
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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



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

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

(Stock Code: 02611)

**I. CONTINUING CONNECTED TRANSACTIONS – REVISION OF
ANNUAL CAP FOR AND RENEWAL OF THE TERM OF
THE SECURITIES AND FINANCIAL PRODUCTS
TRANSACTIONS AND SERVICES WITH HUAAN FUNDS**
**II. PROPOSED APPOINTMENT OF AN INDEPENDENT
NON-EXECUTIVE DIRECTOR**
**III. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND**
**IV. NOTICE OF THE 2023 SECOND
EXTRAORDINARY GENERAL MEETING**

**Independent financial adviser to the Independent Board Committee and
the Independent Shareholders**



Notice convening the EGM to be held at Room 405, 768 Nanjing West Road, Jingan District, Shanghai, PRC at 2:00 p.m. on Thursday, 30 November 2023, is set out on pages EGM-1 to EGM-2 of this circular.

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

13 November 2023

CONTENTS

| | <i>Page</i> |
|---|-------------|
| DEFINITIONS | 1 |
| LETTER FROM THE BOARD OF DIRECTORS | 6 |
| LETTER FROM THE INDEPENDENT BOARD COMMITTEE | 24 |
| LETTER FROM THE INDEPENDENT FINANCIAL ADVISER | 26 |
| APPENDIX I – GENERAL INFORMATION | I-1 |
| APPENDIX II – COMPARATIVE TABLE OF AMENDMENTS TO ARTICLES OF ASSOCIATION | II-1 |
| NOTICE OF EGM | EGM-1 |

DEFINITIONS

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

| | |
|-------------------------------------|---|
| “A Share(s)” | domestic shares of the Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi and are listed for trading on the Shanghai Stock Exchange |
| “Articles of Association” | the articles of association of the Company, as amended from time to time |
| “Board” | the board of directors of the Company |
| “China” or “PRC” | the People’s Republic of China, excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “Company” | Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司), a joint stock company with limited liability incorporated in the PRC in August 1999, the A Shares of which are listed on the Shanghai Stock Exchange (stock code: 601211) |
| “Continuing Connected Transactions” | the transactions contemplated under the Revised Framework Agreement |
| “Director(s)” | director(s) of the Company |
| “EGM” | the Company’s extraordinary general meeting to be held at Room 405, 768 Nanjing West Road, Jingan District, Shanghai, PRC at 2:00 p.m. on Thursday, 30 November 2023 |
| “Existing Annual Caps” | the annual caps as set out in the Original Framework Agreement |
| “Financial Services” | the financial services contemplated under the Revised Framework Agreement |
| “Group”, “we” or “us” | the Company and its subsidiaries excluding, in the context of the Original Framework Agreement and the Revised Framework Agreement, HuaAn Funds Group |

DEFINITIONS

| | |
|----------------------------|--|
| “GTJA Investment” | Guotai Junan Investment Management Co., Ltd. (國泰君安投資管理股份有限公司), a joint stock company with limited liability incorporated in the PRC in December 2001. As of the Latest Practicable Date, the single largest shareholder of GTJA Investment is Shanghai State-owned Assets Management Co., Ltd (上海國有資產經營有限公司, “Shanghai State-owned Assets Management”), holding approximately 33.55% equity interests in GTJA Investment. Shanghai State-owned Assets Management is a wholly-owned subsidiary of International Group, the controlling shareholder of the Company, as such GTJA Investment is an associate of International Group and a connected person of the Company. The ultimate beneficial owner of Shanghai State-owned Assets Management is Shanghai SASAC. The other shareholders of GTJA Investment holding more than 5% equity interests in GTJA Investment are Central Huijin Investment Ltd. (中央匯金投資有限責任公司, “Central Huijin”) and Shenzhen Investment Holdings Co., Ltd. (深圳市投資控股有限公司, “Shenzhen Investment”), holding approximately 14.54% and 11.49% equity interests in GTJA Investment, respectively. The ultimate beneficial owners of Central Huijin and Shenzhen Investment are the State Council of the PRC and Shenzhen State-owned Assets Supervision and Administration Commission (深圳市國有資產監督管理委員會), respectively. The remaining 40.42% equity interests are held by more than 100 shareholders, none of which holds more than 5% equity interests in GTJA Investment |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Hong Kong Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “HuaAn Funds” | HuaAn Funds Management Co., Ltd. (華安基金管理有限公司), a limited liability company incorporated in the PRC in June 1998 and a fund management company who has become a subsidiary of the Company in November 2022 |
| “HuaAn Funds Group” | HuaAn Funds and its subsidiaries |

DEFINITIONS

| | |
|--|--|
| “Independent Board Committee” | an independent committee of the Board, comprising Mr. DING Wei, Mr. LI Renjie, Mr. BAI Wei, Mr. LEE Conway Kong Wai, Mr. WANG Guogang and Mr. YIM, Chi Hung Henry, all of whom are independent non-executive Directors, to provide recommendations to the Independent Shareholders in respect of the Revised Framework Agreement and the Continuing Connected Transactions (including the New Annual Caps) |
| “Independent Financial Adviser” or “Gram Capital” | Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Revised Framework Agreement and the Continuing Connected Transactions (including the New Annual Caps) |
| “Independent Shareholder(s)” | the independent shareholders of the Company, and for the purpose of this circular, to the best knowledge, information and belief of the Directors and having made all reasonable enquiries means shareholders other than International Group and its associates and Shanghai Industrial |
| “Independent Third Part(ies)” | part(ies) not connected with the Company or its subsidiaries within the meaning of the Listing Rules as far as the Directors are aware after having made all reasonable enquiries |
| “International Group” | Shanghai International Group Co., Ltd. (上海國際集團有限公司), which is interested directly and indirectly in 33.36% of the total equity interest of the Company in aggregate as of the Latest Practicable Date |
| “Jin Jiang International Investment” | Shanghai Jin Jiang International Investment and Management Company Limited (上海錦江國際投資管理有限公司), a limited liability company incorporated in the PRC in February 1990. As of the Latest Practicable Date, the ultimate beneficial owner of Jin Jiang International Investment is Shanghai SASAC |

DEFINITIONS

| | |
|---|---|
| “Latest Practicable Date” | 8 November 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “New Annual Caps” | the proposed annual caps under the Revised Framework Agreement for the Continuing Connected Transactions for the years ending 31 December 2023, 2024 and 2025 |
| “Original Framework Agreement” | the framework agreement for securities and financial products transactions and services entered between the Company and HuaAn Funds on 29 December 2022, with a term from 1 January 2023 to 31 December 2023 |
| “Proposed Amendments” | the proposed amendments to the Articles of Association and the Rules of Procedure for Meetings of the Board approved by the Board to be submitted to the EGM for consideration and approval |
| “Revised Framework Agreement” | the amended and restated framework agreement for securities and financial products transactions and services to be entered into between the Company and HuaAn Fund with the term extended to 31 December 2025 |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Rules of Procedure for Meetings of the Board” | the rules of procedure for meetings of the board of directors of Guotai Junan Securities Co., Ltd. set out in the appendix to the Articles of Association, as amended from time to time |
| “Securities and Financial Product Transactions” | the securities and financial product transactions contemplated under the Revised Framework Agreement |

DEFINITIONS

| | |
|-----------------------|--|
| “Shanghai Industrial” | Shanghai Industrial Investment (Group) Co., Ltd (上海工業投資(集團)有限公司), a limited liability company incorporated in the PRC in November 1998. As of the Latest Practicable Date, the ultimate beneficial owners of Shanghai Industrial are Shanghai SASAC and Nanhui District State-owned Assets Supervision and Administration Office (南匯區國有資產管理辦公室), ultimately holding 98.7654% and 1.2346% equity interests in Shanghai Industrial, respectively |
| “Shanghai SASAC” | the Shanghai State-owned Assets Supervision and Administration Commission (上海市國有資產監督管理委員會) |
| “Shanghai SITICO” | Shanghai SITICO Asset Management Co., Ltd. (上海上國投資產管理有限公司), a limited liability company incorporated in the PRC in March 2015 and a non-wholly owned subsidiary of International Group. As at the Latest Practicable Date, Shanghai SITICO is held as to 80% and 20% by International Group and Shanghai Jiushi (Group) Co., Ltd. (上海久事(集團)有限公司), respectively, which are both wholly owned by Shanghai SASAC |
| “Shareholder(s)” | the holder(s) of the shares of the Company |

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

LETTER FROM THE BOARD OF DIRECTORS



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

(A joint-stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 02611)

Executive Directors

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

Non-Executive Directors

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

Independent Non-Executive Directors

Mr. DING Wei
Mr. LI Renjie
Mr. BAI Wei
Mr. LEE Conway Kong Wai
Mr. WANG Guogang
Mr. YIM, Chi Hung Henry

Registered Office

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

Principal Place of Business in Hong Kong

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

13 November 2023

To the Shareholders,

Dear Sir or Madam,

**I. CONTINUING CONNECTED TRANSACTIONS – REVISION OF
ANNUAL CAP FOR AND RENEWAL OF THE TERM OF
THE SECURITIES AND FINANCIAL PRODUCTS
TRANSACTIONS AND SERVICES WITH HUAAN FUNDS
II. PROPOSED APPOINTMENT OF AN INDEPENDENT
NON-EXECUTIVE DIRECTOR
III. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND
IV. NOTICE OF THE 2023 SECOND
EXTRAORDINARY GENERAL MEETING**

I – INTRODUCTION

We refer to the announcements of the Company dated 29 December 2022, 20 October 2023, 29 August 2023, and 10 November 2023 in relation to (i) the Original Framework Agreement entered into between the Company and HuaAn Funds, pursuant to which the Group and HuaAn Funds Group will engage in various securities and financial transactions and

LETTER FROM THE BOARD OF DIRECTORS

provide securities and financial products and financial services to each other in our and their respective ordinary course of business based on normal commercial terms and market practices at prevailing market prices or rates, (ii) the proposed appointment of Mr. PU Yonghao (“**Mr. PU**”) as an independent non-executive Director of the sixth session of the Board, and (iii) the Proposed Amendments to the Articles of Association and its appendix, the Rules of Procedure for Meetings of the Board.

The purpose of this circular is to provide you with, among other things, (i) details of the Revised Framework Agreement with HuaAn Funds and the Continuing Connected Transactions contemplated thereunder (including the New Annual Caps); (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) details of the proposed appointment of the independent non-executive Director; (v) details of the Proposed Amendments; and (vi) a notice of the EGM.

II – PROPOSED REVISION OF ANNUAL CAP FOR AND EXTENSION OF THE TERM OF THE CONTINUING CONNECTED TRANSACTIONS

1. The Revised Framework Agreement

We refer to the announcement of the Company dated 29 December 2022 in relation to the Original Framework Agreement entered into between the Company and HuaAn Funds, pursuant to which the Group and HuaAn Funds Group will engage in various securities and financial transactions and provide securities and financial products and financial services to each other in our and their respective ordinary course of business based on normal commercial terms and market practices at prevailing market prices or rates.

The Company estimates that the Existing Annual Caps will not be sufficient to meet the expected transaction amounts of the Securities and Financial Product Transactions contemplated under the Original Framework Agreement for the year ending 31 December 2023. In addition, as the Original Framework Agreement is due to expire on 31 December 2023, the Company intends to continue the transactions contemplated thereunder with HuaAn Funds Group. On 20 October 2023, the Board has approved the Company to enter into the Revised Framework Agreement with HuaAn Funds to amend and restate the Original Framework Agreement, pursuant to which the Existing Annual Caps for the year ending 31 December 2023 will be revised and term of the Original Framework Agreement shall be extended to 31 December 2025. Save for the extension of the term of the agreement, the revision of Existing Annual Caps and proposed New Annual Caps, all other terms and conditions under the Original Framework Agreement shall remain unchanged.

The Revised Framework Agreement has not been executed yet as at the Latest Practicable Date and is still subject to the approval from the Independent Shareholders at the EGM. The Company will make an announcement in due course in accordance with the requirements under the Listing Rules and the rules of the Shanghai Stock Exchange.

