



**Guotai Junan Securities Co., Ltd.**  
**國泰君安証券股份有限公司**

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

*Executive Directors:*

Mr. ZHU Jian

Mr. LI Junjie

*Non-executive Directors:*

Mr. LIU Xinyi

Ms. GUAN Wei

Mr. ZHONG Maojun

Mr. CHEN Hua

Mr. SUN Minghui

Mr. ZHANG Manhua

Mr. WANG Tao

Mr. CHEN Yijiang

*Registered Office:*

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*Independent Non-executive Directors:*

Mr. DING Wei

Mr. LI Renjie

Mr. BAI Wei

Mr. WANG Guogang

Mr. YIM, Chi Hung Henry

Mr. PU Yonghao

22 November 2024

Dear Sir or Madam,

**(1) PROPOSED MERGER AND SHARE EXCHANGE OF  
GUOTAI JUNAN SECURITIES AND HAITONG SECURITIES;  
(2) MAJOR TRANSACTION AND SPECIFIC MANDATE  
FOR GUOTAI JUNAN SECURITIES TO ISSUE A SHARES AND H SHARES  
FOR THE PROPOSED MERGER;  
(3) CONNECTED TRANSACTION AND SPECIFIC MANDATE FOR  
THE CONCURRENT ISSUANCE OF A SHARES BY GUOTAI JUNAN SECURITIES  
UNDER THE PROPOSED PLACEMENT;  
AND  
(4) NOTICE OF THE GUOTAI JUNAN EGM**

**1. INTRODUCTION**

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. Guided by the principles of combining the strengths of two well-recognised and renowned businesses in the sector, achieving synergies and implementing a merger of equals, Guotai Junan Securities and Haitong Securities are proposing to merge by way of absorption and a share-for-share exchange. Through the Proposed Merger, Guotai Junan Securities and Haitong Securities are committed to enriching the advancement of the financial system and services of China and the promotion of Shanghai's strategic role as an international financial centre, and becoming a global leader in terms of strategic capabilities, professionalism, corporate governance, compliance, risk management, talents and industry culture, by benchmarking with international peers. Upon implementation, the Proposed Merger will take the form of a merger by absorption by Guotai Junan Securities issuing, on the basis of a single Exchange Ratio, Guotai Junan A Shares and Guotai Junan H Shares to all the holders of Haitong A Shares and Haitong H Shares, respectively, in exchange for all of the issued shares of Haitong Securities. To raise ancillary fundings to increase the capital, support the development for business lines of the Post-Merger Company and replenish the working capital, the Proposed Placement will be undertaken concurrently with the Share Exchange.

Upon Closing, the Post-Merger Company will assume all assets, liabilities, businesses, employees, contracts, qualifications and all other rights and obligations of Haitong Securities. Following Closing, the Post-Merger Company will adopt a new company name and will implement a series of measures to establish a new corporate governance and management structure, development strategy and corporate culture in accordance with Applicable Laws and the specific circumstances of the Proposed Merger.

The purpose of this Joint Circular is to provide you with, amongst other things:

- (a) further details of the Merger Agreement, the Proposed Merger and other matters in relation to the Proposed Merger;
- (b) relevant information in relation to the Post-Merger Company;
- (c) further details in relation to the grant of a specific mandate to the Guotai Junan Board for the issue of Guotai Junan A Shares and Guotai Junan H Shares for the Proposed Merger and the Proposed Placement;
- (d) a letter of advice issued by the Guotai Junan IFA to the Guotai Junan IBC and the Independent Guotai Junan Shareholders in respect of the Proposed Placement;
- (e) recommendations and advice from the Guotai Junan IBC in respect of the Proposed Placement; and
- (f) a notice for the Guotai Junan EGM to be convened to consider and, if thought fit, approve the Merger Agreement, the Proposed Merger, the Proposed Placement and the relevant arrangements.

