parties for similar types of transactions.

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

### LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, GTJA, the ultimate controlling shareholder of the Company, which holds approximately 68.10% interest in the Company through GTJAH, an indirect wholly-owned subsidiary of GTJA, is a connected person of the Company. The transactions contemplated under the Supplemental 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 Supplemental 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.

Pursuant to Rule 14A.54 under the Listing Rules, if the Company proposes to revise the annual caps for or introduce a material change to a continuing connected transaction, the Company shall re-comply with the provisions of Chapter 14A of the Listing Rules applicable to the relevant continuing connected transaction.

As one or more of the applicable percentage ratios exceeds 5% as calculated in accordance with Rule 14.07 of the Listing Rules, the Supplemental Agreement and the Proposed Annual Caps contemplated thereunder are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Board will seek the approval of the Independent Shareholders to, among other things, approve the Supplemental Agreement and the Proposed Annual Caps contemplated thereunder 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.



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## LETTER FROM THE BOARD

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An Independent Board Committee (comprising all independent non-executive Directors) has been appointed to advise the Independent Shareholders as to whether the terms of the Supplemental Agreement and the Proposed Annual Caps contemplated thereunder 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 Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendation of the Independent Financial Adviser. Altus Capital 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 based in Hong Kong and its services include: (i) brokerage; (ii) corporate finance; (iii) asset management services; (iv) loans and financing; and (v) financial products, market making and investments.

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

### EGM

Under Rule 14A.36 of the Listing Rules, any shareholder who has a material interest in a proposed transaction must abstain from voting at the relevant general meeting on the relevant resolution(s). As at the Latest Practicable Date, GTJA is the ultimate controlling shareholder of the Company, which holds approximately 68.10% interest in the Company through GTJAH, an indirect wholly-owned subsidiary of GTJA, is a connected person of the Company. As such, GTJA and its associates will abstain from voting on the resolution(s) to be passed at the EGM.

A notice convening the EGM to be held at 28/F, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong at 3:00 p.m. on 3 September 2019 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.

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## LETTER FROM THE BOARD

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

### RECOMMENDATION

Taking into consideration of the reasons set out in the paragraph headed "Reasons for and Benefits of the Proposed Annual Caps" in this circular, the Directors are of the view that the transactions contemplated under the Supplemental 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 (excluding the independent non-executive Directors whose views will be given after considering the advice to be given by the Independent Financial Adviser) recommend the Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of the EGM to approve the Supplemental Agreement and the Proposed Annual Caps contemplated thereunder.

### ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 14 to 15 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 16 to 30 of this circular and the information set out in the appendix of this circular.

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



**國泰君安國際**  
GUOTAI JUNAN INTERNATIONAL

**GUOTAI JUNAN INTERNATIONAL HOLDINGS LIMITED**

**國泰君安國際控股有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 1788)**

16 August 2019

*To the Independent Shareholders*

Dear Sir or Madam,

**REVISION OF ANNUAL CAPS  
FOR CONTINUING CONNECTED TRANSACTIONS  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular (the “**Circular**”) dated 16 August 2019 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 Supplemental Agreement and the Proposed Annual Caps contemplated thereunder. Altus Capital 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 13 of the Circular; (ii) the letter from Altus Capital as set out on pages 16 to 30 of the Circular which contains its recommendation to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Supplemental Agreement and the Proposed Annual Caps contemplated thereunder as well as the principal factors and reasons considered by Altus Capital in arriving at its recommendation; and (iii) the additional information as set out in the appendix to the Circular.



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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

Yours faithfully  
For and on behalf of the  
**Independent Board Committee**

**Dr. FU Tingmei**

**Dr. SONG Ming**

**Mr. TSANG  
Yiu Keung**

**Professor  
CHAN Ka Keung  
Ceajer**

*Independent non-executive Directors*

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## LETTER FROM ALTUS CAPITAL

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*The following is the text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Supplemental Agreement and the Proposed Annual Caps contemplated thereunder, which has been prepared for the purposes of incorporation in this circular.*

# ALTUS.

**Altus Capital Limited**  
21 Wing Wo Street  
Central  
Hong Kong

16 August 2019

*To the Independent Board Committee and the Independent Shareholders*

Guotai Junan International Holdings Limited  
27th Floor, Low Block  
Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

Dear Sirs,

### **REVISION OF ANNUAL CAPS FOR 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 respect of the Supplemental Agreement and the Proposed Annual Caps contemplated thereunder, details of which are set out in the “Letter from the Board” contained in the circular of the Company dated 16 August 2019 (the “**Circular**”). Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Due to the increasing demand for cross-border financial services and corporate finance advisory services including the participation in GTJA's recent share placement which was completed on 17 April 2019, the aggregate income attributable to the Group arising from the corporate finance services provided by the Group to the GTJA Group under the New Master Services Agreement amounted to approximately HK\$18.6 million for the five months ended 31 May 2019, representing an utilisation rate of approximately 97.9% of the approved annual cap for the year ending 31 December 2019. Based on the historical transaction figures and the current trend, it is anticipated that the annual caps in respect of the corporate finance services provided by the Group to the GTJA Group, including but not limited to advising on compliance with the Listing Rules and the Takeovers Code, the offering of securities and corporate restructuring and other advisory services in compliance with applicable laws and regulations, for the two years ending 31 December 2019 and 2020

