

22 November 2024

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

Dear Sir/Madam,

**CONNECTED TRANSACTION AND SPECIFIC MANDATE FOR THE
CONCURRENT ISSUANCE OF A SHARES BY GUOTAI JUNAN SECURITIES
UNDER THE PROPOSED PLACEMENT**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Guotai Junan IBC and the Independent Guotai Junan Shareholders in respect of the Proposed Placement, details of which are set out in (i) the letter from Guotai Junan Board (the “**Guotai Junan Board Letter**”); and (ii) terms and information of the Proposed Merger and the Proposed Placement contained in the Joint Circular dated 22 November 2024 jointly issued by Guotai Junan Securities and Haitong Securities to their respective shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Joint Circular unless the context requires otherwise.

Guotai Junan Securities and Haitong Securities entered into the Cooperation Agreement on 5 September 2024 in relation to the Proposed Merger. Further to the Cooperation Agreement, on 9 October 2024, Guotai Junan Securities and Haitong Securities entered into the Merger Agreement with respect to the Proposed Merger which sets forth detailed terms and conditions for implementing the Proposed Merger.

To raise ancillary fundings to increase the capital, support the development for business lines of the Post-Merger Company and replenish the working capital, Guotai Junan Securities proposed to approve the issuance of such number of Placement A Shares at an issue price of RMB15.97 per Placement A Share, to the Subscriber for a total consideration of up to RMB10,000,000,000. Accordingly, Guotai Junan Securities and the Subscriber have entered into the Placement Subscription Agreement on 9 October 2024, pursuant to which Guotai Junan Securities has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, such number of all of the Placement A Shares for a total consideration of up to RMB10,000,000,000 in accordance with the terms and conditions as set out in the Placement Subscription Agreement.

With reference to the Joint Circular, as at the Latest Practicable Date, the Subscriber holds 23.06% of the total issued shares in Guotai Junan Securities and is a wholly-owned subsidiary of Shanghai International, which, together with its subsidiaries, hold approximately 33.36% of the total issued shares in Guotai Junan Securities. Therefore, the Subscriber is a connected person of Guotai Junan Securities. The proposed issuance of Placement A Shares by Guotai Junan Securities to the Subscriber to raise ancillary funds under the Proposed Placement constitutes a connected transaction for Guotai Junan Securities and is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The Guotai Junan IBC comprising Mr. DING Wei, Mr. LI Renjie, Mr. BAI Wei, Mr. WANG Guogang, Mr. YIM, Chi Hung Henry and Mr. PU Yonghao (all being independent non-executive Directors) has been established to advise the Independent Guotai Junan Shareholders on (i) whether the terms of the Proposed Placement are on normal commercial terms and are fair and reasonable; (ii) whether the Proposed Placement is conducted in the ordinary and usual course of the business of the Guotai Junan Group and is in the interests of Guotai Junan Securities and the Guotai Junan Shareholders as a whole; and (iii) how the Independent Guotai Junan Shareholders should vote in respect of the resolutions of the Proposed Placement at the Guotai Junan EGM. We, Gram Capital Limited, have been appointed as the Guotai Junan IFA to advise the Guotai Junan IBC and the Independent Guotai Junan Shareholders in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as the independent financial adviser to the independent board committee and independent shareholders of Guotai Junan Securities in relation to continuing connected transactions of Guotai Junan Securities (details of which are set out in Guotai Junan Securities' circular dated 13 November 2023). Save for the aforesaid engagement, there was no other service provided by Gram Capital to Guotai Junan Securities during the past two years immediately preceding the Latest Practicable Date.

Notwithstanding the aforesaid engagement, we were not aware of any relationships or interests between Gram Capital and Guotai Junan Securities, or any other parties during the past two years immediately preceding the Latest Practicable Date that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Guotai Junan IFA.

Having considered the above and that (i) none of the circumstances as set out under the Rule 13.84 of the Hong Kong Listing Rules existed as at the Latest Practicable Date; and (ii) the aforesaid past engagement was only an independent financial adviser engagement and will not affect our independence to act as the Guotai Junan IFA, we are of the view that we are independent to act as the Guotai Junan IFA.



BASIS OF OUR OPINION

In formulating our opinion to the Guotai Junan IBC and the Independent Guotai Junan Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Joint Circular and the information and representations as provided to us by the Guotai Junan Directors. We have assumed that all information and representations that have been provided by the Guotai Junan 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 Guotai Junan Directors in the Joint 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 Joint Circular, or the reasonableness of the opinions expressed by Guotai Junan Securities, its advisers and/or the Guotai Junan Directors, which have been provided to us. Our opinion is based on the Guotai Junan Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Proposed Merger and the Proposed Placement. 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 Hong Kong Listing Rules.

The Guotai Junan Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Joint Circular (other than those in relation to Haitong Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Joint Circular (other than those expressed by the Haitong Directors) have been arrived at after due and careful consideration and there are no other facts not contained in the Joint Circular the omission of which would make any of the statements in the Joint Circular misleading. We, as the Guotai Junan IFA, take no responsibility for the contents of any part of the Joint 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 Guotai Junan Securities, the Subscriber or their respective subsidiaries or associates, nor have we considered the taxation implication on the Guotai Junan Group or the Guotai Junan Shareholders as a result of the Proposed Placement. 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. Guotai Junan 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 Guotai Junan Shares or any other securities of Guotai Junan Securities.