## **2. TERMS AND INFORMATION OF THE PROPOSED MERGER AND THE PROPOSED PLACEMENT**

Key terms and information of the Proposed Merger and the Proposed Placement are set out in the section headed “Terms and Information of the Proposed Merger and the Proposed Placement” in this Joint Circular, which forms part of this letter. This letter should be read in conjunction with the full text of the section headed “Terms and Information of the Proposed Merger and the Proposed Placement” in this Joint Circular.

## **3. RESOLUTIONS AT THE GUOTAI JUNAN EGM IN RELATION TO THE PROPOSED MERGER AND THE PROPOSED PLACEMENT**

Guotai Junan Board has resolved to propose at the Guotai Junan EGM to approve the proposals of the Proposed Merger and the Proposed Placement, details of which are set out below:

- (1) To consider and approve that the Proposed Merger and the Proposed Placement have complied with the requirements of the relevant laws and regulations in relation to the material asset restructuring of listed companies pursuant to the PRC Company Law, the PRC Securities Law, the Administrative Measures for Restructuring, the Administrative Measures for the Registration of Securities Offering by Listed Companies, the Guideline No. 9 for the Regulation of Listed Companies – Regulatory Requirements for Listed Companies’ Planning and Implementation of Material Asset Restructurings, the Guideline No. 6 of Shanghai Stock Exchange for Self-Regulation Rules for Listed Companies – Material Asset Restructuring, the Rules of the Shanghai Stock Exchange on Review of Material Asset Restructuring of Listed Companies and the requirements of relevant laws and regulations.
- (2) To consider and approve the proposal of the Proposed Merger and the Proposed Placement and related transaction:

### ***Details of the Proposed Merger***

- (a) **Parties to the Proposed Merger:** Guotai Junan Securities and Haitong Securities.
- (b) **Method of the Proposed Merger:** the Proposed Merger will be implemented by Guotai Junan Securities merging with Haitong Securities by way of absorption and a share-for-share exchange, namely: 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; 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; and the Haitong A Shares and Haitong H Shares will be cancelled and Haitong Securities will be delisted.

- (c) **Class and par value of the Guotai Junan Shares to be issued upon Share Exchange:** Guotai Junan Securities will issue Guotai Junan A Shares (with a RMB denominated par value of RMB1.00 each) to the Haitong Share-Exchange Shareholders holding A shares; and Guotai Junan H Shares (with a RMB denominated par value of RMB1.00 each) to the Haitong Share-Exchange Shareholders holding H shares.
- (d) **Share Exchange targets and Record Date for Share Exchange:** the targets of the Share Exchange are all registered Haitong Shareholders on the register of shareholders after market closes on the Record Date for Share Exchange. As at the Record Date for Share Exchange, Haitong A Shares and Haitong H Shares held by those Haitong Shareholders who have not declared, have partially declared, have been ineligible to declare or have invalidly declared the exercise of the Haitong Put Option, and Haitong A Shares and Haitong H Shares held by the Haitong Put Option Provider(s) following their provision of the Haitong Put Option will be exchanged into Guotai Junan A Shares and Guotai Junan H Shares issued for Proposed Merger based on the Exchange Ratio.
- (e) **Exchange price and Exchange Ratio:** After deducting the Guotai Junan 2024 Interim Dividend and Haitong 2024 Interim Dividend from the Market Reference Prices respectively, the exchange price of Guotai Junan A Shares is RMB13.83 per share and the exchange price of Haitong A Shares is RMB8.57 per share, which leads to the Exchange Ratio of 0.62:1 (rounded to two decimal places); and the exchange price of Guotai Junan H Shares is HK\$7.73 per share and the exchange price of Haitong H Shares is HK\$4.79 per share, being the Exchange Ratio multiplied by the exchange price of Guotai Junan H Shares.
- (f) **Number of Guotai Junan Shares to be issued under the Share Exchange:** based on the Exchange Ratio, Guotai Junan Securities will issue 5,985,871,332 Guotai Junan A Shares and 2,113,932,668 Guotai Junan H Shares for the Share Exchange.
- (g) **Place of listing of the Guotai Junan Shares to be issued under the Share Exchange:** the Guotai Junan A Shares to be issued under the Share Exchange will be listed and traded on the main board of the SSE; and the Guotai Junan H Shares to be issued under the Share Exchange will be listed and traded on the main board of the Hong Kong Stock Exchange.
- (h) **Arrangements for Haitong Share-Exchange Shareholder who holds Haitong Shares with Share Restrictions:** for Haitong Shares that are subject to pledges, freezing orders, or other legal restrictions on transfer, such Haitong Shares will be converted into Guotai Junan Shares during the Share Exchange. The pledge, freezing orders or other restrictions will continue to be effective on the corresponding Guotai Junan Shares upon the Share Exchange. The