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## LETTER FROM ALTUS CAPITAL

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under the New Master Services Agreement are likely to exceed the approved annual caps. Accordingly, on 22 July 2019, the Company and GTJA entered into the Supplemental Agreement to revise the said annual caps contemplated thereunder.

### LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, GTJA, the ultimate controlling shareholder of the Company, which holds approximately 68.10% interest in the Company through GTJAH, an indirect wholly-owned subsidiary of GTJA, is a connected person of the Company. The transactions contemplated under the Supplemental 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 Supplemental 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.

Pursuant to Rule 14A.54 under the Listing Rules, if the Company proposes to revise the annual caps for or introduce a material change to a continuing connected transaction, the Company shall re-comply with the provisions of Chapter 14A of the Listing Rules applicable to the relevant continuing connected transaction.

As one or more of the applicable percentage ratios exceeds 5% as calculated in accordance with Rule 14.07 of the Listing Rules, the Supplemental Agreement and the Proposed Annual Caps contemplated thereunder are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

No Director has material interest in the Supplemental Agreement and the Proposed Annual Caps contemplated thereunder, however as each of Dr. YIM Fung, Ms. QI Haiying, Dr. XIE Lebin and Mr. LIU Yiyong is also a director/an officer of certain members of the GTJA Group, they have voluntarily abstained from voting on the relevant Board resolution(s) for approving the Supplemental Agreement and the Proposed Annual Caps contemplated thereunder.

### THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Dr. FU Tingmei, Dr. SONG Ming, Mr. TSANG Yiu Keung and Professor CHAN Ka Keung Ceajer, has been established to advise the Independent Shareholders as to (i) whether the terms of the Supplemental Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Supplemental Agreement and the transactions contemplated thereunder will be conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; (iii) whether the Proposed Annual Caps are fair and reasonable; and (iv) how the Independent Shareholders should vote in respect of the resolution relating thereto, taking into account the recommendation of the Independent Financial Adviser.

## THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to (i) whether the terms of the Supplemental Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Supplemental Agreement and the transactions contemplated thereunder will be conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; (iii) whether the Proposed Annual Caps are fair and reasonable; and (iv) how the Independent Shareholders should vote in respect of the respect of the resolution to be proposed at the EGM.

We had acted as the independent financial adviser to the Company with regards to the continuing connected transactions in relation to the New Master Services Agreement, details of which are set out in the circular of the Company dated 26 March 2018. Save for the aforesaid engagement, we have not acted as independent financial adviser in relation to any transactions of the Company in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the Supplemental Agreement and the Proposed Annual Caps contemplated thereunder is at market level and not conditional upon successful passing of the resolution to be proposed at the EGM, and that our engagement is on normal commercial terms, we are independent of and not associated with the Company, its controlling shareholder(s) or connected person(s).

## BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others (i) the Supplemental Agreement; (ii) the New Master Services Agreement; (iii) the annual report of the Company for the year ended 31 December 2018 (the “**2018 Company Annual Report**”); (iv) the annual report of GTJA for the year ended 31 December 2018 (the “**2018 GTJA Annual Report**”); (v) the Company’s circular dated 26 March 2018; and (vi) other information set out in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Group (the “**Management**”). We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company, the Directors and the Management were reasonably made after due and careful enquiry and were true, accurate and complete at the time they were made and continued to be so as at the date of the Circular.

We have no reason to believe that any such statements, information, opinions or representations are untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render them untrue, inaccurate or misleading.

We consider that we have been provided with, and have reviewed, sufficient information to reach an informed view and provide a reasonable basis for our opinion. We have not, however, conducted an independent investigation into the business, financial conditions and affairs or future prospects of the Group.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

#### 1. Background Information

##### *1.1. Information of the Group*

###### *Principal business of the Group*

The Group is engaged in five core businesses, namely (i) brokerage, the provision of securities, futures, options and leveraged foreign exchange dealing and broking as well as insurance brokerage services to customers; (ii) corporate finance, the provision of advisory services and placing and underwriting services for debt and equity securities; (iii) asset management, including fund management and the provision of investment advisory services; (iv) loans and financing, the provision of margin financing and securities borrowing and lending to margin customers, initial public offering loans, other loans to customers and bank deposits; and (v) financial products, market making and investments, representing fund, debt and equity investment, structuring of financial products as well as trading and market making of debt securities, exchange traded funds and derivatives.