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 Proposed Placement, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Proposed Placement

Information on the Guotai Junan Group

With reference to the Joint Circular, Guotai Junan Securities is a listed company with its shares listed separately on the SSE (as A shares) and the Hong Kong Stock Exchange (as H shares) since 2015 and 2017, respectively. Guotai Junan Securities engages primarily in wealth management, investment banking, institutional and trading, investment management and international business. As at the Latest Practicable Date, Guotai Junan Securities has 7 directly-held subsidiaries that are wholly-owned or controlled by it. In addition, Guotai Junan International (stock code: 01788) is an indirectly-held subsidiary of Guotai Junan Securities, and whose shares are listed on the main board of the Hong Kong Stock Exchange.

Financial performance and position

Set out below are the consolidated financial information of Guotai Junan Securities for the year ended 31 December 2023 (together with comparative figures for the year ended 31 December 2022) and the six months ended 30 June 2024 (together with comparative figures for the six months ended 30 June 2023), which were prepared in accordance with the IFRS, as extracted from Guotai Junan Securities' annual report for the year ended 31 December 2023 (the "Guotai Junan 2023 Annual Report") and Guotai Junan Securities' interim report for the six months ended 30 June 2024 (the "Guotai Junan 2024 Interim Report"):

| | For the six months ended 30 June 2024 <i>(unaudited)</i> RMB'000 | For the six months ended 30 June 2023 <i>(unaudited)</i> RMB'000 | Year-on- year change % | For the year ended 31 December 2023 <i>(audited)</i> RMB'000 | For the year ended 31 December 2022 <i>(audited) (restated)</i> RMB'000 | Year-on- year change % |
|--|--|--|---------------------------------|--|---|---------------------------------|
| Total revenue and other income | 25,779,128 | 26,170,739 | (1.50) | 52,303,831 | 49,086,921 | 6.55 |
| – Fee and commission income | 8,840,918 | 9,083,938 | (2.68) | 18,748,922 | 17,731,799 | 5.74 |
| – Interest income | 7,416,964 | 7,856,402 | (5.59) | 15,635,577 | 15,586,674 | 0.31 |
| – Net investment gains | 4,933,180 | 5,196,607 | (5.07) | 9,120,378 | 5,538,527 | 64.67 |
| – Gain on business combination | – | – | N/A | – | 1,478,368 | (100.00) |
| – Other income and gains | 4,588,066 | 4,033,792 | 13.74 | 8,798,954 | 8,751,553 | 0.54 |
| Profit for the period/year attributable to equity holders of Guotai Junan Securities | 5,016,017 | 5,741,577 | (12.64) | 9,374,143 | 11,508,784 | (18.55) |

As illustrated in the above table, Guotai Junan Group's total revenue and other income was approximately RMB52.30 billion for the year ended 31 December 2023 ("FY2023"), representing an increase of approximately 6.55% as compared to that for the year ended 31 December 2022 ("FY2022"). With reference to the Guotai Junan 2023 Annual Report, such increase was mainly due to (i) the increase of approximately 5.74% in fee and commission income for FY2023 as compared to that for FY2022, which was mainly due to the fact that HuaAn Funds was consolidated as a subsidiary for a whole year for FY2023 while the revenue of HuaAn Funds was only consolidated for two months for FY2022; and (ii) the increase of approximately 64.67% in net investment gains for FY2023 as compared to that for FY2022, which was mainly due to an increase in investment gains of financial instruments at fair value through profit or loss. Notwithstanding the aforesaid increase in Guotai Junan Group's total revenue and other income, the profit for the year attributable to equity holders of Guotai Junan Securities for FY2023 decreased by approximately 18.55% as compared to that for FY2022, which was mainly due to (i) the increase in interest expenses; and (ii) the increase in other operating expenses and costs for FY2023 as compared to those for FY2022 according to the Guotai Junan 2023 Annual Report.

According to the above table, the Guotai Junan Group recorded a slight decrease of approximately 1.50% in the total revenue and other income for the six months ended 30 June 2024 ("1H2024") as compared to that for the six months ended 30 June 2023 ("1H2023"). With reference to the Guotai Junan 2024 Interim Report, such decrease was the result of the combined effect of (i) the decrease of approximately 2.68% in fee and commission income, which was mainly due to that revenue of brokerage business and investment banking for 1H2024 dropped as compared to that for 1H2023; (ii) the decrease of approximately 5.59% in interest income, which was primarily due to a decline in margin financing and securities lending and stock pledging business for 1H2024 as compared to that for 1H2023; (iii) the decrease of approximately 5.07% in net investment gains, which was mainly due to a decrease in investment gains in financial instruments at fair value through profit or loss for 1H2024 as compared to that for 1H2023; and (iv) the increase of approximately 13.74% in other income and gains, which was mainly due to increase in sales revenue of bulk commodity trading of subsidiaries. In addition, the Guotai Junan Group also recorded a decrease of approximately 12.64% in the profit for the period attributable to equity holders of Guotai Junan Securities for 1H2024 as compared to that for 1H2023. With reference to the Guotai Junan 2024 Interim Report, such decrease was mainly due to (i) the aforesaid decrease in the total revenue and other income; (ii) the increase in fee and commission expenses; and (iii) the increase in accrual of credit loss expense for 1H2024 as compared to those for 1H2023.

As at 30 June 2024, Guotai Junan Group's cash and cash equivalents were approximately RMB76.08 billion and equity attributable to equity holders of Guotai Junan Securities were approximately RMB168.10 billion.

Outlook

With reference to Guotai Junan 2024 Interim Report, Guotai Junan Securities will focus on management empowerment, give emphasis to professional services and improve the efficiency of corporate management, so as to continuously enhance the core competitiveness of the main businesses and accelerate its efforts of developing itself into an investment bank that is globally competitive with market influence.