treasury Haitong A Shares will be exchanged for Guotai Junan A Shares under the Share Exchange and the Proposed Merger and will become treasury shares of the Post-Merger Company upon Closing.

- (i) **Protection mechanism for the interests of Guotai Junan Dissenting Shareholders:** to protect the interests of the Guotai Junan Shareholders, Guotai Junan Put Options will be granted to the Guotai Junan Dissenting Shareholders, details of which are set out in the paragraph headed “2. Terms of the Proposed Merger – (3) Put Options and Dissenting Shareholders who Exercise the Put Options” under the section headed “Terms and Information of the Proposed Merger and the Proposed Placement” in this Joint Circular.
- (j) **Protection mechanism for the interests of Haitong Dissenting Shareholders:** to protect the interests of the Haitong Shareholders, Haitong Put Options will be granted to the Haitong Dissenting Shareholders, details of which are set out in the paragraph headed “2. Terms of the Proposed Merger – (3) Put Options and Dissenting Shareholders who Exercise the Put Options” under the section headed “Terms and Information of the Proposed Merger and the Proposed Placement” in this Joint Circular.
- (k) **Disposal of creditors’ rights and debts involved in the Proposed Merger and the Proposed Placement:** Guotai Junan Securities and Haitong Securities will comply with the relevant procedures relating to creditors’ notification and announcement in accordance with the relevant laws and regulations. Guotai Junan Securities and Haitong Securities will, in accordance with the requests raised by their respective creditors within the statutory period, either make or provide or cause a third party to make or provide, early repayment or guarantee to its creditors for such indebtedness in accordance with relevant applicable laws and regulations.
- (l) **Transfer of assets:** the ownership of all assets of Haitong Securities (including but not limited to all land, real estate, trademarks, patents, software copyrights, franchise rights, projects under construction and other assets) and the rights, interests, liabilities and obligations related to it shall be enjoyed and borne by the Post-Merger Company upon Closing.
- (m) **Arrangements for employees:** following Closing, the employment contracts of all employees of Guotai Junan Securities (including those of its branches and business departments) will continue with the Post-Merger Company and the employment contracts of all employees of Haitong Securities (including those of its branches and business departments) will be assumed by and continue with the Post-Merger Company.

- (n) **Arrangements for Transitional Period:** during the Transitional Period, except for matters that have been agreed in writing in advance, have been, or should have been known, to Guotai Junan Securities and Haitong Securities, Guotai Junan Securities and Haitong Securities shall maintain stability in their assets, businesses, employees and operations and operate independently in accordance with their past practices and operating methods. Guotai Junan Securities and Haitong Securities will not make any significant decisions that are inconsistent with its ordinary course of business nor engage in any activities that may give rise to significant debts, obligations, or liabilities, and that may have a material adverse effect on their operations and financial condition.
  
- (o) **Arrangements for profit distribution and accumulated profits:** save for the Guotai Junan 2024 Interim Dividend and Haitong 2024 Interim Dividend, before the Closing Date, Guotai Junan Securities and Haitong Securities shall not undertake any ex-rights or ex-dividend actions such as distribution of profits, conversion and capitalisation of reserves into share capital and rights issues. Any accumulated profits of Guotai Junan Securities and Haitong Securities which remain undistributed as at the Closing Date shall be shared for the benefit of the new and existing shareholders of the Post-Merger Company as a whole according to their shareholding ratio. After the Closing Date, the Post-Merger Company will consider and make arrangements for decisions on the profit distribution related matters by taking into account factors including net profits for the year and cashflow requirements as a whole.