###### *Prospects of the Group*

During 2018, the Group recorded a total revenue of approximately HK\$3.0 billion as compared to approximately HK\$3.1 billion recorded in 2017, lowered by approximately 3.8% as compared with the previous year. Amongst the total revenue, (i) loans and financing business; (ii) financial products, market making and investments business; (iii) corporate finance business; and (iv) brokerage business contributed approximately 43.4%, 21.2%, 19.8% and 15.1% respectively. Despite the market fluctuations, income from the Group's financial products and debt capital market business continued to grow rapidly and recorded the historic high in 2018, rising by approximately 111.0% year-on-year to approximately HK\$640.0 million and approximately 38.0% year-on-year to approximately HK\$480.0 million respectively. Excluding the effect of income arising from the listing of GTJA in 2017, the Group maintained a steady year-on-year revenue growth of approximately 5.0% during 2018.

Given that (i) policies and ancillary measures on the development of the Greater Bay Area has been and will continue to be introduced and carried out; and (ii) various projects (such as major infrastructure construction) related to the "One Belt One Road" initiative are progressing at different stages or will commence in the future, demand for cross-border investment and financing are

expected to increase. Accordingly, the Management is of the view that the Group is well-positioned to capture the opportunities arising from such opportunities brought by the Chinese government as elaborated above.

In addition, the Management believes the Group will benefit from opportunities arising from (i) the increase of A-shares in the MSCI index; (ii) the rising demand of overseas financing and risk management for PRC enterprises; (iii) the growing demand of high-net-worth individuals in the PRC for overseas assets allocation; and (iv) the launch of Guangdong-Hong Kong-Macao Greater Bay Area development plan.

## **1.2. Information of the GTJA Group**

### *Principal business of the GTJA Group*

As at the Latest Practicable Date, the GTJA Group is one of the PRC's largest securities houses. It is an integrated financial services provider rooted in the PRC with global coverage and strong influence and to meet customer demand for cross-border financial services. Its international business is centered in Hong Kong, and it conducts its brokerage, corporate finance, asset management, loans and financing as well as financial products, market making and investment businesses in Hong Kong mainly through the Company.

According to the 2018 GTJA Annual Report, both the GTJA Group's operating revenue and net profit ranked second in the industry. As at 31 December 2018, the GTJA Group's total assets, net assets and net capital ranked fourth, second and second in the industry, respectively.

### *Prospects of the GTJA Group*

It is noted from the 2018 GTJA Annual Report that the GTJA Group will further consolidate its overall leading advantages, improve the core competitiveness of principal business and gradually narrow the difference between itself and the leading financial institutions. In particular, the GTJA Group will proactively take advantage of opportunities from the launch of science and technology innovation board, optimise the retail customer services system and corporate institutional customer services system, continue to promote the innovation transformation, put efforts in the growth of business, steadily push forward the cross-border business, continuously consolidate its competitive strengths in the innovative business field, and further enhance its integrated financial services ability. Given the above, capturing these business opportunities through enhancing equity or equity related fund-raising activities, subject to stock market condition, is likely an option.

**2. Reasons for and Benefits of Entering into the Supplemental Agreement (Including the Proposed Annual Caps)**

As stated in the paragraph headed “1.1. Information of the Group” above, corporate finance is one of the Group’s principal businesses and therefore it is the Group’s ordinary and usual course of business to provide corporate finance services to the GTJA Group as described in the Supplemental Agreement.

As a result of the increasing demand for cross-border financial services and corporate finance advisory services including the Group’s participation in GTJA’s recently announced share placement completed on 17 April 2019, the aggregate income attributable to the Group arising from corporate finance services provided by the Group to the GTJA Group under the New Master Services Agreement amounted to approximately HK\$18.6 million for the five months ended 31 May 2019, representing an utilisation rate of approximately 97.9% of the approved annual cap for the year ending 31 December 2019 in respect of such services. In view of the business prospects of the GTJA Group as stated in the paragraph headed “1.2. Information of the GTJA Group” above and the historical transaction figures, the Management believes that the existing approved annual caps in respect of corporate finance services provided by the Group to the GTJA Group, including but not limited to advising on compliance with the Listing Rules and the Takeovers Code, the offering of securities and corporate restructuring and other advisory services in compliance with applicable laws and regulations, for the two years ending 31 December 2019 and 2020 may not be able to satisfy the expected business needs for both the Group and the GTJA Group. The Company and GTJA therefore entered into the Supplemental Agreement to document the purpose for the Proposed Annual Caps.

Setting the Proposed Annual Caps under the Supplemental Agreement will provide the tool for the Management and the independent non-executive Directors to monitor the amount of continuing connected transactions contemplated under the Supplemental Agreement between the Group and the GTJA Group from time to time, which is a crucial element for proper corporate governance.