LETTER FROM THE BOARD OF DIRECTORS

Summary of Principal Terms of the Revised Framework Agreement

- Parties:** (i) the Company; and
(ii) HuaAn Funds.
- Term:** from the date of the EGM to 31 December 2025 (both dates inclusive)

Scope of Continuing Connected Transactions

1. Securities and Financial Product Transactions

Pursuant to the Revised Framework Agreement, we expect that the securities and financial products transactions with HuaAn Funds Group include (but not limited to) the following:

- **products with fixed-income features** – including but not limited to bonds, funds, trusts, wealth management products, asset management plans, asset-backed securities products, bond borrowing and lending, structured products, futures, and other financial products with fixed-income features; interest rate and credit risk derivatives and other fixed-income products;
- **equity products** – including but not limited to equity products (including stocks, equity interests, stocks listed on the National Equities Exchange and Quotations and other products with features of equity), funds, trusts, wealth management products, asset management products and equity derivatives (such as swaps, futures, options, etc.);
- **financing transactions** – secured or unsecured financing transactions (including but not limited to lending and borrowing, repurchase, inter-bank deposits, income right, asset-backed securities, mutual debt certificates, short-term financing bonds, income certificates, subordinated bonds and corporate bonds); and
- **other relevant securities and financial products transactions permitted by regulatory authorities** – including but not limited to futures, commodities and foreign exchange.

2. Financial Services

In addition to the Securities and Financial Product Transactions, the Group and HuaAn Funds Group also provide financial services to each other in our and their respective ordinary course of business.

LETTER FROM THE BOARD OF DIRECTORS

The services to be provided by the Group to HuaAn Funds Group under the Revised Framework Agreement include (but not limited to):

- **financial products agency sale services** – providing agency service for selling financial products;
- **brokerage services** – including but not limited to brokerage services for securities brokers, futures brokers and other related financial products;
- **rental of trading booths** – providing rental service of trading booths;
- **custody and outsourcing** – providing asset custody and operation outsourcing services; and
- **other relevant securities and financial services permitted by regulatory authorities** – including but not limited to financial and securities consulting and advisory services and commodity services.

The services to be provided by HuaAn Funds Group to the Group under the Revised Framework Agreement include (but are not limited to):

- **financial products agency sale services** – including but not limited to agency sale of financial products;
- **entrusted asset management services** – including but not limited to the management of entrusted assets of customers; and
- **other financial and securities consulting and advisory services permitted by regulatory authorities.**

Pricing Basis

The parties agreed that they will strictly comply with relevant laws and regulations and regulatory requirements for the connected transactions as mentioned above in the daily operation, and will determine the transaction price on the principle of fair price, which means the price will be determined by the price prescribed by government or industry if available, or determined by market price when the price prescribed by government or industry is not available. The pricing basis for the Securities and Financial Product Transactions and Financial Services is set out as follows.

1. Securities and Financial Product Transactions

Securities and Financial Product Transactions are principally conducted in China interbank bond market and China exchange bond market, exchanges (including stock exchanges, future exchanges, Shanghai Gold Exchange and China Foreign Exchange Trade System) and other over-the-counter markets, with transaction prices and related fees determined based on prevailing market prices. The pricing of such transactions is also subject to strict regulation in the PRC and shall comply with applicable laws and regulations of the PRC. Below is a summary of the pricing basis of each of the Securities and Financial Product Transactions.

LETTER FROM THE BOARD OF DIRECTORS

- Products with fixed-income features

The fixed-income products and transactions in the PRC are mainly carried out through the interbank bond market and stock exchanges (call auction trading system, bulk trading platform and fixed-income platform). Except for the call auction trading on the exchanges, the prices for transactions in the interbank bond market, the bulk trading platforms and the fixed-income platforms of stock exchanges are mainly determined by reference to the bond valuations published by China Central Depository & Clearing Company Limited (“CCDC”) and China Securities Depository and Clearing Corporation Limited (“CSDC”). The deviation of the price quoted for a transaction in the interbank bond market shall be within 2% of the valuation published by CCDC, otherwise, it shall be reported to CCDC. In the absence of reasonable reasons, the abnormal pricing may be subject to a warning or even punishment by regulatory authorities. With regard to fixed-income products and transactions conducted on stock exchanges, the price for a call auction trading is the prevailing market price, and the price for a non-call auction trading is mainly determined by reference to the bond valuation published by CSDC.

With regard to fixed-income financing instruments issued by the Group and subscribed by HuaAn Funds Group or the financing instruments issued by HuaAn Funds Group and subscribed by the Group, the subscription price is determined by the issuer of the financing instruments with reference to the valuations of the financing instruments published by CCDC with the same credit and term and shall be in line with the subscription price for other investors. The Company and HuaAn Funds shall comply with the relevant administrative regulations, rules and measures of the PRC governing the issuance of their financial instruments, including pricing.

The fixed-income products outside the PRC are mainly traded on the over-the-counter market, with the transaction pricing mainly determined by reference to the market inquiry by the market makers.

- Equity products

A majority of certain equity products and transactions carried out in the securities market, including the stock market, are carried out through systems in which the identities of the counterparties are unknown and the transaction price is based on the prices quoted by the counterparties in the market. Real-time quotations for relevant securities and financial products are obtained through the trading systems of relevant stock exchanges; with regard to equity products for which the reference market price is unavailable in the market, the prices are mainly determined by reference to the market-based valuation method and the market price of similar products.

LETTER FROM THE BOARD OF DIRECTORS

- Financing transactions

In terms of inter-bank lending and borrowing and repurchases, they are variably quoted based on SHIBOR of the National Interbank Funding Center and the time-weighted rate of repurchase at the front office along with certain factors, such as assessment of prevailing capital adequacy, the credit quality of counterparties and the quality of collaterals, such as pledged bonds. The pricing of such transactions are also subject to strict PRC regulatory supervision and requirements of the applicable PRC laws and regulations.

- Over-the-counter derivative transactions

The prices for over-the-counter derivative transactions are mainly determined: (1) according to derivative pricing models, such as Monte Carlo simulation and B-S model; (2) by reference to expected changes in the prices of relevant targets.

- Gold products, futures and foreign exchange transactions

Relevant gold products, futures and foreign exchange transactions are mainly carried out on Shanghai Gold Exchange, China Financial Futures Exchange and China Foreign Exchange Trade System, under a call auction mechanism or quote request mechanism, and with the pricing mainly based on the transactions of certain securities and financial products in the market. HuaAn Funds has access to the trading systems of relevant exchanges to obtain real-time quotations for the relevant securities and financial products.

- Other securities and financial products and transactions

Securities and financial products and transactions also include subscriptions of funds, trust, wealth management products and asset management products (the “**Products**”). The pricing of such transactions is determined based on the unit net value of the relevant Products on the date of transaction. The unit net value of such Products is calculated by dividing the net asset value of the Products by the amount of the fund units. The net asset value of the Products is the sum of the values of various marketable securities and notes, principals and interests of bank deposits, fund subscription monies receivables and other assets invested by such Products, less the liabilities of such Products, the calculation of which shall be in compliance with the China Accounting Standards for Business Enterprises. The net value of such Products are audited by a manager, reviewed by a custodian and confirmed by an external audit firm on a regular basis. The calculation method of the unit net value of the Products is set forth in the fund contract and prospectus, and equally applies to all investors of the Products.

LETTER FROM THE BOARD OF DIRECTORS

2. *Financial Services*

- **Financial products agency sale services** – The price is determined after arm’s length negotiation, based on market prices, industry management and the total amount of financial products covered under the sales agency arrangements, with reference to the fees charged by HuaAn Funds or the Company for similar sales agency services to independent customers;
- **Brokerage services** – The price is determined after arm’s length negotiation with reference to the prevailing market rates for similar securities or futures;
- **Rental of trading booths** – The commission rates for the rental of trading booths are fairly transparent in the market. The Company calculates the commission as a percentage of the amount of each transaction conducted through the trading booth and such percentage is determined based on prevailing market prices and industry practice;
- **Custody and outsourcing** – The rates for the services are generally transparent and standardized. The Company performs its responsibilities including asset custody, investment liquidation, valuation calculation, investment supervision, information disclosure and reporting in accordance with laws and regulations and fund contracts. Relevant rates are determined after arm’s length negotiation, in consideration of factors including market competition;
- **Entrusted asset management services** – The rates are determined after arm’s length negotiation, with reference to factors such as prevailing market rates, the value of products sold or the size of the entrusted assets and the complexity of providing the specified services;
- **Other securities and financial services including securities and financial consulting and advisory services and commodity services** – The prices are determined by the nature of the transaction in accordance with applicable laws and regulations with reference to prevailing market prices.

2. **Measures to Regulate the Continuing Connected Transactions**

The Group has adopted a series of internal pricing policies and approval procedures to regulate the provision of securities and financial products and financial services between the Group and HuaAn Funds Group. The major internal policies include the following:

- The terms (including pricing terms) in respect of the securities and financial products and services contemplated under the Revised Framework Agreement shall be similar to those offered by/to an Independent Third Party for comparable services, and shall be subject to the same internal selection, approval and supervision procedures and pricing policies applicable to an Independent Third Party.

LETTER FROM THE BOARD OF DIRECTORS

- For Securities and Financial Product Transactions and Financial Services provided by the Group to HuaAn Funds Group, the Group will offer similar pricing terms to HuaAn Funds Group as those to other Independent Third Parties and no preferential terms shall be provided to HuaAn Funds Group. Prior to conducting such transactions, the relevant departments of the Company would conduct inspection and due diligence, assess whether the pricing is in compliance with relevant policies and procedures of the Group and whether the price is fair and reasonable after considering specific factors such as services provided, and grant approval, where appropriate.
- For Securities and Financial Product Transactions and Financial Services provided by HuaAn Funds Group to the Group, the Company will select suppliers and determine the relevant terms of the transactions through inquiry and negotiation process. The Company will also gather information on its suppliers and their levels of fees and prices and compare the fees/prices and quality of services before selection. A prior assessment will be conducted by the responsible officer to assess whether the proposed prices by suppliers are fair and reasonable before submission for consideration and approval to the head of the relevant department. In such case, any offer from HuaAn Funds Group needs to pass through the selection process the same as other suppliers before it could be appointed. As the Company will consider the various updated market information available and because of the uniqueness of financial transactions, there is not specific internal requirement as to the number of suppliers that will be selected for a particular type of service.
- The internal audit department of the Company will review relevant agreements and grant approval, where appropriate.
- The Company has formulated internal guidelines in accordance with Listing Rules, stipulating approval procedures for connected transactions.

The conduct of continuing connected transactions is also subject to annual review by all independent non-executive Directors and confirmation on that such transactions are in ordinary and usual course of business, on normal commercial terms or better, and the terms thereof are fair and reasonable and in the interest of shareholders of the Company as a whole. The auditors of the Company will conduct an annual review of the Company's continuing connected transactions and provide confirmations on that such transactions are conducted in accordance with the pricing policies, in accordance with the Revised Framework Agreement and approved by the Board and such transactions did not exceed the annual cap.

LETTER FROM THE BOARD OF DIRECTORS

3. Historical Figures¹, Existing and New Annual Caps and Basis of Determination

In RMB millions

| | Historical Figures for 2021 | Historical Figures for 2022 | Historical Figures for Seven Months Ended 31 July 2023 | |
|---|--|---|---|---|
| Securities and Financial Product Transactions^{2, 6} | | | | |
| Inflow ⁴ | 2,804.24 | 5,747.57 | 2,013.13 | |
| Outflow ⁵ | 6,055.27 | 6,110.69 | 4,199.51 | |
| Financial Services^{3, 7} | | | | |
| Revenue to be generated by the Group | 178.00 | 166.30 | 79.20 | |
| Fees payable by the Group | 21.79 | 36.47 | 6.91 | |
| | Existing Annual Caps for 2023 | New Annual Caps for 2023 | New Annual Caps for 2024 | New Annual Caps for 2025 |
| Securities and Financial Product Transactions^{2, 6} | | | | |
| Inflow ⁴ | 5,389.97 | 6,324.01 | 13,983.86 | 17,088.34 |
| Outflow ⁵ | 5,508.55 | 12,733.26 | 20,684.59 | 23,956.51 |
| Financial Services^{3, 7} | | | | |
| Revenue to be generated by the Group | 256.32 | 256.32 | 241.67 | 272.47 |
| Fees payable by the Group | 43.94 | 43.94 | 49.70 | 58.52 |

Notes:

1. As HuaAn Funds has become a subsidiary of the Company on 4 November 2022, the historical transactions between the Group and HuaAn Funds Group were not connected transactions under the Listing Rules before such date.
2. Securities and Financial Product Transactions are divided into two categories, namely products with fixed-income features and other products and financing transactions. Products with fixed-income features include bonds, funds, trusts, wealth management products, asset management plans, asset-backed securities products, convertible bonds, structured products, interest rate and credit risk derivatives and other fixed-income products; other financial products and financing transactions include equity products or transactions (including stocks, equity interests and other products with equity features), financing transactions (including secured or unsecured financing transactions) and other securities and financial products and derivatives (including lending and borrowing and repurchase, swaps, futures, forward contracts, commodity products and foreign exchange).