#### *Details of the Proposed Placement*

- (a) **Fundraising amount under the Proposed Placement:** up to RMB10 billion.
  
- (b) **Class and par value of the Placement A Shares:** the Placement A Shares are A shares with a RMB denominated par value of RMB1.00 each.
  
- (c) **Pricing basis, date of pricing and issue price of the Placement A Shares:** the date of pricing of the Placement A Shares is the date of the announcement of the resolutions of the 28th extraordinary meeting of the sixth session of the Board of Guotai Junan Securities. The issue price is determined on the basis that it shall not be lower than (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 pricing, and (b) the net asset value per share attributable to ordinary shareholders of the parent company based on the audited consolidated financial statements of the most recent financial year as at the date of the pricing. The net asset value per share will be adjusted accordingly if there is an ex-rights or ex-dividend event from the balance sheet date to the issue date. According to such pricing basis, after deducting the Guotai Junan 2024 Interim Dividend and Guotai Junan 2023 Final Dividend, the issue price has been set at a fixed price of RMB15.97 per Placement A Share.

- (d) **Issuance targets and method of subscription of the Proposed Placement:** the Subscriber will subscribe for all the Placement A Shares in cash.
- (e) **Number of the shares to be issued under the Proposed Placement:** up to RMB10 billion and up to 626,174,076 Placement A Shares based on the issue price which has been set at a fixed price of RMB15.97 per Placement A Share.
- (f) **Place of listing of the Placement A Shares:** upon expiry of the lock-up period, Placement A Shares will be listed and circulated on the main board of the SSE.
- (g) **Lock-up period for the Placement A Shares:** 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 completion date of the issue of the Placement A Shares, except for transfer permitted by applicable laws. Any additional shares as a result of certain circumstances including bonus issues or conversion of capital reserves into share capital shall also be subject to the aforementioned lock-up period.
- (h) **Use of proceeds of the Proposed Placement:** intended to be used for purposes including international business, trading and investment business, digitalisation and replenishing working capital (after deducting intermediaries' fees, the transaction taxes and other expenses related to the Proposed Merger and the Proposed Placement).
- (i) **Arrangements for profit distribution and accumulated profits:** any accumulated profits which remain undistributed prior to the completion of the Proposed Placement shall be for the benefit of the new and existing shareholders according to their shareholding after the Proposed Placement.

***Effective period of the resolution***

The resolution shall be effective for 12 months from the date of its approval by the general meeting.

- (3) To consider and approve the MAR Report and its extract prepared in accordance with the Administrative Measures for Restructuring, the Standards for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 26 – Material Asset Restructurings of Listed Companies and other laws and regulations requirements.
- (4) To consider and approve the execution of the Merger Agreement, which included major terms including the Proposed Merger, the Share Exchange, the Guotai Junan Put Option, the Haitong Put Option, the arrangements during the Transitional Period, the disposal of debts involved in the Proposed Merger, the arrangement for employees, Closing of the Proposed Merger, effectiveness and termination of the Merger Agreement, liabilities for breach of the Merger Agreement, governing law and dispute resolutions.