Save for the Proposed Annual Caps in respect of the income attributable to the Group arising from corporate finance services provided by the Group to the GTJA Group, all other terms and conditions of the New Master Services Agreement shall remain in full force and effect. Accordingly, the New Master Services Agreement will expire on 31 December 2020.

Having considered the above, we concur with the Directors that (i) the entering into the Supplemental Agreement (i.e. to document the purpose for the Proposed Annual Caps) is in the interests of the Company and the Shareholders as a whole and the transactions contemplated thereunder will continue to be conducted in the ordinary and usual course of business of the Group; and (ii) the terms of the Supplemental Agreement are on normal commercial terms and are fair and reasonable.



### 3. Analysis on the Proposed Annual Caps

To assess the fairness and reasonableness of the Proposed Annual Caps, we have considered (i) the historical amount and usage; and (ii) the basis to determine the Proposed Annual Caps.

#### *3.1. Historical transaction amount and usage*

Due to (i) the increasing demand for cross-border financial services and corporate finance advisory services; and (ii) the Group has participated as the global coordinator, one of the joint bookrunners and placing agents of the completed share placement of GTJA on 17 April 2019 using the general mandate obtained by GTJA at its annual general meeting held on 18 May 2018 (“**2018 general mandate**”), the existing approved annual cap for corporate finance services provided by the Group to the GTJA Group for the year ending 31 December 2019 has substantially been fully utilised.

The table below sets out (i) the historical transaction amount and respective utilisation rates in terms of the existing approved annual caps for the corporate finance services provided by the Group to the GTJA Group for the year ended 31 December 2018 and the five months ended 31 May 2019; (ii) existing approved annual caps under the New Master Services Agreement for the year ended 31 December 2018 and two years ending 31 December 2019 and 2020; and (iii) the Proposed Annual Caps.

<b>In respect of the income attributable to the Group arising from corporate finance services provided to member(s) of the GTJA Group</b>	<b>For the year ended 31 December 2018 (“FY2018”) (HK\$ million)</b>	<b>For the year ending 31 December 2019 (“FY2019”) (HK\$ million)</b>	<b>For the year ending 31 December 2020 (“FY2020”) (HK\$ million)</b>
Historical transaction figures in respect of the income attributable to the Group arising from corporate finance services provided to member(s) of the GTJA Group	—	18.6	—
Existing approved annual caps	<u>17.0</u>	<u>19.0</u>	<u>21.0</u>
Utilisation rate	<u>0.0%</u>	<u>97.9%</u>	<u>N/A</u>
Proposed Annual Caps	<u>N/A</u>	<u>133.0</u>	<u>233.0</u>



### ***3.2. Basis for determining the Proposed Annual Caps***

As advised by the Management, the Proposed Annual Caps were determined with reference to (i) the Group's capability to provide financial advisory services to GTJA if GTJA conducts further placing activities on the Stock Exchange; and (ii) the Group's continuous provision of corporate finance services to the GTJA Group given the increasing demand for cross-border financial services.

#### ***3.2.1. Potential placing by GTJA***

In determining the maximum fee income to be earned from share placement of GTJA of HK\$99.0 million and HK\$218.0 million for the two years ending 31 December 2019 and 2020 respectively, the Management considered (i) the maximum number of shares to be issued under general mandates of GTJA for FY2019 and FY2020 respectively; (ii) 52-week average closing share price of the GTJA of HK\$16.07 as at 30 June 2019; (iii) a commission rate of 2.0%; and (iv) the potential fluctuation of the share price of GTJA.

As mentioned in the paragraph headed "1.2. Information of the GTJA Group" of this letter, the GTJA Group will continue to promote the cross-border business and capture business opportunities arising from capital market reform such as the launch of science and technology innovation board. In this regard, the GTJA Group may consider raising more funds by means of equity for business expansion, subject to the stock market condition. An effective and efficient way may be through share placement using the general mandate obtained at the annual general meeting of GTJA.

As mentioned above, the Group had completed a share placement of GTJA on 17 April 2019 under the 2018 general mandate. If GTJA is to conduct fund raising exercises in the future, given that (i) the Group has participated in the share placement and played a major role as the global coordinator, one of the joint bookrunners and placing agents; (ii) the Group, being the international flagship of the GTJA Group, has the competitive advantages in terms of the relevant licenses, broad customer base, extensive experience, capacity and capability to assist the GTJA Group in completing fund raising exercise in Hong Kong; and (iii) GTJA has indicated their intention to engage the Group in assisting with future fund raising exercise should the terms and conditions thereunder are fair and reasonable, it is likely that the Group may secure a key role in such exercise in the future.