LETTER FROM THE BOARD OF DIRECTORS

3. Financial Services include services provided by the Group to HuaAn Funds Group including services for selling financial products, brokerage, rental of booths, entrusted asset management, and asset custody; services provided by HuaAn Funds Group to the Group including agency services for selling financial products, and entrusted asset management.
4. For this category, “inflow” refers to the total cash inflow in connection with the Group’s sales of securities and financial product transactions to HuaAn Funds Group, the Group’s redemption of securities and financial products issued by HuaAn Funds Group to which the Group has subscribed or the Group’s borrowings from and lendings to HuaAn Funds Group.
5. For this category, “outflow” refers to the total cash outflow in connection with the Group’s purchase of securities and financial product transactions from HuaAn Funds Group, the redemption by HuaAn Funds Group of securities and financial products issued by the Group to which HuaAn Funds Group have subscribed or the Group’s borrowings from and lendings to HuaAn Funds Group.
6. Given that the parties generally flexibly allocate fixed-income products and other financial products according to the financial market conditions and their fund management needs, products with fixed-income features and other products and financing transactions are not distinguished in estimating the inflow and outflow limits for securities and financial products.
7. All the revenue to be generated and fees payable by the Group in connection with the inflow and outflow arising from the Securities and Financial Product Transactions have been included into the revenue to be generated and fees payable relating to the provision of Financial Services.

The transaction amount under the Securities and Financial Product Transactions and Financial Services for the period from 1 January 2023 to the Latest Practicable Date will not exceed the Existing Annual Caps for 2023.

Basis for Determining the Revised and Proposed Annual Caps for 2023 to 2025

Securities and Financial Product Transactions

In estimating the New Annual Caps of the total inflow and outflow amount of the Securities and Financial Product Transactions, we have considered, among other things, the following key factors:

- (a) Historical amount of the outflows and inflows in Securities and Financial Product Transactions between the Group and HuaAn Funds Group for the years ended 31 December 2020, 2021, 2022 and the seven months ended 31 July 2023.
- (b) The utilization rates of the Existing Annual Caps for the outflows and inflows in Securities and Financial Product Transactions are relatively high, being 130.69% and 64.03% on an annualized basis for the year ending 31 December 2023, based on the historical amount for the seven months ended 31 July 2023.
- (c) HuaAn Funds has a complete product line with its fund products under management performing well, which are adaptive to meet the business needs of the Group. The Company may invest certain HuaAn Funds products as part of its investment portfolio. Meanwhile, in the year 2023 as the first full financial year that HuaAn Funds became a subsidiary of the Company, the Company intends to support the

LETTER FROM THE BOARD OF DIRECTORS

development of HuaAn Funds according to the principle of “one company, one policy”. The Company expects to deepen the business cooperation with HuaAn Funds to archive synergy, in particular:

- (i) in respect of the fixed income business, the Company may purchase more financial products with fixed-income features from HuaAn Funds, which will result in inflow increased to RMB1,644 million and outflow increased to RMB3,800 million for the year ending 31 December 2023, taking into consideration (a) the historical transaction amount in this regard; and (b) the expected increasing proportion of transaction amount with HuaAn Funds of the Group’s total transaction amount in this regard, driven by the deepening business cooperation with HuaAn Funds;
- (ii) in respect of the derivatives and institutional client business, as HuaAn Funds ranks at the forefront of the asset management industry with a wide range of product types that meet the Group’s requirement, and in light of various institutional clients’ needs for asset allocation, the Group intends to use its self-operated funds to subscribe for approximately RMB4,653 million, and redeem approximately RMB654 million, financial products of HuaAn Funds, for the year ending 31 December 2023, respectively;
- (iii) From 2023, in order to meet its need for liquidity management, Guotai Junan Zhengyu Investment Co., Ltd., the wholly-owned subsidiary of the Company, start to use its idle fund to subscribe for the facility of money market funds issued by HuaAn Funds to optimize its liquidity allocation, which will result in additional inflow of RMB1,300 million and outflow of RMB1,500 million under the Securities and Financial Product Transactions for the year ending 31 December 2023, respectively;
- (d) From 2023 to 2025, the New Annual Caps for Securities and Financial Product Transactions represent a year-on-year growth of approximately 62% and 16% in respect of outflows and approximately 121% and 22% in respect of inflows, primarily due to:
 - (i) the Group’s needs for HuaAn Funds’ products along with the Group’s overall operation and development in related business. From 2020 to 2022, the inflow of Securities and Financial Products Transactions increased from RMB502.57 million to RMB5,747.57 million, and the outflow of Securities and Financial Products Transactions increased from RMB616.07 million to RMB6,110.69 million;
 - (ii) HuaAn Funds’ business experienced rapid growth in the past a few years and is expected to continue to grow steadily in 2024 and 2025; As of 31 December 2022, HuaAn Funds has been providing services to more than 100 million clients with a total of 224 mutual funds of RMB552.3 billion under management;

LETTER FROM THE BOARD OF DIRECTORS

- (iii) the Group will further deepen the cooperation with HuaAn Funds and speed up the growth rate of the scale of new products issued by HuaAn Funds in the context of deepening reform in the investment side of the capital market.

Financial Services

In estimating the New Annual Caps of the amount of the Financial Services, we have considered, among other things, the following key factors:

- (a) Historical transaction amount of the Financial Services between the Group and HuaAn Funds Group for the years ended 31 December 2020, 2021 and 2022 and the seven months ended 31 July 2023.
- (b) Comprehensive consideration of the progress of current service projects of the Financial Services, rates of different services and changes thereof, and the future needs for Financial Services of HuaAn Funds Group, in particular
 - (i) the Company having considered the progress of current service projects of the Financial Services, rates of different services and changes thereof since the formulation of the Existing Annual Cap in 2023, believes that there has been no significant change in the estimated transaction amount of the Financial Services in 2023. Thus, the Annual Caps for the Financial Services in 2023 remain unchanged;
 - (ii) for our institutional customer business, HuaAn Funds intends to steadily increase the share of trading volume of the mutual funds by utilizing the trading booths leased from the Group out of all the leased booths, and our revenue generated from the rental of the trading booths services provided to HuaAn Funds is therefore expected to increase from RMB165.7 million in 2023 to RMB192.2 million in 2025; and
 - (iii) for our fees payable for the asset management services provided by HuaAn Funds are expected to increase from RMB22.8 million in 2023 to RMB41.1 million in 2025, taking into consideration (A) the increase in the estimated subscription amounts of financial products issued by HuaAn Funds; and (B) the management fees to be charged by HuaAn Funds at rates ranging from 0.15% to 1.5%.
- (c) Considering comprehensive factors including the reform of mutual fund rates and the declined sales of non-monetary funds, the revenue from financial services for 2024 is expected to decrease by approximately 6% as compared to Existing Annual Cap (revenue to be generated by the Group) for 2023; and the revenue from financial services for 2025 is expected to increase by approximately 13% as compared to the estimated amount for 2024 after considering that the Company will provide support

LETTER FROM THE BOARD OF DIRECTORS

to the business of HuaAn Funds, including agency sale of funds, seat leasing, custody and market making from 2024 to 2025, and in light of various factors such as changes in conditions of the capital markets.

- (d) Meanwhile, with continuous improvement in the Company's comprehensive financial services platform with increasing synergies, HuaAn Funds may enter into further cooperation with the Group across various business segments, providing various customers with customized asset management services. It is expected that, the financial services fees in 2024 will increase by approximately 13% as compared to the Existing Annual Cap (fees payable by the Group) for 2023, and the financial services fees are expected to increase by approximately 18% as compared to the estimated amount for 2024.

4. Reasons for and Benefits of Revision of the Annual Caps and Entering into the Revised Framework Agreement

HuaAn Funds is one of the first five fund management companies established in the PRC as approved by the China Securities Regulatory Commission, mainly engaged in the mutual fund and specific asset management businesses. Meanwhile, the Group provides wealth management services to its individual and institutional clients, which primarily offer financial products developed by the Group. The Group also distributes financial products developed by other financial institutions, including HuaAn Funds, to offer a more diversified and comprehensive products portfolio to its clients.

The Company has been continuously strengthening its cooperation with HuaAn Funds and become an important distribution channel of HuaAn Funds by distributing the mutual fund products to clients of the Group. Owing to the comprehensive and high-quality services provided by HuaAn Funds, considerable returns have been brought to wealth management clients of the Group which strengthened the connection and trust between the Group and its clients. After HuaAn Funds has become a subsidiary of the Company, backed by the business synergies between the Company and HuaAn Funds, both parties are enabled to make full use of their respective products, channels, customers and other advantages to carry out all-round cooperation and mutual empowerment in wealth management, institutional customer services, as well as key products, and key business development, which has enhanced the financial performance of the Group and contributed to the Group's overall competitiveness.

The Directors (excluding the independent non-executive directors) are of the view that the Revised Framework Agreement and the Continuing Connected Transactions contemplated thereunder (including the New Annual Caps) are in the usual and ordinary course of business of the Group and are conducted on an arm's length basis and on normal commercial terms, and the terms of the Revised Framework Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole. The independent non-executive Directors will give their views after considering the advice of the Independent Financial Adviser.

LETTER FROM THE BOARD OF DIRECTORS

5. Listing Rules Implications

As at the Latest Practicable Date, HuaAn Funds is owned as to 51% by the Company and is a subsidiary of the Company. International Group (a substantial shareholder of the Company) holds 33.55% and 80% equity interests in GTJA Investment and Shanghai SITICO, respectively. Therefore, each of GTJA Investment and Shanghai SITICO is an associate of International Group as defined under the Listing Rules. As GTJA Investment and Shanghai SITICO hold 20% and 5% equity interests in HuaAn Funds, respectively, the associates of International Group are interested in more than 10% in HuaAn Funds. Therefore, HuaAn Funds constitutes a connected subsidiary of the Company as defined under the Listing Rules, and the Revised Framework Agreement and the transactions contemplated thereunder therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, as the Company intends to revise the Existing Annual Cap, the Company shall re-comply with the requirements under Chapter 14A of the Listing Rules in respect of the Continuing Connected Transactions before the Existing Annual Caps are exceeded.

As the highest applicable percentage ratio in respect of the New Annual Caps is more than 5% but less than 25%, the Continuing Connected Transactions shall be subject to the reporting, announcement, annual review, circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

6. General Information

The Company

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

HuaAn Funds

HuaAn Funds is a limited liability company incorporated in the PRC and is primarily engaged in fund management. As at the Latest Practicable Date, HuaAn Funds is a non-wholly owned subsidiary of the Company and is held as to 51%, 20%, 12%, 12% and 5% by the Company, GTJA Investment, Shanghai Industrial, Jin Jiang International Investment and Shanghai SITICO, respectively. In addition, the associates of International Group (a substantial shareholder of the Company), GTJA Investment and Shanghai SITICO, hold more than 10% equity interests in HuaAn Funds in aggregate. Therefore, HuaAn Funds constitutes a connected subsidiary of the Company.

LETTER FROM THE BOARD OF DIRECTORS

7. Independent Board Committee and Independent Financial Adviser

The Independent Board Committee (comprising Mr. DING Wei, Mr. LI Renjie, Mr. BAI Wei, Mr. LEE Conway Kong Wai, Mr. WANG Guogang and Mr. YIM, Chi Hung Henry, all of whom are independent non-executive Directors) has been formed to advise and provide recommendations to the Independent Shareholders in respect of the Revised Framework Agreement and the Continuing Connected Transactions (including the New Annual Caps).

In addition, the Company has appointed Gram Capital as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders as to whether the terms of the Revised Framework Agreement and the Continuing Connected Transactions (including the New Annual Caps) are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and whether they are in the interests of the Company and the Shareholders as a whole.