Information on the Subscriber

With reference to the Joint Circular, the Subscriber is principally engaged in industrial investment, capital operation and asset acquisition. As at the Latest Practicable Date, the Subscriber holds 23.06% of the total issued shares in Guotai Junan Securities and is a wholly-owned subsidiary of Shanghai International, which, together with its subsidiaries, hold approximately 33.36% of the total issued shares in Guotai Junan Securities. The Subscriber is a connected person of Guotai Junan Securities.

Reasons for and benefits of the Proposed Placement and use of proceeds

Summarised below are the reasons for and benefits of the Proposed Placement as extracted from the sub-section headed “Proposed Placement” under the section headed “10. Reasons and Benefits of the Proposed Merger and the Proposed Placement” of “Terms and information of the Proposed Merger and the Proposed Placement” of the Joint Circular:

- Since the CSRC put forward the concept of strengthening the supervision of capital market in 2024, multiple regulatory policies have been rolled out which set a clear goal to strengthen capital market regulation, guard against risks and promote the high-quality development of capital market after the introduction of the new “National Nine Guidelines”. For securities firms, capital strength is a key driver to develop capital business, improve their ability to serve the real economy, and build core competitiveness. With the Proposed Placement, the Post-Merger Company aims to build up its capital base, enhance capital strength, seize the growth opportunity in the capital market as well as the securities industries, and build differentiated competitiveness to seize strategic opportunities for the company to grow and compete.
- Meanwhile, the Proposed Placement can help strengthen the capability of the Post-Merger Company to mitigate risks. With the rapid and innovative development of different businesses among securities firms, there is a growing requirement for securities firms to manage risks. Sufficient capital base plays a critical role to protect against various risks, as the most effective tool. Abundant capital base can provide essential and critical buffer to guard against potential losses caused by various risks, including market risks, transaction risks, information technology risks and operational risks, and support high quality and sustainable growth. It is

considered that the Proposed Placement will replenish cash flow of the Post-Merger Company after the Proposed Merger and can strengthen the financial position of the Post-Merger Company and provide additional funding for its business operations and future development.

Use of proceeds

With reference to the Joint Circular, the gross proceeds of the Proposed Placement will be no more than RMB10,000,000,000. After deducting intermediaries' fees, the transaction taxes and other expenses related to the Proposed Merger and the Proposed Placement, the proceeds are intended to be used for international business (up to RMB3 billion), trading and investment business (up to RMB3 billion), digitalisation (up to RMB1 billion) and replenishing working capital (up to RMB3 billion).

Before the ancillary funds raised are in place, the Post-Merger Company may first apply self-owned or self-raised funds to the above purposes based on the market condition and its actual condition and replace such funds after the funds raised are in place.

If the amount of ancillary funds raised is insufficient to meet the purposes mentioned above, the Post-Merger Company will adjust and make a final decision as to the priorities and amount of investment from the proceeds based on the actual amount of ancillary funds raised. The shortfall will be funded by the self-owned or self-raised funds of the Post-Merger Company.

As stated in the Joint Circular, Guotai Junan Securities and Haitong Securities entered into the Cooperation Agreement on 5 September 2024 in relation to the Proposed Merger. Further to the Cooperation Agreement, on 9 October 2024, Guotai Junan Securities and Haitong Securities entered into a Merger Agreement which sets forth detailed terms and conditions for implementing the Proposed Merger. Pursuant to the Merger Agreement, the Proposed Merger will be implemented by Guotai Junan Securities merging with Haitong Securities by way of absorption and share exchange, namely: (1) Guotai Junan Securities will issue Guotai Junan A Shares to the Haitong Share-Exchange Shareholders holding A shares and Guotai Junan H Shares to the Haitong Share-Exchange Shareholders holding H shares; (2) Guotai Junan Securities will apply to have the Guotai Junan A Shares and Guotai Junan H Shares to be issued under the Proposed Merger listed and traded on the SSE and the Hong Kong Stock Exchange, respectively; (3) the Haitong A Shares and Haitong H Shares will be delisted and cancelled; (4) upon Closing, the Post-Merger Company will assume all assets, liabilities, businesses, employees, contracts, qualifications and all other rights and obligations of Haitong Securities; and (5) after the Closing Date, completion of the cancellation and deregistration of the legal status of Haitong Securities, and the update of the business registration of Guotai Junan Securities. Please refer to the Joint Circular for details.

As stated in the Joint Circular, the purposes of the Proposed Merger are to (i) combine top players to seize the opportunities of time and accelerate the development of a world-class investment bank; (ii) reinforce complementary advantages and enhance core functionality to fully establish leading core competitiveness; and (iii) optimise layout, benchmark against world-class standards with active participation in global competition and resource allocation.