##### ***3.2.1.1. Maximum number of shares to be issued under general mandates of GTJA***

Taking into account (i) a general mandate was granted at the annual general meeting of GTJA held on 26 June 2019 ("**2019 general mandate**"), which will be valid until the 2020 annual general meeting; and (ii) another general mandate ("**2020 general mandate**") may further be granted at GTJA's annual general meeting in 2020, subject to its shareholders' approval, it is possible that the 2019 general mandate can be used in full either in FY2019

or FY2020 and that the 2020 general mandate can be used in full either in FY2020 or until the conclusion of GTJA's annual general meeting in 2021, subject to the stock market condition. Due to the GTJA Group's leading position in the industry and the possibility of raising additional funds for operation purposes, when assessing the reasonableness of the Proposed Annual Caps, we believe that it is fair and reasonable to take into consideration that GTJA may (i) utilise the 2019 general mandate in full in FY2019 to issue additional shares of GTJA of approximately 278.4 million shares; or (ii) utilise both the 2019 general mandate and 2020 general mandate in full in FY2020 to issue at most additional shares of GTJA of approximately 612.4 million shares.

*3.2.1.2. Potential placing price in relation to GTJA's placement under its general mandates*

Having taken into account the availability of GTJA's general mandates to raise funds, to assess the possible amount of funds that GTJA can raise using its general mandates, we have performed a historical share price analysis based on GTJA's 52-week average closing share price of HK\$16.07 as at 30 June 2019. We are of the view that a period of 52 weeks can provide a fair illustration of its share price performance for the purpose of a historical share price analysis.

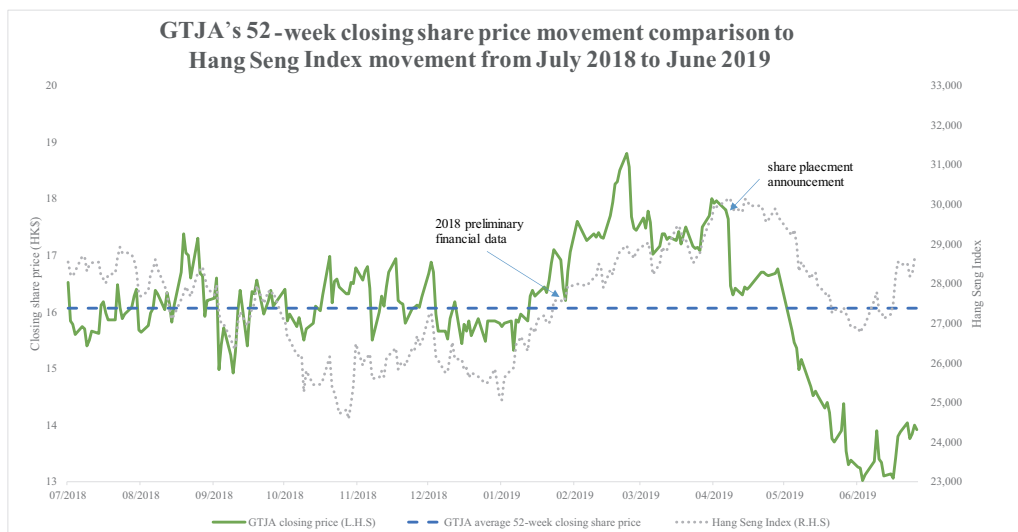
On 30 January 2019 (after trading hours), GTJA announced its preliminary financial data for FY2018 and the share price of GTJA had shown an upward trend following such announcement. Furthermore, on 10 April 2019 (before trading hours), GTJA announced a share placement under its 2018 general mandate at a share price of HK\$16.34, representing a discount of approximately 7.4% to its closing share price on 9 April 2019. Following such announcement, the share price of GTJA closed at HK\$16.46 on 10 April 2019, which is close to the placing price of HK\$16.34. Other than these announcements which may have caused fluctuation in GTJA's share

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## LETTER FROM ALTUS CAPITAL

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price, the share price movement of GTJA is generally in line with the Hang Seng Index movement. The table below sets forth GTJA's 52-week closing share price movement compared to Hang Seng Index movement from July 2018 to June 2019.



Based on our discussion with the Management, it is noted the Company had considered the potential fluctuation of GTJA's share price when formulating the Proposed Annual Caps. From the table above, we noted that the highest and lowest closing price of GTJA was HK\$18.80 and HK\$13.02 respectively, representing a maximum fluctuation of approximately 44.4%. As such, we concur with the Management's view that when formulating the Proposed Annual Caps, the potential fluctuation of GTJA's share price should be factored in.