8. Abstention from Voting on Board Resolution and at the EGM

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

International Group, being the controlling shareholder of the Company, together with its associates and Shanghai Industrial, who has a material interest in the Continuing Connected Transactions, will be required to abstain from voting in respect of the resolution in respect of the Continuing Connected Transactions at the EGM. As at the Latest Practicable Date, International Group together with its associates directly and indirectly holds approximately 33.36% of the issued share capital of the Company, and Shanghai Industrial directly holds approximately 0.58% of the issued share capital of the Company. Save as disclosed above, as at the Latest Practicable Date, to the best knowledge, information and belief of the Directors and having made all reasonable enquiries, no other Shareholder had any material interest in the Continuing Connected Transactions, and no other Shareholder was required to abstain from voting at the EGM in respect of the Continuing Connected Transactions.

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

LETTER FROM THE BOARD OF DIRECTORS

III – PROPOSED APPOINTMENT OF AN INDEPENDENT NON-EXECUTIVE DIRECTOR

We refer to the announcement of the Company dated 29 August 2023 in relation to the proposed appointment of Mr. PU as an independent non-executive Director of the sixth session of the Board, subject to Shareholders' approval at the Company's general meeting.

The biographical details of Mr. PU are set out as follows.

Mr. PU, aged 66, Hong Kong resident, holds a master degree in economics from Xiamen University and a master degree in science (demography) from The London School of Economics and Political Science. Mr. PU is the vice chairman of the Chinese Financial Association of Hong Kong with over 20 years of experience in investment banks holding senior positions. Mr. PU successively served as a senior economist and the vice president of Bank of China International (UK) Limited, a senior economist of Nomura International (Hong Kong) Limited, a senior consultant of Asian Development Bank, the managing director and the APAC chief investment officer, the chief investment strategist and the head of the APAC wealth management research department of UBS, and the founder and chief investment officer of Fountainhead Partners Company Limited. He has served as a senior advisor of Fountainhead Partners Company Limited since February 2018, the managing director of Breamar Wealth Consulting Limited since May 2018, an independent non-executive director of Huafa Property Services Group Company Limited (a company listed on the Hong Kong Stock Exchange, stock code: 0982) since June 2020, and an independent non-executive director of Interra Acquisition Corporation (a company listed on the Hong Kong Stock Exchange, stock code: 7801) since September 2022.

As at the date of this circular, the Company has not entered into any service contract with Mr. PU. Unless otherwise required by the relevant applicable laws and regulations, the term of office of Mr. PU (if appointed) shall be the same as the sixth session of the Board.

Save as disclosed in this circular, Mr. PU does not hold any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the past three years, and does not have other relationship with any Directors, Supervisors, senior management members or substantial Shareholders (as defined in the Listing Rules) of the Company, and does not holding any position in the Company or any of its subsidiaries. As at the date of this circular, Mr. PU does not have any interest in the shares of the Company or its associated companies within the meaning of Part XV of the SFO. There is neither information in relation to the proposed appointment of Mr. PU as an independent non-executive Director which is required to be disclosed pursuant to the requirements set out in Rules 13.51(2)(h) to (v) of the Listing Rules nor any matters which need to be brought to the attention of the Shareholders.

LETTER FROM THE BOARD OF DIRECTORS

Mr. PU has confirmed in writing his independence in accordance with Rule 3.13 of the Listing Rules. The Board considers that Mr. PU meets the independence requirements set out in Rule 3.13 of the Listing Rules. The Remuneration Appraisal and Nomination Committee of the Board has reviewed and assessed the background, expertise and experience, knowledge and length of service of Mr. PU in accordance with the board diversity policy of the Company taking into consideration different diversity factors such as gender, age, cultural and educational background. The Remuneration Appraisal and Nomination Committee of the Board is of the view that, as further described in his biographical details as set out in this circular, Mr. PU has the basic knowledge of the operation of companies listed in Hong Kong, solid economic, financial, management or other work experience necessary to perform the duties of an independent non-executive Director, and the ability to provide independent, balanced and objective opinions on corporate affairs, and his profile is consistent with the board diversity policy adopted by the Company. Therefore, his appointment as an independent non-executive Director is in the best interests of the Company and Shareholders as a whole.

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

IV – PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

We refer to the announcement of the Company dated 10 November 2023 in relation to the Proposed Amendments to relevant provisions of the Articles of Association and its appendix, the Rules of Procedure for Meetings of the Board. Details of the Proposed Amendments, are set forth in the Appendix II to this circular.

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

V – THE EGM

A notice convening the EGM to be held at Room 405, 768 Nanjing West Road, Jingan District, Shanghai, PRC at 2:00 p.m. on Thursday, 30 November 2023 is set out on pages EGM-1 to EGM-2 of this circular.

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

LETTER FROM THE BOARD OF DIRECTORS

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

In order to determine the holders of H Shares who are entitled to attend the EGM, the H Share register of members of the Company will be closed from Monday, 27 November 2023 to Thursday, 30 November 2023 (both days inclusive). Holders of H Shares who wish to attend the EGM are required to deposit the transfer documents together with the relevant share certificates at the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at or before 4:30 p.m. on Friday, 24 November 2023.

VI – RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 24 to 25 of this circular, (ii) the letter from the Independent Financial Adviser set out on pages 26 to 47 of this circular and (iii) the additional information set out in the appendices to this circular.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, is of the view that (i) the Revised Framework Agreement and the Continuing Connected Transactions contemplated thereunder (including the New Annual Caps) are in the usual and ordinary course of business of the Group and are conducted on an arm's length basis and on normal commercial terms; and (ii) the terms of the Revised Framework Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole. As such, the Board (including the Independent Board Committee having taken into account the advice of the Independent Financial Adviser) considers that the resolutions set out in the notice of the EGM are in the interest of the Company and its Shareholders as a whole and accordingly recommends you to vote in favor of the resolutions mentioned above.

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



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

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

(Stock Code: 02611)

13 November 2023

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
REVISION OF ANNUAL CAP FOR AND RENEWAL OF THE TERM OF
THE SECURITIES AND FINANCIAL PRODUCTS TRANSACTIONS AND
SERVICES WITH HUAAN FUNDS**

We refer to the circular dated 13 November 2023 issued by Guotai Junan Securities Co., Ltd. (the “**Circular**”), of which this letter forms part. Unless otherwise defined, terms used in this letter shall have the same meanings as those defined in the Circular.

We have been appointed as the Independent Board Committee by the Board to advise the Independent Shareholders in respect of the terms of the Revised Framework Agreement and the Continuing Connected Transactions contemplated thereunder (including the New Annual Caps), details of which are set out in the “Letter from the Board” contained in the Circular. Gram Capital Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in the same regard. We wish to draw your attention to the letter from the Board set out on pages 6 to 23 of the Circular and the letter from the Independent Financial Adviser as set out on pages 26 to 47 of this Circular.

Having considered (a) the reasons for and benefits of the revision of the annual caps and entering into the Revised Framework Agreement as set out in the Circular and (b) the terms of the Revised Framework Agreement and taken into account the advice from the Independent Financial Adviser, we are of the view that (i) the Revised Framework Agreement and the Continuing Connected Transactions contemplated thereunder (including the New Annual Caps) are in the usual and ordinary course of business of the Group and are conducted on an arm’s length basis and on normal commercial terms; and (ii) the terms of the Revised Framework Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole. Our view related to fairness and reasonableness is necessarily based on the information, facts and circumstances currently prevailing. Accordingly, we recommend the

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Independent Shareholders to vote for the relevant resolution proposed at the EGM to approve the revision of the annual caps for and renewal of the term of the securities and financial products transactions and services with HuaAn Funds.

Yours faithfully,

For and on behalf of

Independent Board Committee

Mr. DING Wei

Mr. LI Renjie

Mr. BAI Wei

Mr. LEE Conway Kong Wai

Mr. Wang Guogang

Mr. Yim, Chi Hung Henry

(Independent non-executive Directors)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

13 November 2023

*To: The independent board committee and the independent shareholders
of Guotai Junan Securities Co., Ltd.*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 13 November 2023 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 29 December 2022, the Company and HuaAn Funds entered into the Original Framework Agreement for a term of one year ending 31 December 2023, pursuant to which the Group and HuaAn Funds and/or its subsidiaries will engage in various securities and financial transactions and provide securities and financial products and financial services to each other in the Group’s and HuaAn Funds’ respective ordinary course of business based on normal commercial terms and market practices at prevailing market prices or rates.

On 20 October 2023, the Board has approved the Company to enter into the Revised Framework Agreement with HuaAn Funds to amend and restate the Original Framework Agreement, pursuant to which the Existing Annual Cap for the year ending 31 December 2023 will be revised and term of the Original Framework Agreement shall be extended to 31 December 2025. Save for the extension of the term of the agreement, the revision of Existing Annual Caps and proposed New Annual Caps, all other terms and conditions under the Original Framework Agreement shall remain unchanged. As confirmed by the Directors, the Revised Framework Agreement will be entered into between the Company and HuaAn Funds upon the Independent Shareholders’ approval on the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

With reference to the Board Letter, the transactions contemplated under the Revised Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. DING Wei, Mr. LI Renjie, Mr. BAI Wei, Mr. LEE Conway Kong Wai, Mr. WANG Guogang and Mr. YIM, Chi Hung Henry (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Continuing Connected Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Continuing Connected Transactions at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

We were not aware of (i) any relationships or interests between Gram Capital and the Company; or (ii) any services provided by Gram Capital to the Company, during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Original Framework Agreement and the Revised Framework Agreement. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The 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 the 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 therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the HuaAn Funds or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Continuing Connected Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Continuing Connected Transactions, we have taken into consideration the following principal factors and reasons:

Information on the Group

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

Information on HuaAn Funds

With reference to the Board Letter, HuaAn Funds is a limited liability company incorporated in the PRC and is primarily engaged in fund management. As at the Latest Practicable Date, HuaAn Funds is a non-wholly owned subsidiary of the Company and is held as to 51%, 20%, 12%, 12% and 5% by the Company, GTJA Investment, Shanghai Industrial,

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Jin Jiang International Investment and Shanghai SITICO, respectively. In addition, the associates of International Group (a substantial shareholder of the Company), GTJA Investment and Shanghai SITICO, hold more than 10% equity interests in HuaAn Funds in aggregate. Therefore, HuaAn Funds constitutes a connected subsidiary of the Company.

With reference to the Company's annual report for the year ended 31 December 2022 (the "2022 Annual Report"), in 2022, HuaAn Funds continuously strengthened the construction of investment and research capabilities, built a centralized investment and research platform and a diversified asset management team, achieved rapid growth in its designated account business, and maintained a leading position in the industry in terms of medium and long-term investment performance; strengthened product innovation and successfully issued the first batch of domestic cross-market policy bank bond ETF, the first batch of Sci-Tech Innovation Board industry ETFs and the first batch of SZSE-listed digital economic themed ETF. Six pension targeted funds were shortlisted in the first batch of individual pension product catalogs. Its product lines of robust products and index funds were further enriched.

Set out below are scale of assets under management of HuaAn Funds as at the end of 2022 as extracted from the 2022 Annual Report:

| | As at the end of 2022 | As at the end of 2021 |
|--|----------------------------------|----------------------------------|
| | <i>RMB billion</i> | <i>RMB billion</i> |
| Scale of assets under management | 622.6 | 650.4 |
| Scale of assets under management of mutual funds | 552.3 | 596.9 |
| Scale of assets under management of non-monetary mutual funds | 332.8 | 382.3 |
| Scale of assets under management of non-mutual funds | 70.3 | 53.6 |

According to Asset Management Association of China, scale of assets under management by HuaAn Funds of non-monetary mutual funds was approximately RMB330.4 billion as at 30 June 2023, ranking number 13th among all fund firms in terms of scale of assets under management of non-monetary mutual funds in the PRC. We also noted that HuaAn Funds obtained various awards granted by Shanghai Securities News (上海證券報), Securities Times (證券時報) and China Securities Journal (中國證券報).