- (5) To consider and approve the execution of the Placement Subscription Agreement, which included major terms such as the Proposed Placement, payment of issue price, completion of the Proposed Placement, lock-up, effectiveness of the Placement Subscription Agreement, and liabilities for breach of Placement Subscription Agreement.
- (6) To consider and approve that the Proposed Merger and the Proposed Placement constitute material asset restructuring of Guotai Junan Securities pursuant to the 2023 audit reports of Guotai Junan Securities and Haitong Securities and the deal size of the Proposed Merger and the Proposed Placement.
- (7) To consider and approve that the Proposed Merger does not constitute a related party/connected transaction of Guotai Junan Securities; while the Proposed Placement constitutes a related party transaction of Guotai Junan Securities and a connected transaction of Guotai Junan Securities under the Hong Kong Listing Rules.
- (8) To consider and approve that the Proposed Merger and the Proposed Placement have complied with the requirements under sections 11 and 43 of the Administrative Measures for Restructuring.
- (9) To consider and approve that the Proposed Merger and the Proposed Placement have complied with the requirements under section 4 of the Guideline No. 9 for the Regulation of Listed Companies – Regulatory Requirements for Listed Companies’ Planning and Implementation of Material Asset Restructurings.
- (10) To consider and approve that the Proposed Merger and the Proposed Placement do not constitute restructuring for listing under section 13 of the Administrative Measures for Restructuring as there is no change in control of Guotai Junan Securities as a result of the Proposed Merger and the Proposed Placement.
- (11) To consider and approve the completeness and compliance of the legal procedures and the validity of the legal documents submitted with respect to the Proposed Merger and the Proposed Placement.
- (12) To consider and approve that the relevant parties of the Proposed Merger and the Proposed Placement do not fall under prohibition to participate in any material asset restructuring of listed companies under section 12 under the Guideline No. 7 for the Regulation of Listed Companies – Regulation of the Abnormal Trading of Stocks Relating to the Material Asset Restructurings of Listed Companies and section 30 under the Guideline No. 6 of Shanghai Stock Exchange for Self-Regulation Rules for Listed Companies – Material Asset Restructuring.

- (13) To consider and approve that the Proposed Merger and the Proposed Placement have complied with section 11 of the Administrative Measures for the Registration of Securities Offering by Listed Companies.
- (14) To consider and approve that there were no purchases or sales of assets that need to be included in the cumulative calculation of relevant indicators for the Proposed Merger and the Proposed Placement within the 12 months before the Proposed Merger and the Proposed Placement.
- (15) To consider and approve the review report of the pro forma consolidated financial statements of the Enlarged Group for the year ended 31 December 2023 and the nine months ended 30 September 2024 issued by KPMG Huazhen LLP, and the assurance report on the unaudited pro forma financial information of the Enlarged Group as at 31 December 2023 issued by KPMG in relation to the Proposed Merger and the Proposed Placement.
- (16) To consider and approve the Orient Securities Valuation Report in relation to the Proposed Merger and the Proposed Placement, prepared in accordance with the Administrative Measures for Restructuring and other applicable PRC rules and regulations, the full text of which is set out in the Material Information Announcement published by Guotai Junan Securities.
- (17) To consider and approve the independence of Orient Securities as the valuer, the reasonableness of the assumptions adopted and the relevance between the method and purpose of valuation, and the fairness of the valuation.
- (18) To consider and approve the dilution of current returns, remedial measures and undertakings from relevant entities in relation to the Proposed Merger and the Proposed Placement, details of which are set out under paragraph headed “Dilution of current returns, remedial measures and undertakings from relevant entities in relation to the Proposed Merger and the Proposed Placement” below.
- (19) To consider and approve the Future Return Plan, details of which are set out under paragraph headed “Future dividend plan for return to the shareholders for the coming three years (2024-2026)” below.
- (20) To consider and approve the grant of authorisation at a general meeting to Guotai Junan Board and its authorised person to exercise full powers to deal with matters relating to the Proposed Merger and the Proposed Placement, details of which are set out under paragraph headed “Authorisation by Guotai Junan EGM to Guotai Junan Board and its authorised persons to exercise full powers to deal with matters relating to the Proposed Merger and the Proposed Placement” below.

- (21) To consider and approve the grant of specific mandate at a general meeting to the Guotai Junan Board to handle all matters in relation to the Share Exchange and the issue of not more than 5,985,871,332 Guotai Junan A Shares and not more than 2,113,932,668 Guotai Junan H Shares in respect of the Proposed Merger.
- (22) To consider and approve the grant of specific mandate at a general meeting to the Guotai Junan Board to handle all matters in relation to the Proposed Placement and the issue of not more than 626,174,076 Placement A Shares in respect of the Proposed Placement.

The aforesaid resolutions have been considered and approved by Guotai Junan Board and/or supervisory committee of Guotai Junan Securities (as the case may be) on 9 October 2024 and 21 November 2024 respectively and are hereby proposed at the Guotai Junan EGM as special resolutions for consideration and approval.