### *3.2.1.3. Placing commission rate in relation to GTJA's placement under its general mandates*

To assess the reasonableness of the Company's assumption of a placing commission rate of 2.0%, we have exhaustively reviewed all placing agreements entered into between the operating subsidiary of the Company principally engaged in securities brokerage business and independent third parties for the provision of placing services from 2018 until June 2019. We noted that the placing commission rate charged by the Group ranged from approximately 0.2% to 2.0% with fund raising sizes ranging from approximately HK\$240.3 million to approximately HK\$8.3 billion. Taking into account that the placing commission rate of 2.0% is within and at the high end of the placing commission rate charged by the Group to independent third parties, we are of the view that the commission rate of 2.0% is fair and reasonable and determined on normal commercial terms or better.

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## LETTER FROM ALTUS CAPITAL

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As the placing commission rate may vary according to the size of placement, we have further reviewed 23 announcements in relation to placing activities proposed by companies listed on the Stock Exchange from September 2018 to June 2019 with fund raising sizes of over HK\$100 million. The following table sets out the placing commission rates from the 23 announcements.

**Proposed placing of shares which announced by listed companies on the Stock Exchange**

Stock code	Listed Company	Gross proceed (HK\$ million) <sup>1</sup>	Placing commission rate
2202	China Vanke Co., Ltd	7,810.0	0.4%
6098	Country Garden Services Holdings Company Limited	1,959.3	1.0%
8228	National Arts Entertainment and Culture Group Limited	1,600.0	3.0%
1233	Times China Holdings Limited	1,570.3	1.1%
1368	Xtep International Holdings Limited	1,373.8	1.4%
2357	AviChina Industry & Technology Company Limited	1,367.1	1.5%
968	Xinyi Solar Holdings Limited	1,318.6	1.0%
3800	GCL-Poly Energy Holdings Limited	680.0	2.2%
1908	C&D International Investment Group Limited	495.0	2.4%
1073	Da Yu Financial Holdings Limited	414.7	1.0%
2001	China New Higher Education Group Limited	392.7	1.1%
2327	Meilleure Health International Industry Group Limited	327.6	0.5%
1073	China Agraotech Holdings Limited	266.6	1.0%
395	Smartac Group China Holdings Limited	260.0	1.0%
8228	National Arts Entertainment and Culture Group Limited	220.0	6.0% <sup>3</sup>
202	Everchina International Holdings Company Limited	173.8	2.5%
1227	National Investments Fund Limited	154.8	3.0%
1572	China Art Financial Holdings Limited	124.8	0.8%

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## LETTER FROM ALTUS CAPITAL

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Stock code	Listed Company	Gross proceed (HK\$ million) <sup>1</sup>	Placing commission rate
476	China Dynamics (Holdings) Limited <sup>4</sup>	120.0 <sup>2</sup>	2.0%
997	Chinlink International Holdings Limited	109.4	3.0%
1559	Kwan On Holdings Limited	106.7	1.2%
1106	Sino Haijing holdings Limited	104.5	2.0%
627	Fullsun International Holdings Group Co., Limited	103.5	1.0%
<i>Mean</i> <sup>3</sup>		<b>947.0</b>	<b>1.6%</b>
<i>Median</i> <sup>3</sup>		<b>360.2</b>	<b>1.2%</b>
<i>Maximum</i> <sup>3</sup>		<b>7,810.0</b>	<b>3.0%</b>
<i>Minimum</i> <sup>3</sup>		<b>103.5</b>	<b>0.4%</b>

*Notes:*

1. The gross proceed is calculated based on the proposed placing shares multiplied by the placing price.
2. The gross proceed is calculated based on the proposed placing shares multiplied by the mid-point of the proposed placing price, which ranged from HK\$0.10 to HK\$0.14.
3. Based on National Arts Entertainment and Culture Group Limited's announcement dated 13 February 2019, the proceeds raised from the placing would be utilised for repayment of its existing debts and interests as the group did not have sufficient cash balances to meet the repayment of liabilities. As disclosed in the company's announcements dated 17 June, 21 June, 11 July and 30 July 2019, the company had been in liquidation and is seeking financial restructuring. The placing commission rate of 6.0% may had been relatively higher due to such unique circumstances. As such, it is considered as an outlier and is excluded from our analysis.
4. The placing of share is conducted by a wholly-owned subsidiary of a substantial shareholder of China Dynamics (Holdings) Limited.

Taking into account the placing commission rate of 2.0%, which is higher than the mean and median of 1.6% and 1.2% respectively, and is within the placing commission rates on the market ranging from 0.4% to 3.0%, we concur with the Management that the commission rate of 2.0% is fair and reasonable.

Having considered (i) the maximum number of share to be issued under general mandates of GTJA for share placements in FY2019 and FY2020 respectively; (ii) the historical share price performance of GTJA which experienced a maximum fluctuation of approximately 44.4%; (iii) the placing commission rate of 2.0% is within and at the high end of the placing commission rates charged by the Group for provision of placing services to independent third

parties; and (iv) the placing commission rate of 2.0% is within the placing commission rates in the market, we are of the view the Proposed Annual Caps, which had been derived by referencing to potential placing of GTJA, are fair and reasonable.