With reference to the 2022 Annual Report, as at 31 December 2022, the total assets of HuaAn Funds were RMB7.007 billion with net assets of RMB5.001 billion; its operating revenue was RMB3.603 billion and net profit was RMB1.031 billion for FY2022.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Reasons for and benefit of the Continuing Connected Transactions

Set out below are reasons for and benefit of the Continuing Connected Transactions as extracted from the Board Letter,

- HuaAn Funds is one of the first five fund management companies established in the PRC as approved by the China Securities Regulatory Commission, mainly engaged in the mutual fund and specific asset management businesses. Meanwhile, the Group provides wealth management services to its individual and institutional clients, which primarily offer financial products developed by the Group. The Group also distributes financial products developed by other financial institutions, including HuaAn Funds, to offer a more diversified and comprehensive products portfolio to its clients.
- The Company has been continuously strengthening its cooperation with HuaAn Funds and become an important distribution channel of HuaAn Funds by distributing the mutual fund products to clients of the Group. Owing to the comprehensive and high-quality services provided by HuaAn Funds, considerable returns have been brought to wealth management clients of the Group which strengthened the connection and trust between the Group and its clients. After HuaAn Funds has become a subsidiary of the Company, backed by the business synergies between the Company and HuaAn Funds, both parties are enabled to make full use of their respective products, channels, customers and other advantages to carry out all-round cooperation and mutual empowerment in wealth management, institutional customer services, as well as key products, and key business development, which has enhanced the financial performance of the Group and contributed to the Group's overall competitiveness.

As confirmed by the Directors, as the Continuing Connected Transactions will be conducted in the ordinary and usual course of business of the Group and on a frequent basis, it would be costly and impractical to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders as required by the Listing Rules, if necessary.

As stated in the Board Letter, the Company estimates that the Existing Annual Cap will not be sufficient to meet the expected transaction amounts of the Securities and Financial Product Transactions contemplated under the Original Framework Agreement for the year ending 31 December 2023. In addition, as the Original Framework Agreement is due to expire on 31 December 2023, the Company intends to continue the transactions contemplated thereunder with HuaAn Funds Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered the above and that the Company's estimation on the Existing Annual Cap will not be sufficient to meet the expected transaction amounts of the Securities and Financial Product Transactions, together with our analyses on the fairness and reasonableness of the New Annual Cap of the Securities and Financial Product Transactions for the year ending 31 December 2023 (please refer to section headed "A. SECURITIES AND FINANCIAL PRODUCT TRANSACTIONS" below), we concur with the Directors that the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group.

PRINCIPAL TERMS OF THE CONTINUING CONNECTED TRANSACTIONS

Set out below are the key terms of the Continuing Connected Transactions, details of which are set out under the section headed "Summary of Principal Terms of the Revised Framework Agreement" of the Board Letter.

| | |
|-------------------------|--|
| Parties: | The Company and HuaAn Funds |
| Term: | From the date of the EGM to 31 December 2025 (both dates inclusive) |
| Subject matters: | Pursuant to the Revised Framework Agreement, the Company expects to conduct the Securities and Financial Product Transactions with HuaAn Funds Group, including the following products, products with fixed-income features, equity products, financing transactions; and other relevant securities and financial products transactions permitted by regulatory authorities. |

In respect of the Financial Services, the services to be provided by the Group to HuaAn Funds Group under the Revised Framework Agreement include (but not limited to): financial products agency sale services, brokerage services, rental of trading booths, custody and outsourcing and other relevant securities and financial services permitted by regulatory authorities; whereas the services to be provided by HuaAn Funds Group to the Group under the Revised Framework Agreement include (but are not limited to): financial products agency sale services, entrusted asset management services and other financial and securities consulting and advisory services permitted by regulatory authorities.

Please also refer to the sub-section headed "Scope of Continuing Connected Transactions" of the Board Letter for more details.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

A. SECURITIES AND FINANCIAL PRODUCT TRANSACTIONS

Pricing basis for Securities and Financial Product Transactions

Securities and Financial Product Transactions are principally conducted in China interbank bond market and China exchange bond market, exchanges (including stock exchanges, future exchanges, Shanghai Gold Exchange and China Foreign Exchange Trade System) and other over-the-counter markets, with transaction prices and related fees determined based on prevailing market prices. The pricing of such transactions is also subject to strict regulation in the PRC and shall comply with applicable laws and regulations of the PRC. Details of the pricing mechanisms are set out under the sub-section headed “1. Securities and Financial Product Transactions” under the section headed “Pricing Basis” of the Board Letter.

For our due diligence purpose, we searched over the Stock Exchange’s website in respect of pricing policies of securities and financial product transactions as conducted between securities firms (which were listed on the Stock Exchange and Shanghai Stock Exchange/Shenzhen Stock Exchange) and their connected persons. We reviewed over three transactions as announced by the aforesaid listed issuers. We noted that the pricing policies under the Securities and Financial Product Transactions are generally in line with pricing policies for the same/similar transactions between the aforesaid listed issuers and their connected persons.

Pricing approval and supervision

The Group has adopted a series of internal pricing policies and approval procedures to regulate the provision of securities and financial products and financial services between the Group and HuaAn Funds Group. Details of the procedures are set out under the section headed “MEASURES TO REGULATE THE CONTINUING CONNECTED TRANSACTIONS” of the Board Letter.

We noted from the internal procedures that:

- for Securities and Financial Product Transactions provided by the Group to HuaAn Funds Group, the Group will offer similar pricing terms to HuaAn Funds Group as those to other Independent Third Parties and no preferential terms shall be provided to HuaAn Funds Group. Prior to conducting such transactions, the relevant departments of the Company would conduct inspection and due diligence, assess whether the pricing is in compliance with relevant policies and procedures of the Group and whether the price is fair and reasonable after considering specific factors such as services provided, and grant approval, where appropriate; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- for Securities and Financial Product Transactions provided by HuaAn Funds Group to the Group, the Company will select suppliers and determine the relevant terms of the transactions through inquiry and negotiation process. The Company will also gather information on its suppliers and their levels of fees and prices and compare the fees/prices and quality of services before selection. A prior assessment will be conducted by the responsible officer to assess whether the proposed prices by suppliers are fair and reasonable before submission for consideration and approval to the head of the relevant department. In such case, any offer from HuaAn Funds Group needs to pass through the selection process the same as other suppliers before it could be appointed. As the Company will consider various updated market information available and because of the uniqueness of financial transactions, there is no specific internal requirement as to the number of suppliers that will be selected for a particular type of service.

Based on the above, we consider that the internal control procedures are sufficient for the Company to monitor the Securities and Financial Product Transactions and the effective implementation of such procedures would help to ensure fair pricing of the transactions contemplated under the Securities and Financial Product Transactions according to the pricing policies.

In light of the above and that the Securities and Financial Product Transactions (i) are principally conducted in China interbank bond market and China exchange bond market, exchanges (including stock exchanges, future exchanges, Shanghai Gold Exchange and China Foreign Exchange Trade System) and other over-the-counter markets; (ii) the transaction prices and related fees are determined based on prevailing markets and/or pricing models; (iii) the pricing policies under the Securities and Financial Product Transactions are generally in line with pricing policies for the same/similar transactions between the securities firms (which were listed on the Stock Exchange and Shanghai Stock Exchange/Shenzhen Stock Exchange) and their connected persons; and (iv) there will be (a) inspection, due diligence and assessment procedures prior to conducting such transactions; or (b) information gathering procedures, we are of the view that the pricing policy of the Securities and Financial Product Transactions are on normal commercial terms and are fair and reasonable.

The proposed annual caps

Set out below are the (i) historical transactions of the Securities and Financial Product Transactions for the two years ended 31 December 2022 and the seven months ended 31 July 2023; and (ii) the revised/proposed annual caps for the three years ending 31 December 2025 (the “**Financial Products Annual Cap(s)**”):

| | For the year ended 31 December 2021 | For the year ended 31 December 2022 | For the seven months ended 31 July 2023 |
|---------------------------|--|--|--|
| | <i>RMB'million</i> | <i>RMB'million</i> | <i>RMB'million</i> |
| Inflow (<i>Note 1</i>) | 2,804.24 | 5,747.57 | 2,013.13 |
| Outflow (<i>Note 2</i>) | 6,055.27 | 6,110.69 | 4,199.51 |

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

| | For the year ending 31 December 2023 <i>RMB'million</i> | For the year ending 31 December 2024 <i>RMB'million</i> | For the year ending 31 December 2025 <i>RMB'million</i> |
|---------------------------|---|---|---|
| Inflow (<i>Note 1</i>) | 6,324.01 | 13,983.86 | 17,088.34 |
| Outflow (<i>Note 2</i>) | 12,733.26 | 20,684.59 | 23,956.51 |

Notes:

- (1) For this category, “inflow” refers to the total cash inflow in connection with the Group’s sales of securities and financial product transactions to HuaAn Funds Group, the Group’s redemption of securities and financial products issued by HuaAn Funds Group to which the Group has subscribed or the Group’s borrowings from and lendings to HuaAn Funds Group.
- (2) For this category, “outflow” refers to the total cash outflow in connection with the Group’s purchase of securities and financial product transactions from HuaAn Funds Group, the redemption by HuaAn Funds Group of securities and financial products issued by the Group to which HuaAn Funds Group have subscribed or the Group’s borrowings from and lendings to HuaAn Funds Group.

To assess the fairness and reasonableness of the revised Financial Products Annual Caps for FY2023, in particular the substantial/significant increases as compared to the existing Financial Products Annual Caps of RMB5,389.97 million (inflow) and RMB5,508.55 million (outflow) for FY2023, we conducted following analyses:

Upon our request, the Company provided the calculation in respect of the Financial Products Annual Caps for the three years ending 31 December 2025. According to the calculation, the sum of (i) estimated amounts of fixed income business by the Company’s Fixed Income Foreign Exchange Commodity Department; (ii) estimated amounts from derivatives business by the Company’s Securities Derivatives Investment Department; (iii) estimated amounts from institutional customer business by the Company’s Institutional Customer Business Department; (iv) estimated amounts from asset management business by Shanghai Guotai Junan Securities Asset Management Co., Ltd. (“**Guotai Junan Asset Management**”); (v) estimated amounts from futures trading business by Guotai Junan Futures Co., Ltd. (“**Guotai Junan Futures**”); and (vi) estimated amounts from Guotai Junan Zhengyu Investment Co., Ltd. (“**Guotai Junan Zhengyu**”), for the three years ending 31 December 2025 accounted for over 90% of the Financial Products Annual Caps (both outflow and inflow) of the Securities and Financial Product Transactions for the corresponding periods (the remaining portion of Financial Products Annual Cap is cater for possible Securities and Financial Product Transactions amount of the Company’s other subsidiaries/departments).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- **Estimated amounts of fixed income business:** we noticed that the estimated amounts (outflow) from fixed income business were RMB3,800 million for FY2023 while the estimated amounts (inflow) from fixed income business were RMB1,644 million for FY2023. The aforesaid estimation was made by the Company's Fixed Income Foreign Exchange Commodity Department.

Based on our discussion with staff of Fixed Income Foreign Exchange Commodity Department regarding the estimated amounts (outflow) from fixed income business, we understood that they mainly considered the following:

- (i) fund subscription amounts by Fixed Income Foreign Exchange Commodity Department for 1H2023;
- (ii) proportion of funds subscribed by Fixed Income Foreign Exchange Commodity Department from HuaAn Funds to total funds subscribed by Fixed Income Foreign Exchange Commodity Department for FY2022; and
- (iii) the possible deepening in the business cooperation with HuaAn Funds as the Company intends to support the development of HuaAn Funds (which became a subsidiary of the Company in November 2022) according to the principle of "one company, one policy".

Based on (i) and (ii) above and assuming (1) fund subscription amounts by Fixed Income Foreign Exchange Commodity Department for the second half of 2023 would be the same as that for 1H2023; and (2) proportion of funds subscribed by Fixed Income Foreign Exchange Commodity Department from HuaAn Funds to total funds subscribed by Fixed Income Foreign Exchange Commodity Department for the second half of 2023 would be the same as that for FY2022, the implied fund subscription amounts by Fixed Income Foreign Exchange Commodity Department from HuaAn Funds were approximately RMB8,000 million for the second half of 2023, being much higher than the estimated amounts (outflow) from Fixed Income Foreign Exchange Commodity Department of RMB3,800 million for FY2023, indicating that the aforesaid estimated amounts (outflow) were not overestimated.