We also noted that PRC government issued various policies regarding the PRC financial and securities industry, in particular, the support of large financial institutions to become better and stronger, and the industry development opportunities. Summarised below are our findings:

- In November 2023, the website of the Central People's Government of the PRC issued an article named 《著力打造現代金融機構和市場體系》 (Strive to Build a Modern Financial Institution and Market System*), which outlined that cultivating world-class investment banks and investment institutions is an inherent requirement for better performing the hub function of the capital market and promoting the registration-based initial public offering regime to take deeper root and become more substantive.
- In March 2024, CSRC issued 《關於加強證券公司和公募基金監管加快推進建設一流投資銀行和投資機構的意見(試行)》 (Opinions on Strengthening the Supervision of Securities Companies and Public Funds to Accelerate the Building of First-class Investment Banks and Investment Institutions (Trial)*), which outlined that the PRC government should (i) appropriately expand the capital space for high-quality financial institutions, and support leading financial institutions to optimise and strengthen themselves through mergers and acquisitions and organizational innovation; and (ii) encourage small and medium-sized financial institutions to pursue differentiated development and specialized operations.
- In April 2024, the State Council of the PRC issued 《國務院關於加強監管防範風險推動資本市場高質量發展的若干意見》 (the State Council's Several Opinions on Strengthening Regulation and Preventing Risks and Promoting the High-quality Development of the Capital Market*), which stated that the PRC government should (i) promote the high-quality development of securities and fund institutions, and drive the industry to strengthen investment banking capabilities and wealth management capabilities; (ii) support leading financial institutions to enhance their core competitiveness through mergers and acquisitions and organizational innovation; and (iii) encourage small and medium-sized financial institutions to pursue differentiated development and specialized operations.
- In September 2024, the CSRC issued 《中國證監會關於深化上市公司併購重組市場改革的意見》 (China Securities Regulatory Commission's Opinions on Deepening the Reform of the Market for Acquisitions and Reorganizations of Listed Companies*), which stated that the PRC government should support mergers and acquisitions of listed securities companies to elevate their core competitiveness and accelerate the development of first-class investment banks.

In respect of the financial and trading prospects and business outlook of the Post-Merger Company, we noted from the Joint Circular that Guotai Junan Securities and Haitong Securities are both among the comprehensive securities companies with the longest history and the largest scale in the PRC securities industry, each with its own strengths and characteristics in terms of operation and management. It is expected that after the Proposed Merger, the Post-Merger Company will take the lead in terms of capital strength, customer base, domestic and overseas network layout, comprehensive business capabilities, and international competitiveness in the world, including the followings: (i) the Post-Merger Company will lead to a stronger and more balanced balance sheet; (ii) through the in-depth complementarity of aspects such as business qualifications, professional capabilities and resources, the Post-Merger Company can significantly consolidate and further enhance its advantages in professional and comprehensive services; (iii) the Post-Merger Company will take the lead in digital technology; (iv) the Post-Merger Company will continue to maintain an excellent compliance and risk control rating by sharing and co-constructing the industry's best compliance and risk control practices; and (v) the Post-Merger Company will achieve more efficient back-office management through measures such as leveraging the economies of scale, and improving the efficiency in the use of fixed assets and also achieve more effective cost control by reducing operating costs through integrating IT and other resources, and reducing financing costs based on high credit ratings. Please refer to the section headed "12. Financial and Trading Prospects and Business Outlook of the Post-Merger Company" of "Terms and information of the Proposed Merger and the Proposed Placement" of the Joint Circular for details.

Having considered the above, including:

- (i) the Proposed Merger can create a large comprehensive financial institution with a leading business scale, stronger capital strength and greater market influence, which can fully leverage the superior resources of Guotai Junan Securities and Haitong Securities including their respective customer, assets, talent, branding and shareholder resources;
- (ii) the Proposed Merger is in line with the supportive government-issued policies regarding the PRC financial and securities industry as mentioned above; and
- (iii) the Post-Merger Company's financial and trading prospects and business outlook,

we are of the view that the Proposed Merger is in the interests of Guotai Junan Securities and the Guotai Junan Shareholders as a whole. Accordingly, we consider the use of proceeds from the Proposed Placement to be fair and reasonable.

Financing alternatives

With reference to the Guotai Junan Board Letter, Guotai Junan Securities has not had any funds raised on any issue of equity securities in the 12 months immediately preceding the Latest Practicable Date.

In respect of the selection of the Proposed Placement as ancillary financing activity to the Proposed Merger, we performed the following works:

- We discussed with Guotai Junan Directors and understood that the issuance of new shares to specific investors is a very common approach as ancillary financing activity to a material asset restructuring transaction.

We noted from the Administrative Measures for Restructuring that a listed company may raise supporting funds in parallel at prices that satisfy relevant provisions should the listed company purchases assets by way of issuance of consideration shares.

Furthermore, based on our independent research, we identified over 10 initial proposal in respect of material asset restructuring transaction with ancillary financing as published by A-share listed companies from 1 January 2024 to the Last Trading Date, being an approximate eight-month period the duration of which is sufficient for our research purpose and can reflect the recent market practice regarding the ancillary financing of material asset restructuring transaction. According to the aforesaid initial proposal, all relevant listed companies adopted the issuance of new shares to specific investors as ancillary financing activity.

- We noted from an article named 《上交所有關負責人就優化再融資監管安排相關情況答記者問》(Shanghai Stock Exchange's Spokesperson Answered Reporters' Questions Regarding the Optimisation of Refinancing Regulations*) published on the Shanghai Stock Exchange's website that, among other things, (i) SSE strictly restricted re-financing activities (Note) of listed issuer with certain circumstances, including but not limited to closing price of A shares of a listed issuer on any trading day during the 20-trading day period immediately prior to date of board meeting for re-financing proposal or the commencement of issuance being lower than net asset value per share for the latest financial year or the latest financial report period of the listed issuer; and (ii) re-financing activities with all subscribers (being controlling shareholders, de facto controller or strategic investors) being confirmed on the board meeting for re-financing of the listed issuer will not be subject to the aforesaid restriction on re-financing activities (the "**Excluded Circumstance**").

We noted that closing prices of Guotai Junan A Shares for each of 20 trading days immediately prior to the Guotai Junan Board meeting on 9 October 2024 in respect of the Proposed Merger were lower than the latest audited net asset value per Guotai Junan Share.