**Authorisation by Guotai Junan EGM to Guotai Junan Board and its authorised persons to exercise full powers to deal with matters relating to the Proposed Merger and the Proposed Placement**

Guotai Junan Board has resolved to propose that the Guotai Junan EGM authorises Guotai Junan Board and agrees that Guotai Junan Board further authorises operational management to exercise full powers to deal with all matters relating to the Proposed Merger and the Proposed Placement. The specific terms of the authorisation are set out below:

- (1) Pursuant to requests from relevant approval authorities and regulatory departments for the Proposed Merger and the Proposed Placement and the actual situation of Guotai Junan Securities, and on the condition of not going beyond the resolutions passed at the Guotai Junan EGM, to make any necessary amendments and adjustments to the proposal relating to the Proposed Merger and the Proposed Placement (other than matters which are required under relevant laws and regulations and Guotai Junan Articles to be re-voted on at the general meeting) and enter into the relevant supplemental agreement (if required);
- (2) As for the matters relating to the Proposed Merger and the Proposed Placement, on the condition of not going beyond the resolutions passed at the Guotai Junan EGM, to handle all procedures such as reviews, registration, filing, approval, consent, reporting, notification involved in the Proposed Merger and the Proposed Placement; to prepare, sign, execute, amend, submit and complete all documents related to the Proposed Merger and the Proposed Placement (including but not limited to the agreement and filing documents of the Proposed Merger and the Proposed Placement), and supplement and adjust the filed documents in accordance with the requests from relevant approval authorities or regulatory departments; carry all information disclosure matters related to the Proposed Merger and the Proposed Placement; respond to the comments or enquiries from the relevant approval authorities or regulatory departments; ratify such documents submitted, procedures

carried out and communication made with the relevant departments and bodies in relation to the Proposed Merger and the Proposed Placement prior to the date on which this resolution was approved; to make corresponding adjustments to the exchange price and Exchange Ratio due to any ex-rights or ex-dividend actions made to the Guotai Junan Shares during the period from the date of announcement of the first board resolution approving the Proposed Merger and the Proposed Placement and the Share Exchange Date and in accordance with the relevant laws and regulations or provisions or requirements of the relevant regulatory bodies, and to carry out the relevant procedures; confirm and execute the specific treatment of converting the treasury shares of Haitong Securities to the treasury shares of the Post-Merger Company in the Share Exchange in accordance with the relevant provisions of the Applicable Laws;

- (3) Determine, announce and implement the implementation proposal for the Guotai Junan Put Option of Guotai Junan Dissenting Shareholders during the merger by absorption and share exchange under the Proposed Merger, and to make corresponding adjustments to the exercise price of the Guotai Junan Put Option due to any ex-rights or ex-dividend actions or the occurrence of any adjustment to the right to have the shares acquired (if any) made to the Guotai Junan Shares between the date of determining the exchange price and the Share Exchange Date and in accordance with relevant laws and regulations or provisions or requirements of the relevant regulatory bodies;
- (4) Based on the outcome of the Proposed Merger and the Proposed Placement, handle the amendment to the relevant provisions of Guotai Junan Securities' Articles, to carry out the registration and filing procedures of the taxation, industry and commerce and other competent departments involved, and handle the application for the business qualifications and certificates (if necessary) required for the operation due to the change of business scope, and handle all registration procedures necessary for the transfer, delivery and update of assets, liabilities, businesses, interests, employees and all other rights and obligations involved in the Proposed Merger and the Proposed Placement, including execution of relevant legal documents;
- (5) Handle the execution and implementation of the protection plan of the interest of creditor in the Proposed Merger and the Proposed Placement;
- (6) Based on the actual situation, determine all matters relating to the Proposed Placement, such as the issuance size, issue price, pricing method, target and timing of issuance, date of issuance, and specific arrangements on use of proceeds, and make any necessary adjustment to the use of the Proposed Placement proceeds in accordance with the requirements of national regulations and regulatory departments and market conditions; adjust the issue price of the Proposed Placement due to any ex-rights actions made to the Guotai Junan Shares between the date of announcement of this board resolution and the issuance date;

- (7) Handle matters concerning the registration procedures with the securities registration and settlement departments for shares to be issued by Guotai Junan Securities due to the implementation of the Proposed Merger and the Proposed Placement and the listing and circulation on the SSE and the Hong Kong Stock Exchange;
- (8) Engage intermediaries involved in the Proposed Merger and the Proposed Placement, such as independent financial advisers, financial advisers, legal advisers, auditors and valuation firms; and
- (9) Carry out all actions and matters related to the implementation of the Proposed Merger and the Proposed Placement on behalf of Guotai Junan Securities that he/she/it considers necessary, relevant or appropriate.