Furthermore, we noted that based on the total amounts of last four fund subscriptions by Fixed Income Foreign Exchange Commodity Department from HuaAn Funds, which took place within a 30-days period, the implied amounts (outflow) from Fixed Income Foreign Exchange Commodity Department for the five months ending 31 December 2023 would be RMB2,550 million. The implied amounts (outflow) from Fixed Income Foreign Exchange Commodity Department for FY2023 (being the summation of historical amounts (outflow) from Fixed Income Foreign Exchange Commodity Department for the seven months ended 31 July 2023 and implied amounts (outflow) from Fixed Income Foreign Exchange Commodity Department for the five months ending 31 December 2023) would be approximately RMB3,700 million. There is no material difference between the estimated amounts (outflow) from Fixed Income Foreign Exchange Commodity Department for FY2023 (i.e. RMB3,800 million) and the implied amounts for the corresponding period (i.e. approximately RMB3,700 million).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As (i) the estimated amounts (outflow) from Fixed Income Foreign Exchange Commodity Department of RMB3,800 million for FY2023 were not overestimated based on our analyses above; and (ii) there is no material difference between the estimated amounts (outflow) from Fixed Income Foreign Exchange Commodity Department for FY2023 (i.e. RMB3,800 million) and the implied amounts for the corresponding period (i.e. approximately RMB3,700 million), we are of the view that the estimated amounts (outflow) of fixed income business for FY2023 were fair and reasonable.

In respect of estimated amounts (inflow), the estimated amounts (inflow) were made reference to the actual amounts (inflow) of approximately RMB1,144 million for seven months ended 31 July 2023. We further understood from the Company that the estimated amounts (inflow) for the five months ending 31 December 2023 was made with reference to the securities products which had been subscribed by Fixed Income Foreign Exchange Commodity Department from HuaAn Funds for the seven months ended 31 July 2023 and had not been redeemed by Fixed Income Foreign Exchange Commodity Department. Based on the securities products subscription and redemption summary for the seven months ended 31 July 2023, we noticed that Fixed Income Foreign Exchange Commodity Department (i) subscribed nine different securities products for the seven months ended 31 July 2023; and (ii) redeemed six out of the aforesaid nine securities products for the corresponding period. We further understood from the Company that Fixed Income Foreign Exchange Commodity Department is more likely to redeem two of the remaining three securities products for the five months ending 31 December 2023. According to the information provided by the Company, the subscription amounts of the aforesaid two securities products were RMB500 million. As the estimated amounts (inflow) from fixed income business of RMB1,644 million for FY2023, being the summation of the actual amounts (inflow) of approximately RMB1,144 million for seven months ended 31 July 2023 and the estimated amounts (inflow) from fixed income business of RMB500 million for the five months ending 31 December 2023, we are of the view that the estimated amounts (inflow) of fixed income business for FY2023 were fair and reasonable.

- **Estimated amounts of derivatives business:** we noticed that the estimated amounts (outflow) from derivatives business (which was made by the Company's Securities Derivatives Investment Department) were RMB3,100 million for FY2023, which was close to the annualised amounts (outflow) from derivatives business for eight months ended 31 August 2023. Accordingly, we are of the view that the estimated amounts from derivatives business (outflow) for FY2023 were fair and reasonable.

We also noticed that the estimated amounts (inflow) from derivatives business (which was made by the Company's Securities Derivatives Investment Department) were RMB100 million for FY2023, which was close to the annualised amounts (inflow) from derivatives business for eight months ended 31 August 2023. Accordingly, we are of the view that the estimated amounts from derivatives business (inflow) for FY2023 were fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- **Estimated amounts from institutional customer business:** we noticed that (i) the estimated amounts (outflow) from institutional customer business were RMB1,552.6 million; (ii) the estimated amounts (inflow) from institutional customer business were RMB553.5 million, for FY2023. The aforesaid estimation was made by the Company's Institutional Customer Business Department.

In determining the estimated amounts (outflow) for FY2023, the Company's Institutional Customer Business Department estimated (i) the fund subscription amounts by such department for FY2023; and (ii) proportion of fund to be subscribed from HuaAn Funds for FY2023 being not more than 20%.

Upon our request, the Company provided us with the historical amounts (outflow) for FY2022. Based on the aforesaid historical figures, we noted that (i) the estimated fund subscription amounts by the Company's Institutional Customer Business Department for FY2023 was close to the fund subscription amounts by such department for FY2022; and (ii) the estimated proportion of fund to be subscribed from HuaAn Funds for FY2023 was less than the proportion as targeted by such department and the proportion of fund subscribed from HuaAn Funds to total fund subscription amounts by such department for FY2022. Therefore, we are of the view that the estimated amounts from institutional customer business (outflow) for FY2023 are fair and reasonable.

In determining the estimated amounts (inflow) for FY2023, staff of Institutional Customer Business Department advised that they mainly took into account (i) estimated amounts (outflow) for FY2023; and (ii) fund with amounts of RMB1,000 million being expected to be redeemed in the next year. Based on the aforesaid and having considered the estimated amounts (outflow) of RMB1,552.6 million for FY2023 as analysed above, the implied amounts (inflow) for FY2023 would be RMB552.6 million. As the estimated amounts (inflow) for FY2023 (i.e. RMB553.5 million) were close to the implied amounts (inflow) for FY2023 (i.e. RMB552.6 million, calculated by the aforesaid assumptions), we are of the view that the estimated amounts from institutional customer business (inflow) for FY2023 are fair and reasonable.

- **Estimated amounts from asset management business:** we noticed that both the estimated amounts (outflow) and the estimated amounts (inflow) from asset management business for FY2023 were approximately RMB950 million. The aforesaid estimation was made by Guotai Junan Asset Management.

In respect of the estimated amounts (outflow) for FY2023, Guotai Junan Asset Management mainly considered (i) historical amounts (outflow) of approximately RMB392 million for the seven months ended 31 July 2023; (ii) the estimated amounts (outflow) of approximately RMB557 million for the last five months ending 31 December 2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the relevant figures provided by the Company, we noted that the aforesaid estimated amounts (outflow) of approximately RMB557 million for the last five months ending 31 December 2023 was calculated by (i) average amounts (outflow) of around RMB93 million for recent three months ended 31 July 2023; (ii) number of months from August 2023 to December 2023 (i.e. five months in total); and (iii) an estimated growth in the fund subscription amounts for the second half year as compared to first half year of 2023 (based on the implied annualised increase rate in size of fund of fund products held by Guotai Junan Asset Management as at 31 July 2023 compared to that as at 31 December 2021).

Based on the above, the implied estimated amounts (outflow) for FY2023 (based on the aforesaid assumptions) were approximate the same as the estimated amounts (outflow) for FY2023. Therefore, we are of the view that the estimated amounts from asset management business (outflow) for FY2023 were fair and reasonable.

In respect of the estimated amounts (inflow) for FY2023, Guotai Junan Asset Management mainly considered (i) historical amounts (inflow) of approximately RMB405 million for the seven months ended 31 July 2023; (ii) the size of asset management products (issued by HuaAn Funds) as held by Guotai Junan Asset Management together with estimated turnover rate (which was in line with the turnover rate for the seven months ended 31 July 2023), indicating the possible redemption of such products by Guotai Junan Asset Management; and (iii) the estimated amounts (inflow) from the redemption of asset management products subscribed for the period from August 2023 to December 2023 (based on the estimated amounts (outflow) of RMB557 million for such period together with the same estimated turnover rate in (ii)).

The implied estimated amounts (inflow) for FY2023 (based on the aforesaid assumptions and relevant historical figures we obtained from the Company) were approximate RMB949.1 million, being approximate the same as the estimated amounts (inflow) of approximately RMB950 million for FY2023. Therefore, we are of the view that the estimated amounts from asset management business (inflow) for FY2023 were fair and reasonable.

- **Estimated amounts from futures trading business:** we noticed that both the estimated amounts (outflow) and the estimated amounts (inflow) from futures trading business for FY2023 were RMB1,300 million. The aforesaid estimation was made by Guotai Junan Futures.

Upon our request, the Company provided us with historical purchase amounts for different types of products by Guotai Junan Futures. We noticed that the estimated amounts (outflow) from futures trading business were mainly determined with reference to historical purchase amounts for similar fund products. Therefore, we are of the view that the estimated amounts (outflow) from futures trading business for FY2023 are fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The estimated amounts (inflow) from Guotai Junan Futures for FY2023 were set at the same amount to the estimated amounts (outflow) from Guotai Junan Futures for the corresponding period. Having considered that the futures trading business department may redeem products and therefore the outflow for the purchase of such products may become inflow, we are of the view that the estimated amounts (inflow) from futures trading business, being the same amount to the estimated amounts (outflow) from futures trading business, for FY2023 are fair and reasonable.

- **Estimated amounts from Guotai Junan Zhengyu:** we noticed that the estimated amounts (outflow) and the estimated amounts (inflow) from Guotai Junan Zhengyu for FY2023 were RMB1,500 million and RMB1,300 million respectively.

We discussed with the staff of Guotai Junan Zhengyu and understood that the estimated amounts (outflow) for FY2023 were determined with reference to (i) historical amounts (outflow) for the eight months ended 31 August 2023; (ii) anticipated cash inflow of Guotai Junan Zhengyu for the four months ending 31 December 2023 from its different types of existing investments; and (iii) the possible subscribe fund of HuaAn Funds by utilising idle cash from (ii). Based on the figures provided by Guotai Junan Zhengyu, the summation of aforesaid (i) and (ii) were approximately RMB1,423 million.

Furthermore, the staff of Guotai Junan Zhengyu advised us that the estimated amounts (inflow) for FY2023 were determined with reference to (i) historical amounts (inflow) for the eight months ended 31 August 2023; (ii) anticipated cash outflow of Guotai Junan Zhengyu for the four months ending 31 December 2023 for the potential investment opportunities and the possible redemption of fund from HuaAn Funds and liquidity products issued by independent third parties. Based on the figures provided by Guotai Junan Zhengyu, the summation of aforesaid (i) and (ii) were approximately RMB1,250 million (for the avoidance of doubt, the proceeds from liquidity products issued by independent third parties were not included herein).

In light of the above, we are of the view that the estimated amounts from Guotai Junan Zhengyu (both inflow and outflow) for FY2023 were fair and reasonable.

Having considered the above, including the sum of (i) estimated amounts of fixed income business; (ii) estimated amounts from derivatives business; (iii) estimated amounts from institutional customer business; (iv) estimated amounts from asset management business; (v) estimated amounts from futures trading business; and (vi) estimated amounts from Guotai Junan Zhengyu for FY2023, accounted for over 90% of the total estimated amount (both outflow and inflow) of the Securities and Financial Product Transactions for the corresponding periods, each of item (i) to (vi) were fair and reasonable as analysed above, we are of the view that the Financial Products Annual Cap (outflow) and Financial Products Annual Cap (inflow) for FY2023 to be fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Financial Products Annual Cap (outflow) for (i) FY2024 represented a very substantial increase of approximately 62% as compared to that for FY2023; and (ii) for FY2025 represented a substantial increase of 16% as compared to that for FY2024.

The Financial Products Annual Cap (inflow) for (i) FY2024 represented a significant increase of approximately 121% as compared to that for FY2023; and (ii) for FY2025 represented a substantial increase of 22% as compared to that for FY2024.

With reference to the Board Letter, HuaAn Funds' business experienced rapid growth in the past few years and is expected to continue to grow steadily in 2024 and 2025. In addition, the Group will further deepen the cooperation with HuaAn Funds and speed up the growth rate of the scale of new products issued by HuaAn Funds in the context of deepening reform in the investment side of the capital market.

The aforesaid was supported by (i) the compound annual growth rate ("CAGR") of approximately 238% in Securities and Financial Product Transactions (inflow) actual transaction amounts from FY2020 to FY2022; and (ii) the CAGR of approximately 215% in Securities and Financial Product Transactions (outflow) actual transaction amounts from FY2020 to FY2022.

Based on the above, we are of the view that the implied increases in the Financial Products Annual Caps (inflow) and the Financial Products Annual Caps (outflow) for FY2024 and FY2025 as compared to previous years were justifiable. Accordingly, we are of the view that the Financial Products Annual Caps (inflow) and the Financial Products Annual Caps (outflow) for FY2024 and FY2025 are fair and reasonable.

Shareholders should note that as the Financial Products Annual Caps for the three years ending 31 December 2025 are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2025, and they do not represent forecasts of revenue/income/cost to be incurred from the Securities and Financial Product Transactions. Consequently, we express no opinion as to how closely the actual revenue/income/cost to be incurred from the Securities and Financial Product Transactions will correspond with the Financial Products Annual Caps.