*3.2.2. Corporate finance services provided by the Group to the GTJA Group*

The Group may from time to time in the ordinary and usual course of its business and on normal commercial terms provide corporate finance services to the GTJA Group, including but not limited to, advising on compliance with the Listing Rules and the Takeovers Code, the offering of securities, corporate restructuring, cross-border financial services and other advisory services. For such services, the GTJA Group pays the Group advisory fees.

As advised by the Management, the Proposed Annual Caps for corporate finance services were determined taking into account the potential corporate finance services provided to the GTJA Group given the increasing demand for cross-border financial services and account for approximately 1.0% of the operating expenses for GTJA's investment banking business in 2018 of approximately RMB1.1 billion. In this regard, fee income derived from the provision of these corporate finance services to the GTJA Group is estimated to be HK\$15.0 million for each of the two years ending 31 December 2019 and 2020.

Whilst we noted that the global economic outlook is subject to uncertainties such as escalating trade tensions amongst major economic entities, concerns over the global economic growth, the Brexit negotiations and geopolitical tensions, a series of national development plans has been carried out by the central government to stimulate economic growth. From the "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area" released by the State Council of the People's Republic of China in February 2019, it is noted that Hong Kong will continue to provide services such as investment, financing as well as consulting to PRC enterprises for going global and facilitate the advancement of the "One Belt One Road" initiative by developing a platform of corporation amongst the cities in the Greater Bay Area. We further noted that the launch of science and technology board on Shanghai Stock Exchange in July 2019 may possibly encourage the demand for cross-border corporate finance advisory services, especially for information technology and biotechnology companies. With the above in mind, together with the GTJA Group's leading position in the PRC market as elaborated in the paragraph headed "1.2. Information of the GTJA Group", we are of the view that the PRC financial market will be benefited from the aforementioned national developments and the demand for corporate finance services, in particular for cross-border services, is expected to increase accordingly.

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In addition, we have reviewed the confirmation letter between the Company and GTJA and noted that the GTJA Group intends to explore further cross-border collaborations with the Group for corporate finance services in light of the national developments such as the introduction of science and technology board, Greater Bay Area development and “Belt and Road” initiative.

Taking into account the above and the business prospects as stated in the paragraph headed “1.2. Information of the GTJA Group”, we are of the view that by making references to potential corporate finance services provided to GTJA to derive the Proposed Annual Caps is fair and reasonable.

After taking into account (i) the ad hoc nature of underwriting, sponsorship, securities issuance and advisory services; (ii) increasing demand for cross-border financial services and corporate finance advisory services in light of the national policies and the global market condition; (iii) the GTJA Group’s intention to engage the Group for potential fund raising and collaborate with the Group for cross-border transactions; and (iv) potential fund raising by GTJA, we are of the view that the Proposed Annual Caps are fair and reasonable.

#### 4. INTERNAL CONTROL

We noted that the Company has established, and we have reviewed, the internal control measures and policies to provide an effective framework for strong corporate governance and risk management; and monitor continuing connected transactions between the Group and the GTJA Group. Pursuant to the Company’s internal control measures and policies, the Group’s internal audit department reviews the internal control functions of the Company relating to continuing connected transactions from time to time. The finance department also regularly monitors the transactions between the Group and the GTJA Group as to whether such transactions fall within the scope of the relevant agreements.

Furthermore, the legal, compliance, risk management, finance departments and office of the Board will review proposed corporate finance transactions from their respective expertise with reference to the major and comparable transactions of independent third parties in the market, in any event, not less than two (unless otherwise there is one comparable transaction only) and the selection criteria of the comparable transactions will take into account the scale and nature of the relevant transactions. If no comparable transaction is available, each aforesaid department reviews the proposed transactions based on their past experience and public information on the market, if available. The Company also conducts a comparison between (i) the fee quotation obtained from those independent third parties and (ii) the offers to the GTJA Group.

In addition, pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors are required to review the Group’s continuing connected transactions annually and confirm in the Company’s annual report whether they have been (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole. In compliance with the Listing Rules, the Company will engage auditors to report on the



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Group's continuing connected transactions for each of the two years ending 31 December 2019 and 2020. We have reviewed the 2018 Company Annual Report and noted that the continuing connected transactions had been entered into pursuant to the relevant agreements governing such transactions and on normal commercial terms or better.

Given the above, we consider that there are sufficient measures in place to monitor the transactions contemplated under the Supplemental Agreement and the Proposed Annual Caps.

### RECOMMENDATION

Having considered the above principal factors, we are of the view that (i) the terms of the Supplemental Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) the Supplemental Agreement and the transactions contemplated thereunder will be conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; and (iii) the Proposed Annual Caps are fair and reasonable.