The abovementioned authorisation shall be effective for 12 months from the date of its approval by the general meeting.

Guotai Junan Shareholder who has a material interest in the Proposed Merger and/or the Proposed Placement is required to abstain from voting on the relevant resolutions approving the Proposed Merger and/or the Proposed Placement at the Guotai Junan EGM. Subsidiaries of Guotai Junan Securities who are Guotai Junan Shareholders are required to abstain from voting on all of the special resolutions. Haitong Securities and its subsidiaries who are Guotai Junan Shareholders shall abstain from voting on the special resolutions regarding the Proposed Merger (i.e. special resolutions numbered 1, 2.1 (with all sub-resolutions thereunder), 2.3, 3, 4, 6, 8 to 21). Shanghai International and its associates shall abstain from voting on the special resolutions regarding the Proposed Placement (i.e. special resolutions numbered 2.2 (with all sub-resolutions thereunder), 5, 7, and 22).

**Dilution of current returns, remedial measures and undertakings from relevant entities in relation to the Proposed Merger and the Proposed Placement**

**A. Impact of the Proposed Merger and the Proposed Placement on the earnings per share of the Post-Merger Company**

According to Guotai Junan Securities' audited financial statements for the year ended 31 December 2023, the unaudited and unreviewed financial statements for the nine months ended 30 September 2024, the unaudited pro forma consolidated financial statements of the Enlarged Group (as disclosed in Section C of Appendix III to this Joint Circular), the changes in earnings per share of the Post-Merger Company before and after the Proposed Merger as extracted from Section C of Appendix III to this Joint Circular are shown in the following table:

Item	Nine months ended 30 September 2024		Year ended 31 December 2023	
	Before the Proposed Merger (Actual)	After the Proposed Merger (Pro forma)	Before the Proposed Merger (Actual)	After the Proposed Merger (Pro forma)
Operating revenue (RMB hundred million)	290.01	416.11	361.41	590.56
Net profit (RMB hundred million)	99.14	94.38	98.85	97.64
Net profit attributable to equity holders of the company (RMB hundred million)	95.23	86.58	93.74	106.76
Basic earnings per share (RMB/share)	1.01	0.48	0.98	0.59
Diluted earnings per share (RMB/share)	1.01	0.48	0.97	0.59

*Note:* Pro forma financial information in the above table has not considered impact of the proceeds from the Proposed Placement.

The pro forma financial information disclosed above is prepared in accordance with under the CASBE and the applicable PRC regulations but not for the purpose of compliance with the relevant requirement and local market practice in Hong Kong.

On a post-transaction basis after the Proposed Merger and the Proposed Placement, the current earnings per share of the Post-Merger Company will decrease, but the Post-Merger Company's business scale will largely increase, and its operating capability and risk tolerance capability will be significantly enhanced.

***B. Measures in response to the dilution of current returns following the Proposed Merger and the Proposed Placement***

To safeguard the interests of the Guotai Junan Shareholders, Guotai Junan Securities intends to take the following remedial measures to enhance the shareholders return capabilities and in response to the risks of the dilution of current returns following the Proposed Merger and the Proposed Placement:

*1. Expediting merger and integration, giving full play to business synergies, and improving the profitability of the Post-Merger Company*

After the completion of the Proposed Merger, the Post-Merger Company will accelerate the integration of the advantageous resources of Guotai Junan Securities and Haitong Securities in terms of customer resources, market channels, talents, licenses, information technology and business management, etc., actively optimise the business structure, explore the synergy effect, achieve strong alliances and complementary advantages, and effectively enhance its core competitiveness to accelerate the building of a first-class investment bank. Through comprehensive and efficient resource integration, the Post-Merger Company will significantly improve the quality and efficiency of the use of various assets, and further consolidate and enhance capital strength, comprehensive competitiveness, market influence and risk resistance, which will be conducive to achieving balanced growth of various businesses, improving the profitability of the Post-Merger Company, increasing the earnings per share, and improving the rate of returns for shareholders.