- As advised by the Guotai Junan Directors, there will be uncertainties of conducting re-financing activity after the completion of Proposed Merger, e.g. review and approval procedures of regulator(s). In addition, as the Proposed Placement is proposed to be undertaken concurrently with the Share Exchange, the proceeds from the Proposed Placement may be utilised for the Post-Merger Company much earlier than proceeds from re-financing activity after the completion of Proposed Merger.

Note: As advised by the Guotai Junan Directors, the re-financing includes public issuance/rights issue and non-public issuance.

- As the Subscriber is a controlling shareholder of Guotai Junan Securities under the SSE Listing Rules, the Subscriber fulfilled the identity requirement of the Excluded Circumstance and Guotai Junan Securities could conduct re-financing activity under this circumstance. Furthermore, the Proposed Placement also demonstrated Shanghai International's (being the controlling shareholder of Guotai Junan Securities and the sole shareholder of the Subscriber) confidence in the prospects of the Post-Merger Company.

Having considered the above, in particular (i) issuance of new shares to specific investors is a very common approach as ancillary financing activity to a material asset restructuring transaction; (ii) the restriction on re-financing activities for certain circumstances as illustrated in the article and the performance of Guotai Junan A Shares prior to the Guotai Junan Board meeting on 9 October 2024; and (iii) the Proposed Placement falling under the Excluded Circumstance and demonstrating confidence of Guotai Junan Securities' controlling shareholder in the prospects of the Post-Merger Company, we concur with the Guotai Junan Directors that the Proposed Placement is an appropriate fund raising method currently available to the Guotai Junan Group.

Having also considered the abovementioned reasons, in particular that (i) the Proposed Placement is an appropriate fund raising method currently available to the Guotai Junan Group; (ii) the proposed use of proceeds from Proposed Placement is fair and reasonable; and (iii) the Proposed Placement demonstrated Shanghai International's (being the controlling shareholder of Guotai Junan Securities) confidence in the prospects of the Post-Merger Company, we are of the opinion that although the Proposed Placement is not conducted in the ordinary and usual course of business of the Guotai Junan Group, the Proposed Placement is fair and reasonable and in the interests of Guotai Junan Securities and the Guotai Junan Shareholders as a whole.

2. Principal terms of the Proposed Placement

Set out below are the summarised terms of the Proposed Placement as contemplated under the Placement Subscription Agreement, details of which are set out under the section headed "6. Proposed Placement of Placement A Shares" of "Terms and information of the Proposed Merger and the Proposed Placement" of the Joint Circular.

| | |
|-----------------------|---|
| Date: | 9 October 2024 (the "Agreement Date") |
| Parties: | (a) Guotai Junan Securities (as issuer); and (b) Subscriber (as subscriber). |
| Issuance size: | Up to RMB10 billion; and up to 626,174,076 Placement A Shares |

Conditions precedent: The Placement Subscription Agreement shall become effective upon satisfaction of the following conditions:

- (i) the passing of special resolution(s) by a majority of not less than two-thirds of the votes cast by way of poll by the Guotai Junan Shareholders present and voting in person or by proxy at the Guotai Junan EGM to approve the Proposed Placement;
- (ii) the passing of special resolution(s) by a majority of not less than two-thirds of the votes cast by way of poll by the Haitong Shareholders present and voting in person or by proxy at each of the Haitong EGM, the Haitong H Shareholders' Class Meeting and the Haitong A Shareholders' Class Meeting to approve the Proposed Placement;
- (iii) the approval, filing or registration (if applicable) by Shanghai SASAC, SSE and CSRC in respect of the Proposed Placement having been obtained and remaining in effect;
- (iv) the Merger Agreement becoming effective; and
- (v) the approval by the shareholder of the Subscriber in respect of the Proposed Placement having been obtained.

Source of funds: Internal resources of the Subscriber^(Note).

Note: The Subscriber undertook that (i) its assets are in good condition and there are no adverse factors jeopardizing its obligation to settle the consideration for the Proposed Placement timely in full; (ii) the consideration shall be funded by internal resources of the Subscriber and there are no agreements or other arrangements between the Subscriber and Guotai Junan Securities in relation to provision of financial assistance by Guotai Junan Securities or its substantial shareholders directly or through other parties; and (iii) the Subscriber shall be responsible for any damages caused to Guotai Junan Securities due to a breach of the undertaking.

Issue price:

The issue price has been set at a fixed price of RMB15.97 per Placement A Share (the "Issue Price").

Pursuant to Applicable Laws, the Issue Price for Placement A Shares shall not be lower than the higher of (a) 80% of the volume-weighted average price for the 20 trading days of Guotai Junan A Shares immediately prior to the date of the Joint Announcement; and (b) the net asset value per share attributable to ordinary shareholders of the listed company based on the audited consolidated statements of the most recent financial year prior to the date of the Joint Announcement of Guotai Junan Securities and deducting the Guotai Junan 2024 Interim Dividend and Guotai Junan 2023 Final Dividend.