B. FINANCIAL SERVICES

Pricing basis for Financial Services

- **Financial products agency sale services** – The price is determined after arm's length negotiation, based on market prices, industry management and the total amount of financial products covered under the sales agency arrangements, with reference to the fees charged by HuaAn Funds or the Company for similar sales agency services to independent customers;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- **Brokerage services** – The price is determined after arm’s length negotiation with reference to the prevailing market rates for similar securities or futures;
- **Rental of trading booths** – The commission rates for the rental of trading booths are fairly transparent in the market. The Company calculates the commission as a percentage of the amount of each transaction conducted through the trading booth and such percentage is determined based on prevailing market prices and industry practice;
- **Custody and outsourcing** – The rates for the services are generally transparent and standardized. The Company performs its responsibilities including asset custody, investment liquidation, valuation calculation, investment supervision, information disclosure and reporting in accordance with laws and regulations and fund contracts. Relevant rates are determined after arm’s length negotiation, in consideration of factors including market competition;
- **Entrusted asset management services** – The rates are determined after arm’s length negotiation, with reference to factors such as prevailing market rates, the value of products sold or the size of the entrusted assets and the complexity of providing the specified services;
- **Other securities and financial services including securities and financial consulting and advisory services and commodity services** – The prices are determined by the nature of the transaction in accordance with applicable laws and regulations with reference to prevailing market prices.

For our due diligence purpose, we searched over the Stock Exchange’s website in respect of pricing policies of securities and financial services transactions as conducted between securities firms (which were listed on the Stock Exchange and Shanghai Stock Exchange/Shenzhen Stock Exchange) and their connected persons. We reviewed over three transactions as announced by the aforesaid listed issuers. We noted that the pricing policies under the Financial Services are generally in line with pricing policies for the same/similar transactions between the aforesaid listed issuers and their connected persons.

Pricing approval and supervision

The Group has adopted a series of internal pricing policies and approval procedures to regulate the provision of securities and financial products and financial services between the Group and HuaAn Funds Group. Details of the procedures are set out under the section headed “MEASURES TO REGULATE THE CONTINUING CONNECTED TRANSACTIONS” of the Board Letter.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We noted from the internal procedures that:

- for Financial Services provided by the Group to HuaAn Funds Group, the Group will offer similar pricing terms to HuaAn Funds Group as those to other Independent Third Parties and no preferential terms shall be provided to HuaAn Funds Group. Prior to conducting such transactions, the relevant departments of the Company would conduct inspection and due diligence, assess whether the pricing is in compliance with relevant policies and procedures of the Group and whether the price is fair and reasonable after considering specific factors such as services provided, and grant approval, where appropriate; and
- for Financial Services provided by HuaAn Funds Group to the Group, the Company will select suppliers and determine the relevant terms of the transactions through inquiry and negotiation process. The Company will also gather information on its suppliers and their levels of fees and prices and compare the fees/prices and quality of services before selection. A prior assessment will be conducted by the responsible officer to assess whether the proposed prices by suppliers are fair and reasonable before submission for consideration and approval to the head of the relevant department. In such case, any offer from HuaAn Funds Group needs to pass through the selection process the same as other suppliers before it could be appointed. As the Company will consider various updated market information available and because of the uniqueness of financial transactions, there is no specific internal requirement as to the number of suppliers that will be selected for a particular type of service.

Based on the above, we consider that the internal control procedures are sufficient for the Company to monitor the Financial Services and the effective implementation of such procedures would help to ensure fair pricing of the transactions contemplated under the Financial Services according to the pricing policies.

The historical amounts and the proposed annual caps

Set out below are the (i) historical transaction amount of the Financial Services for the two years ended 31 December 2022 and the seven months ended 31 July 2023; and (ii) the revised/proposed annual caps for the three years ending 31 December 2025 (the “**Financial Services Annual Cap(s)**”):

| | For the year ended 31 December 2021 <i>RMB'million</i> | For the year ended 31 December 2022 <i>RMB'million</i> | For the seven months ended 31 July 2023 <i>RMB'million</i> |
|--------------------------------|---|---|---|
| Revenue generated by the Group | 178.00 | 166.30 | 79.20 |
| Fees payable by the Group | 21.79 | 36.47 | 6.91 |

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

| | For the year ending 31 December 2023 <i>RMB'million</i> | For the year ending 31 December 2024 <i>RMB'million</i> | For the year ending 31 December 2025 <i>RMB'million</i> |
|---|---|---|---|
| Revenue to be generated by the Group | 256.32 | 241.67 | 272.47 |
| Fees payable by the Group | 43.94 | 49.70 | 58.52 |

Note: the Financial Services Annual Cap for FY2023 remains unchanged.

With reference to the Board Letter, the Financial Services Annual Cap for FY2023 remains unchanged. The Financial Services Annual Caps for the two years ending 31 December 2025 were determined after taking into account of various factors, details of which are set out under the section headed “Basis for Determining the Revised and Proposed Annual Caps for 2023 to 2025” of the Board Letter.

To assess the fairness and reasonableness of the Financial Services Annual Caps for the two years ending 31 December 2025, we requested the Company to provide us calculation showing the breakdown of Financial Services Annual Caps for the three years ending 31 December 2025. As further advised by the Directors, the Financial Services Annual Caps for the two years ending 31 December 2025 were determined with reference to the estimated demand of Financial Services for FY2023. Despite the Financial Services Annual Cap for FY2023 remains unchanged, we firstly performed our analyses on the estimated demand of Financial Services for FY2023. Based on the calculation, we performed following analyses:

Financial Services Annual Caps (revenue nature)

We noted from the calculation that the sum of estimated revenue from (i) institutional customer business; and (ii) Executive Office under the Wealth Management Committee of the Company (the “**Executive Office**”), represented around 90% of estimated demand of Financial Services (revenue nature) of approximately RMB216.51 million for FY2023.

- **Institutional customer business:** we noticed that the estimated revenue from institutional customer business for FY2023 were approximately RMB166 million.

In determining the estimated revenue from institutional customer business for FY2023, staff of institutional customer business department advised us that such revenue is expected to be generated from rental of trading booths. The Group will lease trading seats to institutional customers, enabling them to trade the securities in their investment portfolio on the stock exchanges. Under such arrangement with HuaAn Funds, the Group will receive commission as a percentage of the amount of each transaction conducted through the trading booth. The commission fees will be recorded as revenue from the Financial Services. The estimated amount was made reference to (i) commission fee from rental of trading booths and proportion of

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

trading volume of HuaAn Funds seats leasing from the Group to trading volume of HuaAn Funds seats leasing from all services providers (the “**Proportion of Seats Leasing from the Group**”) for FY2022; and (ii) estimated Proportion of Seats Leasing from the Group for FY2023 (i.e. commission fee from rental of trading booths for FY2023 = commission fee from rental of trading booths for FY2022 ÷ Proportion of Seats Leasing from the Group for FY2022 x estimated Proportion of Seats Leasing from the Group for FY2023).

Based on the information provided by institutional customer business department, we noted that the estimated Proportion of Seats Leasing from the Group for FY2023 represented 4.75 percentage points higher than the Proportion of Seats Leasing from the Group for FY2022. As advised by institutional customer business department, the aforesaid increase in Proportion of Seats Leasing from the Group was mainly due to the possible closer cooperation between the Group and HuaAn Funds, as a result of HuaAn Funds becoming a subsidiary of the Company.

Based on the commission fee from rental of trading booths and Proportion of Seats Leasing from the Group for FY2022; and estimated Proportion of Seats Leasing from the Group for FY2023, the implied revenue from institutional customer business (i.e. commission fee from rental of trading booths) was approximately RMB165.7 million for FY2023.

As the estimated revenue from institutional customer business for FY2023 represented the implied revenue from institutional customer business for the corresponding period, we consider the estimated revenue from institutional customer business for FY2023 to be justifiable.

- **The Executive Office:** we noticed that the estimated revenue from the Executive Office for FY2023 were approximately RMB30 million.

As advised by the Directors, such revenue is expected to be generated from customer maintenance in associated with financial products agency sale services. Based on our discussion with the Company, the estimated revenue from the Executive Office was determined with reference to (i) total amount of financial products covered under the sales agency arrangements by the Executive Office as at 30 June 2023; and (ii) estimated maintenance fee. Upon our further request, we obtained (i) the aforesaid two figures; and (ii) current fee rates charged by the Executive Office.

We noted that (i) the estimated maintenance fee falls within the range of current fee rates charged by the Executive Office; and (ii) the multiplying of (a) total amount of financial products covered under the sales agency arrangements by the Executive Office as at 30 June 2023; and (b) estimated maintenance fee was close to the estimated revenue from the Executive Office for FY2023.

Based on the above, we consider the estimated revenue from the Executive Office for FY2023 to be justifiable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In light of the above factors, we consider the estimated demand of Financial Service (revenue nature) for FY2023 to be fair and reasonable. As the estimated demand of Financial Service (revenue nature) for FY2023 does not exceed the existing Financial Services Annual Cap (revenue nature), we consider that it is unnecessary to adjust the existing Financial Services Annual Cap (revenue nature) for FY2023.

The Financial Services Annual Cap (revenue nature) for (i) FY2024 represented an increase of approximately 11.6% as compared to the estimated demand of Financial Service (revenue nature) for FY2023; and (ii) for FY2025 represented an increase of 12.7% as compared to that for FY2024. Having considered that the estimated amounts of Financial Services (revenue nature) for FY2023 represented a CAGR of approximately 10.3% as compared to the historical amounts for FY2021, we are of the view that the aforesaid increase from FY2023 to FY2025 to be acceptable. Accordingly, we consider the Financial Services Annual Caps (revenue nature) for FY2024 and FY2025 to be fair and reasonable.

Financial Services Annual Caps (expense nature)

We noted from the calculation that the expected sum of fees for (i) estimated fees to be incurred by Guotai Junan International; and (ii) estimated fees to be paid by the Group for asset management services to HuaAn Funds (the “**AM Expenses**”); represented over 90% of the estimated demand of Financial Services (expense nature) of approximately RMB33.45 million for FY2023.

- **Estimated fees to be incurred by Guotai Junan International:** we noticed that the estimated fees to be incurred by Guotai Junan International for FY2023 were approximately RMB7.6 million.

We discussed with staff of Guotai Junan International and understood that the estimated fees to be incurred by Guotai Junan International for FY2023 was made with reference to the possible investment management fees (the possible investment amounts with estimated fee rates were given); possible profit sharing from cooperation projects; and other fees in related to possible transactions. Upon our further request, we obtained estimated fees for aforesaid items for FY2023. As the estimated fees to be incurred by Guotai Junan International for FY2023 represented the sum of the aforesaid fees we obtained, we are of the view that the estimated fees to be incurred by Guotai Junan International for FY2023 to be justifiable.

- **Estimated AM Expenses:** we noticed that the estimated AM Expenses for FY2023 were approximately RMB22.8 million.

In determining the estimated AM Expenses for FY2023, the Directors made reference to (i) estimated subscribed amounts of funds of HuaAn Funds; and (ii) estimated asset management fee rate.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In respect of the estimated asset management fee rate, we searched asset management fee rates of all funds charged by HuaAn Funds through Wind Financial Terminal. Based on the available information as at the Latest Practicable Date, the asset management fee rates charged by HuaAn Funds ranged from 0.15% to 1.50%. As the estimated asset management fee rate fell within and was close to the lower limit of the aforesaid asset management rates range, we are of the view that the estimated asset management fee rate is justifiable.

In respect of the estimated subscribed amounts of funds of HuaAn Funds, we made reference to the Financial Products Annual Caps (outflow) calculation. We noted that the estimated subscribed amounts of funds of HuaAn Funds was in line with the estimated subscribed amounts of funds as summarised by different departments/subsidiaries of the Company according to the calculation and being the majority proportion of the estimated cash outflow of the Securities and Financial Product Transactions.

Based on the above, we consider the estimated AM Expenses for FY2023 to be justifiable.

In light of the above factors, we consider the estimated demand of Financial Service (expense nature) for FY2023 to be fair and reasonable. As the estimated demand of Financial Service (expense nature) for FY2023 does not exceed the existing Financial Services Annual Cap (expense nature), we consider that it is unnecessary to adjust the existing Financial Services Annual Cap (expense nature) for FY2023.