Accordingly, we would recommend the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution to be proposed at the EGM to approve the Supplemental Agreement contemplated thereunder (including the Proposed Annual Caps).

Yours faithfully  
For and on behalf of  
**Altus Capital Limited**

**Jeanny Leung**  
*Executive Director*

**Leo Tam**  
*Assistant Director*

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

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



## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS

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

As at the Latest Practicable Date, save as disclosed below, none of the Directors or the chief executives of the Company or their respective associates had or was deemed to have any interests and short positions in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or the chief executives of the Company or their respective associates were deemed or taken to have under provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

#### *Interest in the Company*

Name of Directors	Number of Shares	Number of awarded Shares	Number of underlying shares in relation to share options	Total	Percentage of Shares in issue
YIM Fung	66,917,955	3,117,000	1,300,000	71,334,955	0.92%
WONG Tung Ching	11,958,564	2,534,000	1,300,000	15,792,564	0.20%
QI Haiying	3,136,000	2,876,000	1,300,000	7,312,000	0.09%
LI Guangjie	8,470,970	1,944,000	1,300,000	11,714,970	0.15%
FU Tingmei	1,512,096	—	—	1,512,096	0.02%
SONG Ming	1,512,096	—	—	1,512,096	0.02%
TSANG Yiu Keung	1,512,096	—	—	1,512,096	0.02%

As at the Latest Practicable Date, save as disclosed above, 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.

**(b) Substantial Shareholders' interests and short positions**

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

Name of Shareholders	Number of Shares	Percentage of Shares in issue
GTJAH <i>(Note 1)</i>	5,254,550,800	68.1%
Guotai Junan Financial Holdings Limited <i>(Note 1)</i>	5,254,550,800	68.1%
GTJA <i>(Note 1)</i>	5,254,550,800	68.1%

*Note:*

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

**3. DIRECTORS' COMPETING INTERESTS**

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

**4. DIRECTORS' INTERESTS IN ASSETS**

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors had any interest, either directly or indirectly, in any assets which has since 31 December 2018 (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. 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 2018, being the date to which the latest published audited financial statements of the Company were made up.

**7. DIRECTORS'S 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.

**8. EXPERT AND CONSENT**

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

<b>Name</b>	<b>Qualification</b>
Altus Capital	a corporation licensed to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

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

As at the Latest Practicable Date, Altus Capital 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 2018, the date to which the latest audited financial statements of the Group was made up; and had no shareholding, directly or indirectly, in any member of the Group and did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

**9. MISCELLANEOUS**

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

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the Company's head office and principal place of business in Hong Kong at 27/F, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong during normal business hours on any business day from the date of this circular up to and including the date of the EGM:

- (a) the New Master Services Agreement;
- (b) the Supplemental Agreement;
- (c) the letter from the Independent Board Committee, the text of which is set out on pages 14 to 15 of this circular;
- (d) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 16 to 30 of this circular;
- (e) the written consent referred to in the paragraph headed "Expert and Consent" in this appendix; and
- (f) this circular.

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## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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**國泰君安國際**  
GUOTAI JUNAN INTERNATIONAL

### GUOTAI JUNAN INTERNATIONAL HOLDINGS LIMITED

**國泰君安國際控股有限公司**

*(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 3 September 2019 at 3:00 p.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution of the Company:

Unless otherwise defined, capitalised terms used therein shall have the same meanings as those defined in the circular of the Company dated 16 August 2019.

#### **ORDINARY RESOLUTION**

**“THAT:**

- (a) the entering into of the Supplemental Agreement dated 22 July 2019 as defined and described in the circular of the Company dated 16 August 2019 (the “**Circular**”) (a copy of the Supplemental Agreement has been produced to the EGM and marked “A” and initialed by the chairman of the EGM for the purposes of identification), all the transactions contemplated thereunder, and the Proposed Annual Caps set out in the Circular, be and are hereby approved, confirmed and ratified; and
- (b) any one Director, or any two Directors if the affixation of the common seal of the Company is necessary, be and is/are hereby authorised for and on behalf of the Company to do all such acts and things and sign, agree, ratify or execute all such documents which he/they in his/their discretion consider(s) necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Supplemental Agreement and any of the transactions contemplated thereunder and to agree to such variations, amendments or waivers of matters relating thereto as are, in the opinion of such Director, in the interest of the Company.”

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

Hong Kong, 16 August 2019

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## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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*Registered Office:*

27/F, Low Block,  
Grand Millennium Plaza,  
181 Queen's Road Central,  
Hong Kong

*Notes:*

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and on a poll, vote on his/her behalf. A proxy need not be a member of the Company.
2. Where there are joint registered holders of any Share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such Share as if he/she were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy together with any power of attorney (if any) or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time for holding the EGM or any adjournment thereof (as the case may be).
4. The above resolution will be put to vote at the EGM by way of poll.

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