The Issue Price for each Placement A Shares of RMB15.97 represents/is:

- (i) a premium of (a) approximately 9.76% over the closing price of each Guotai Junan A Share of RMB14.55; and (b) approximately 122.42% over the closing price of each Guotai Junan H Share of HK\$7.91 (equivalent to approximately RMB7.18) as of the Last Trading Date, after deducting Guotai Junan 2024 Interim Dividend;
- (ii) a premium of (a) approximately 12.78% over the volume-weighted average price of RMB14.16 of each Guotai Junan A Share; and (b) approximately 128.80% over the volume-weighted average price of each Guotai Junan H Share of HK\$7.69 (equivalent to approximately RMB6.98) for the 20 trading days immediately prior to the date of the Joint Announcement, after deducting Guotai Junan 2024 Interim Dividend;
- (iii) a premium of approximately 15.47% over the Market Reference Price of RMB13.83 of each Guotai Junan A Share for the 60 trading days immediately prior to the date of the Joint Announcement, after deducting the Guotai Junan 2024 Interim Dividend;
- (iv) a (a) discount of approximately 18.69% to the closing price of each Guotai Junan A Share of RMB19.64; and (b) premium of approximately 51.66% over the closing price of each Guotai Junan H Share of HK\$11.60 (equivalent to approximately RMB10.53) as of the Latest Practicable Date; and
- (v) approximately equal to the audited net asset value of RMB15.97 per share attributable to ordinary shareholders of Guotai Junan Securities as of 31 December 2023, after adjusting for the Guotai Junan 2023 Final Dividend and deducting the Guotai Junan 2024 Interim Dividend (the “**Adjustment and Deduction for 2023 & 2024 Dividends**”).

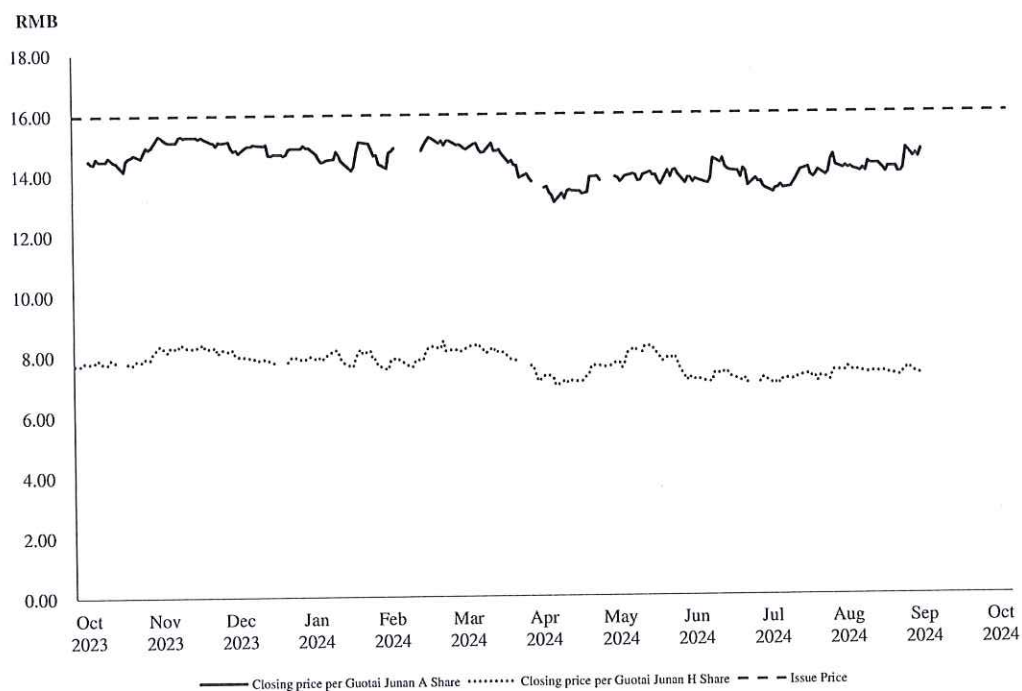
Analysis on the issue price

In order to assess the fairness and reasonableness of the Issue Price, we conducted the following analysis:

(a) Guotai Junan Shares performance

Set out below is a chart showing the movement of the closing prices of Guotai Junan Shares as quoted on the SSE and the Hong Kong Stock Exchange during the period from 3 October 2023 to the Agreement Date, being a period of approximately one year up to and including the Agreement Date (the “**Guotai Junan Shares Review Period**”), which is commonly adopted for analysis and the duration of such period (number of trading days) is sufficient for us to perform a thorough analysis on the historical performance of Guotai Junan Shares. The comparison of the daily closing price of Guotai Junan Shares and the Issue Price is illustrated as follows:

Historical daily closing price per Guotai Junan Share



Source: Wind Financial Terminal

Notes:

1. Trading of Guotai Junan A Shares and Guotai Junan H Shares were halted from the start of trading hours on the SSE and the Hong Kong Stock Exchange on 6 September 2024 and resumed from the start of trading hours on the SSE and the Hong Kong Stock Exchange on 10 October 2024.
2. Trading days of Guotai Junan A Shares and Guotai Junan H Shares may vary.
3. Closing prices of Guotai Junan H Shares were in RMB equivalent.

During the Guotai Junan Shares Review Period:

- the lowest and highest closing prices of Guotai Junan A Shares as quoted on the SSE were RMB13.05 (or RMB12.50 after the Adjustment and Deduction for 2023 & 2024 Dividends) per Guotai Junan A Share recorded on 12 April 2024 and RMB15.29 (or RMB14.74 after the Adjustment and Deduction for 2023 & 2024 Dividends) per Guotai Junan A Share recorded on 6 November 2023 and 15 November 2023, respectively; and
- the closing prices of Guotai Junan A Shares were substantially higher than the closing prices of Guotai Junan H Shares, with premiums ranging from 88.78% to 129.99% according to Wind Financial Terminal.