The Financial Services Annual Cap (expense nature) for (i) FY2024 represented an increase of approximately RMB16.25 million as compared to estimated demand of Financial Service (expense nature) for FY2023; and (ii) for FY2025 represented an increase of approximately RMB8.82 million as compared to that for FY2024. According to the calculation, we noticed that the aforesaid increases was mainly due to the anticipated increases in AM Expenses for FY2024 and FY2025 as a result of the increases in estimated subscribed amounts of funds of HuaAn Funds for the corresponding period (evidenced by the increases in the Financial Products Annual Caps (outflow) for FY2024 and FY2025. Based on the aforesaid, we are of the view that the aforesaid increases for FY2024 and FY2025 to be acceptable. Accordingly, we consider the Financial Services Annual Caps (expense nature) for FY2024 and FY2025 to be fair and reasonable.

Shareholders should note that as the Financial Services Annual Caps for the three years ending 31 December 2025 are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2025, and they do not represent forecasts of revenue/income/cost to be incurred from the Financial Services. Consequently, we express no opinion as to how closely the actual revenue/income/cost to be incurred from the Financial Services will correspond with the Financial Services Annual Caps.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the Continuing Connected Transactions must be restricted by the Financial Services Annual Caps and/or the Financial Products Annual Caps for the period concerned under the Revised Framework Agreement; (ii) the terms of the Continuing Connected Transactions must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Continuing Connected Transactions must be included in the Company's subsequent published annual reports.

Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the Continuing Connected Transactions (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the listed issuer's group if the transactions involve the provision of goods or services by the listed issuer's group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the annual caps.

In the event that the total amounts of the Continuing Connected Transactions are anticipated to exceed the annual caps, or that there are any proposed material amendment to the terms of the Revised Framework Agreement, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Continuing Connected Transactions and thus the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Continuing Connected Transactions are on normal commercial terms and are fair and reasonable; and (ii) the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole and conducted in the ordinary and usual course of business of the Group. Accordingly, we 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 Continuing Connected Transactions and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking 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 OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

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

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

Save as disclosed above, as at the Latest Practicable Date, the Company was not aware of any Directors, Supervisors and the chief executive of the Company who had any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Hong Kong Stock Exchange.

3. DIRECTORS' POSITIONS IN SUBSTANTIAL SHAREHOLDERS

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

| Name | Name of Shareholder | Position in the Shareholder |
|--------------|--|---|
| LIU Xinyi | International Group | Director, president |
| GUAN Wei | International Group | Vice president, chief financial officer |
| | Shanghai State-owned Assets Management Co., Ltd. | Chairman |
| ZHONG Maojun | International Group | Director, chief legal counsel and chief operation officer |
| | Shanghai State-owned Assets Management Co., Ltd. | Chairman of the supervisory committee |
| CHEN Hua | Shanghai State-owned Assets Management Co., Ltd. | Vice chairman, president |
| AN Hongjun | New China Asset Management (Hong Kong) Limited | Executive director, president |

4. SERVICE CONTRACTS OF THE DIRECTORS

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

5. COMPETING INTERESTS

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

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

6. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had any interest, direct or indirect, in any assets which have, since 31 December 2022, being the date to which the latest published audited consolidated accounts of the Company were made up, been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

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

7. EXPERT AND CONSENT

The following are the qualification of the expert who has given opinions or advice, which are contained or referred to in this circular:

| Name | Qualifications |
|----------------------|---|
| Gram Capital Limited | a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO |

As of the Latest Practicable Date, Gram Capital Limited:

- (a) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name, in the form and context in which it appears;

- (b) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (c) did not have any direct or indirect interests in any assets which have been acquired or disposed of by or leased to, any member of the Group, or which are proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Company were made up.

The letter and recommendation from Gram Capital Limited are given as of the date of this circular for incorporation herein.

8. NO MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, they are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited accounts of the Company were made up.

9. DOCUMENTS AVAILABLE ON DISPLAY

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

10. GENERAL

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

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

| Original Article | Amended Article |
|---|--|
| <p>Article 10 <u>The Company shall, in accordance with the relevant provisions in the Constitution of the Communist Party of China (“CPC”), establish a CPC organization to carry out CPC’s activities. The Company shall provide necessary support to facilitate the CPC’s activities.</u> The Party Committee shall play a leading role to maintain strategic directions, manage the overall situation and ensure effective implementation in the Company. When making decisions on material matters of the Company, especially significant operation and management matters involving national macro- control, national development strategies and national security, the board of directors shall consider the opinion of the Party Committee of the Company first.</p> | <p>Article 10 <u>In accordance with the Constitution of the Communist Party of China (“CPC”), the Company Law, Regulations on the Work of the Communist Party of China for its Grassroots Organizations at State-owned Enterprises (Trial) and other relevant provisions, the Company shall provide necessary support through establishing a CPC organization and developing working organizations of the Party with a certain number of full-time or part-time Party workers, and guarantee the working funds for Party organizations to facilitate the CPC organizations’ activities.</u> The Party Committee shall play a leading role to maintain strategic directions, manage the overall situation and ensure effective implementation in the Company. When making decisions on material matters of the Company, especially significant operation and management matters involving national macro-control, national development strategies and national security, the board of directors shall consider the opinion of the Party Committee of the Company first.</p> |
| | <p><u>Chapter 3 Party organization</u></p> <p><u>Article 16 The establishment of the Party Committee.</u></p> <p><u>The Party Committee shall be established by the Company, for a term of generally five years. The Party Committee of the Company shall consist of one secretary, one to two deputy secretaries and several other members of the Party Committee. The person in charge of the discipline inspection and supervision organizations shall be a member of the Party Committee. The secretary of the Party Committee and the chairman of the board shall generally be the same person.</u></p> |

| Original Article | Amended Article |
|------------------|--|
| | <p><u>The Company shall set up working organizations related to party establishment based on actual needs, and the relevant organizations may cooperate with other management organizations of the Company with similar functions. The management of leaders and the construction of grassroots party organizations are generally under the unified responsibility of one management institution, and the two management institutions shall be managed by members of the same leadership team.</u></p> <p><u>According to the Constitution of the Communist Party of China, the Regulations on the Work of Grassroots Organizations of the State-owned Enterprises of the Communist Party of China (Trial) and the relevant provisions of the Party, the Company has established grassroots party organizations in all grassroots units.</u></p> |
| | <p><u>Article 17 Terms of reference. The Party Committee of the Company shall play a leading role in maintaining strategic directions, managing the overall situation and ensuring effective implementation in the Company, as well as discussing and making decisions on material matters of the Company in accordance with the provisions of the Constitution of the Communist Party of China and the Regulations on the Work of Grassroots Organizations of the State-owned Enterprises of the Communist Party of China (Trial).</u></p> <p><u>Each of the Party organizations at grassroots level shall, in accordance with the provisions of Constitution of the Communist Party of China and the Regulations on the Work of Grassroots Organizations of the State-owned Enterprises of the Communist Party of China (Trial), deploy the performance of relevant duties with the Party Committee of the Company and carry out relevant efforts.</u></p> |

APPENDIX II COMPARATIVE TABLE OF AMENDMENTS TO ARTICLES OF ASSOCIATION

| Original Article | Amended Article |
|------------------|--|
| | <p><u>Article 18 Operational Mechanism. Upholding the leadership system of “Dual Entry and Cross Appointment”, eligible members of the Party Committee may take seats in the board of directors, supervisory committee and operating management through statutory procedures. Eligible Party members among the board of directors, supervisory committee, and operating management may take seats in the Party Committee in accordance with relevant regulations and procedures. The Party Committee of the Company implements a system that integrates collective leadership with individual division of responsibilities. Members of the Party Committee who join the board of directors, supervisory committee or operating management shall implement the decisions of the Party Committee of the Company. The Party Committee of the Company serves as the pre-procedure for considering and discussing on significant decision-making issues of the board of directors and operating management. Major operational and managerial matters shall be considered and discussed by the Party Committee of the Company before decisions are made by the board of directors or operating management.</u></p> |
| | <p><u>Article 19 Solid foundation. Appoint a certain percentage of full-time or part-time Party affairs staff. Facilitate the dual communication between Party affairs staff and other management personnel. Ensure adequate working funds for the Party Organizations of the Company, and to build and fully leverage the Party Organizations’ operating space.</u></p> |

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

| Original Article | Amended Article |
|--|---|
| <p>Article 9 The main responsibilities of the Risk Control Committee include:</p> <p>(I) reviewing and providing recommendations on the overall objectives and fundamental policies of compliance management and risk management;</p> <p>(II) reviewing and providing recommendations on the establishment and the duties of the compliance management and risk management divisions;</p> <p>(III) assessing and providing recommendations on the risks associated with significant business decisions that need to be reviewed by the board of directors and the solutions to address significant risks;</p> <p>(IV) reviewing and providing recommendations on the compliance and risk assessment reports that need to be reviewed by the board of directors;</p> <p>(V) other responsibilities delegated by the board of directors.</p> | <p>Article 9 The main responsibilities of the Risk Control Committee include:</p> <p>(I) reviewing and providing recommendations on the overall objectives and fundamental policies of compliance management and risk management;</p> <p>(II) reviewing and providing recommendations on the establishment and the duties of the compliance management and risk management divisions;</p> <p>(III) assessing and providing recommendations on the risks associated with significant business decisions that need to be reviewed by the board of directors and the solutions to address significant risks;</p> <p>(IV) reviewing and providing recommendations on the compliance and risk assessment reports that need to be reviewed by the board of directors;</p> <p><u>(V) reviewing and providing recommendations on the management targets and overall requirements for business integrity;</u></p> <p><u>(VI)</u> other responsibilities delegated by the board of directors.</p> |

NOTICE OF EGM



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

(A joint-stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 02611)

NOTICE OF THE 2023 SECOND EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Guotai Junan Securities Co., Ltd. (the “Company”) will be held at 2:00 p.m. on Thursday, 30 November 2023 at Room 405, 768 Nanjing West Road, Jingan District, Shanghai, the PRC, to consider and, if thought fit, pass the following resolutions. Unless otherwise specified, capitalized terms used in this notice shall have the same meaning as those defined in the circular of the Company dated 13 November 2023 (the “Circular”).

ORDINARY RESOLUTIONS

1. To consider and approve the revision of the annual caps for and renewal of the term of the securities and financial products transactions and services with HuaAn Funds.
2. To consider and approve the resolution on the proposed appointment of Mr. PU Yonghao as an independent non-executive Director of the sixth session of the Board.

SPECIAL RESOLUTION

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

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

Shanghai, PRC
13 November 2023

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

NOTICE OF EGM

Notes:

(1) In order to determine the holders of H Shares who are entitled to attend the EGM, the H Share register of members of the Company will be closed from Monday, 27 November 2023 to Thursday, 30 November 2023 (both days inclusive), during which period no share transfer will be registered. In order for holders of H Shares to be qualified for attending the EGM, all share certificates together with the share transfer documents must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (Tel: (852) 2862 8555), by 4:30 p.m. on Friday, 24 November 2023. Holders of H Shares who are registered with Computershare Hong Kong Investor Services Limited on Thursday, 30 November 2023 are entitled to attend the EGM.

(2) Holders of H Shares who are entitled to attend and vote at the EGM may designate one or more proxies to attend and vote at the EGM on his/her behalf. A proxy need not be a shareholder of the Company.

To be valid, the proxy form together with the power of attorney (if any) and other relevant authorization document(s) (if any) which have been notarized shall be deposited at the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, not less than 24 hours before the time designated for the EGM (i.e., by 2:00 p.m. on Wednesday, 29 November 2023). Completion and return of the proxy form will not preclude the shareholders of H Shares from attending and voting at the EGM should they so wish.

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

(3) Any voting on any resolution at the EGM shall be taken by poll.

(4) In case of joint Shareholders, if more than one of them are presented at the meeting, either in person or by proxy, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint Shareholders. For this purpose, seniority shall be determined by the order in which the names of the joint Shareholders stand in the register of members of the Company in respect of the joint shareholding.

(5) The EGM is expected to last for half a day. Shareholders attending (in person or by proxy) the EGM shall be responsible for their own travel and accommodation expenses. Shareholders or their proxies shall produce their identity documents when attending the general meeting.

(6) The ordinary resolution 1 will be voted by the Shareholders who do not have any interest in such resolution. International Group and its associates and Shanghai Industrial shall abstain from voting on the ordinary resolution 1.

(7) Please refer to the circular of the EGM dated 13 November 2023 for the details of the above resolutions to be proposed at the EGM for consideration and approval.