The Issue Price of RMB15.97 per Placement A Share is above the Guotai Junan A Shares' closing price range during the Guotai Junan Shares Review Period, representing a premium of approximately 22.38% (or approximately 27.76% after the Adjustment and Deduction for 2023 & 2024 Dividends) over the lowest closing price of Guotai Junan A Shares and a premium of approximately 4.45% (or approximately 8.34% after the Adjustment and Deduction for 2023 & 2024 Dividends) over the highest closing price of Guotai Junan A Shares during the Guotai Junan Shares Review Period.

From the start of the Guotai Junan Shares Review Period to 18 March 2024, the closing prices of Guotai Junan A Shares fluctuated between RMB14.14 to RMB15.29. Subsequently, the closing prices of Guotai Junan A Shares formed a decreasing trend and hit the lowest at RMB13.05 on 12 April 2024.

Since 13 April 2024, the closing prices of Guotai Junan A Shares followed an upward trend and recorded at RMB14.70 on 5 September 2024 (being the Last Trading Date).

Subsequent to the trading resumption of Guotai Junan Shares from 10 October 2024, the closing prices of Guotai Junan Shares substantially increased from RMB14.70 and HK\$8.07 on 5 September 2024 to RMB19.64 and HK\$11.60 on the Latest Practicable Date respectively. As advised by the Directors, save for (i) the publication of Joint Announcement; and (ii) recent boost in the PRC stock market due to favourable policies promulgated by the PRC government, the Guotai Junan Directors were not aware of any specific event which may cause the surge of the Guotai Junan Shares prices.

(b) Comparable transactions

As part of our analysis, we searched for transactions regarding issuance of new A shares by the PRC listed companies for the purpose of ancillary fund raising for acquisition or restructuring which were announced by the PRC listed companies from 1 January 2024 up to and including the Agreement Date with corresponding issue price being fixed as at date of relevant proposal. We (i) identified only two transactions which met the aforesaid criteria; and (ii) noted that the price determination date of issue price

for ancillary fund raising contemplated under acquisition or restructuring transactions would be the first day of the issuance period. Based on the aforesaid, we relaxed our selection criteria to include those with price determination date being the first day of the issuance period but issue price having been fixed as such transaction fulfil issuance requirements and falling in the aforesaid review period. We found seven transactions (the “Comparable Transactions”) which met the said criteria and they are exhaustive. Shareholders should note that the businesses, operations and prospects of Guotai Junan Securities are not the same as the subject companies of the Comparable Transactions.

| Company name (stock code) | Price determination date | Premium/(discount) | Premium/(discount) | Premium/(discount) | Premium/(discount) |
|--|--------------------------|---|--|--|--|
| | | of the issue price over/to the average trading price per share on last trading day immediately prior to the price determination date (the “PDD Discount”) (%) | of the issue price over/to the average trading price per share for the last 5 consecutive trading days immediately prior to the price determination date (the “5 Days Discount”) (%) | of the issue price over/to the average trading price per share for the last 20 consecutive trading days immediately prior to the price determination date (the “20 Days Discount”) (%) | of the issue price over/to the average trading price per share for the last 60 consecutive trading days immediately prior to the price determination date (the “60 Days Discount”) (%) |
| CCCC Design & Consulting Group Co., Ltd. (SH600720) | 20 September 2024 | (14.20) | (12.59) | (15.03) | (19.70) |
| Rigol Technologies Co., Ltd. (SH688337) | 19 September 2024 | (7.97) | (11.50) | (8.74) | (8.85) |
| Avicopter Plc (SH600038) | 9 July 2024 | (13.71) | (14.82) | (16.45) | (19.33) (Note) |
| Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd. (SH600663 & SH900932) | 14 June 2024 | (17.77) | (18.59) | (19.80) (Note) | (13.55) (Note) |
| Sichuan New Energy Power Company Limited (SZ000155) | 28 May 2024 | (10.72) | (11.48) | (11.78) | (8.36) |
| JDM JingDa Machine (Ningbo) Co., Ltd (SH603088) | 30 April 2024 | (16.19) | (15.15) | (19.90) | (15.27) |
| Shenzhen Coship Electronics Co., Ltd. (SZ002052) | 22 January 2024 | (23.30) | (22.17) | (19.80) | (12.71) |
| | Maximum: | (7.97) | (11.48) | (8.74) | (8.36) |
| | Minimum: | (23.30) | (22.17) | (19.90) | (19.70) |
| | Average: | (14.84) | (15.19) | (15.93) | (13.97) |
| | Median: | (14.20) | (14.82) | (16.45) | (13.55) |
| Guotai Junan Securities | 10 October 2024 | 10.37 (Note) | 10.75 (Note) | 12.78 (Note) | 15.47 (Note) |

Source: Wind Financial Terminal

Note: Relevant interim/final dividend was deducted from the calculation of average trading price.

As depicted in the above table:

- (i) the PDD Discount of the Comparable Transactions ranged from discount of approximately 23.30% to discount of approximately 7.97%, with average discount of approximately 14.84% and median discount of approximately 14.20%;
- (ii) the 5 Days Discount of the Comparable Transactions ranged from discount of approximately 22.17% to discount of approximately 11.48%, with average discount of approximately 15.19% and median discount of approximately 14.82%;
- (iii) the 20 Days Discount of the Comparable Transactions ranged from discount of approximately 19.90% to discount of approximately 8.74%, with average discount of approximately 15.93% and median discount of approximately 16.45%; and
- (iv) the 60 Days Discount of the Comparable Transactions ranged from discount of approximately 19.70% to discount of approximately 8.36%, with average discount of approximately 13.97% and median discount of approximately 13.55%.

The Issue Price, which represented (i) a premium of approximately 10.37% over the trading price on the Last Trading Date; (ii) a premium of approximately 10.75%, 12.78% and 15.47% over the average closing price for the last 5, 20 and 60 consecutive trading days immediately prior to the price determination date respectively, are all above the market ranges of the Comparable Transactions.

(c) Our conclusion on the Issue Price

In view of that (i) the comparison between the Issue Price and Guotai Junan Securities' recent closing prices as mentioned above; (ii) the Issue Price is above the Guotai Junan A Shares' closing price range (which were substantially higher than the closing prices of Guotai Junan H Shares with premiums ranging from 88.78% to 129.99%) during the Guotai Junan Shares Review Period; (iii) the premium of the Issue Price over Guotai Junan Securities' recent market prices (i.e. trading price as at the Last Trading Day and average trading price for the last 5, 20 and 60 trading days immediately before the price determination date) are all above the market ranges of the Comparable Transactions, we are of the opinion that the Issue Price is fair and reasonable.

Completion:

Upon receiving a payment notice from Guotai Junan Securities, the Subscriber shall pay by cash in one instalment the subscription amount. Such payment notice shall be provided at least 10 working days prior to the payment deadline.

The undertaking of the Proposed Placement is subject to and conditional upon the Proposed Merger, whilst the Proposed Merger is not conditional upon the undertaking of the Proposed Placement. Details of the Proposed Merger are set out under the section headed “2. Terms of the Proposed Merger” of “Terms and Information of the Proposed Merger and the Proposed Placement” of the Joint Circular.

Lock-up:

Unless transfers are permitted by Applicable Laws, the Placement A Shares subscribed by the Subscriber pursuant to the Proposed Placement shall be subject to a lock-up period of 60 months from the date of issue of such Placement A Shares. Any additional Guotai Junan A Shares acquired by the Subscriber as a result of certain circumstances including bonus issues or conversion of capital reserves into share capital with respect to the Placement A Shares shall also be subject to the aforementioned lock-up period. Upon expiry of the lock-up period, transfers of the Placement A Shares shall be conducted in accordance with relevant rules of the CSRC and the SSE.

The aforementioned lock-up period shall be adjusted from time to time according to the latest requirements of the CSRC and the SSE.

The Subscriber undertook to comply with the lock-up provisions as set out above.

We noted from 《證券公司行政許可審核工作指引第10號—證券公司增資擴股和股權變更》(Guidelines for Administrative Licensing Review of Securities Companies No. 10 – Capital Increase and Equity Change of Securities Companies*) that, the participating shareholders (入股股東) (who is the controlling shareholder of the securities company, or shareholder controlled by it or its de facto owner) shall not transfer their shares in the securities company within 60 months from the date of obtaining such shares.

Based on the above, the lock-up arrangement under the Proposed Placement is in compliance with the relevant requirement by PRC regulations. Hence, we consider such lock-up arrangement under the Proposed Placement to be justifiable.

Accumulated undistributed profits arrangement

Any accumulated profits of Guotai Junan Securities which remain undistributed prior to the date of issue of the Placement A Shares shall be for the benefit of the shareholders of the Post-Merger Company as a whole.

Our conclusion on terms of the Proposed Placement

Having reviewed and considered the terms of the Proposed Placement, in particular the key terms as listed above (including the Issue Price being fair and reasonable, lock-up arrangement to be justifiable; and no abnormal term observed), we are of the view that the terms of the Proposed Placement are on normal commercial terms and are fair and reasonable.

3. Possible dilution effect on the shareholding interests of the public shareholders

With reference to the shareholding table in the section headed “(3) Shareholding Structure Chart before and after the Proposed Merger and Proposed Placement” of “Terms and Information of the Proposed Merger and the Proposed Placement” of the Joint Circular, the shareholding interests of the Shareholders other than Shanghai International in the Post-Merger Company (the “**Other Post-Merger Company Shareholders**”) would be diluted by approximately 2.93 percentage points from approximately 82.53% immediately after the Closing Date to approximately 79.60% immediately after the Proposed Placement (assuming that 626,174,076 Placement A Shares will be issued under the Proposed Placement and none of the Guotai Junan Dissenting Shareholders nor Haitong Dissenting Shareholders exercise their respective Guotai Junan Put Option and Haitong Put Option).

Nonetheless, in view of (i) the reasons for and the possible benefits of the Proposed Placement (i.e. (a) the Proposed Placement is an appropriate fund raising method currently available to the Guotai Junan Group; (b) the proposed use of proceeds from Proposed Placement is fair and reasonable; and (c) the Proposed Placement by the Subscriber (being a wholly-owned subsidiary of Shanghai International) demonstrated Shanghai International’s confidence in the prospects of the Post-Merger Company); and (ii) the terms of the Proposed Placement being fair and reasonable, we are of the view that the aforementioned level of dilution to the shareholding interests of the Other Post-Merger Company Shareholders was acceptable.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Proposed Placement are on normal commercial terms and are fair and reasonable; and (ii) although the Proposed Placement is not conducted in the ordinary and usual course of business of the Guotai Junan Group, it is in the interests of the Guotai Junan Group and the Guotai Junan Shareholders as a whole. Accordingly, we recommend the Guotai Junan IBC to advise the Independent Guotai Junan Shareholders to vote in favour of the resolutions in relation to the Proposed Placement to be proposed at the Guotai Junan EGM and we recommend the Independent Guotai Junan Shareholders to vote in favour of the resolutions 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 around 30 years of experience in investment banking industry.