*2. Improving the refined management level of the Post-Merger Company and strengthening cost control capabilities*

After the completion of the Proposed Merger, the Post-Merger Company will continue to improve its refined management level, strengthen cost control, reduce operating costs, and enhance profitability. By optimising process mechanisms, improving incentive assessments, and enhancing digital intelligence, the Post-Merger Company will continue to improve operating efficiency and enhance the level of intensive development. At the same time, the Post-Merger Company will further strengthen cost control, conduct a comprehensive review of all types of expenses incurred in the process of business development and management, and strengthen effective management and control before, during, and after events to improve resource utilisation efficiency. In addition, the Post-Merger Company will reasonably use various financing tools and channels to optimise the capital structure, reduce capital costs, improve overall profitability, and enhance shareholder return capabilities.

3. *Increasing compliance risk management capabilities that are compatible with the development of the Post-Merger Company*

The Post-Merger Company will, based on its business features and operational risks level continue to build a professional and efficient compliance and risk management system. By aligning with the needs of business and development, maintaining a dynamic balance between business development and compliance risk management, and focusing on effective risk prevention and control, it will provide all-round support and services for business development in terms of risk identification and measurement, risk assessment and decision-making, risk monitoring and management, and risk response and disposal, and ensure measurable, controllable, and tolerable risks.

4. *Strictly implementing the cash dividend policy to protect the interests of investors*

The Post-Merger Company will strictly implement the cash dividend policy stipulated in the articles of association in accordance with the relevant requirements such as the Notice on Matters in relation to Further Implementing Cash Dividend of Listed Companies, the Regulatory Guidelines No. 3 for Listed Companies – Distribution of Cash Dividends of Listed Companies and Guideline No. 1 of Shanghai Stock Exchange for Self-Regulation Rules for Listed Companies – Standardized Operation, and provide investors with reasonable investment return and protect the interests of investors while maintaining healthy business development of the Post-Merger Company.

After completion of the Proposed Merger and the Proposed Placement, Guotai Junan Securities will strictly implement the articles of association and relevant cash dividend distribution policy in accordance with relevant laws and regulations to protect the interests of investors. After the Closing Date, the Post-Merger Company will comprehensively consider and arrange the profit distribution after taking into account factors such as annual operation plan, profit level and cash flow.

The formulation of the remedial measures concerning compensation for returns by Guotai Junan Securities does not represent a guarantee of Guotai Junan Securities' future profits, and investors should not rely on such measures to make investment decisions. Guotai Junan Securities shall not be held responsible for any losses incurred as a result of investors' investment decisions based on such measures.

***C. Undertakings of the directors, senior management, controlling shareholders and de facto controller of Guotai Junan Securities***

In accordance with relevant rules and regulations, the directors and senior management of Guotai Junan Securities have made the following declarations and undertakings:

- “1. Perform duties faithfully and diligently, and safeguard the legitimate rights and interests of Guotai Junan Securities and its shareholders as whole;
2. Not to transfer benefits to other entities or individuals at nil consideration or on unfair terms, or harm Guotai Junan Securities’ interests in any other manner;
3. Constrain the spending activities that are related to my duties;
4. Not to utilise Guotai Junan Securities’ assets for the purpose of investment and spending activities that are not related to the performance of my duties;
5. Use my best efforts to procure that the remuneration system developed by the Guotai Junan Board or the remuneration appraisal and nomination committee will be linked to the implementation of the Guotai Junan Securities’ measures to compensate for returns;
6. If Guotai Junan Securities is to adopt an equity incentive plan in the future, to use my best efforts to procure that the conditions for the exercise of the equity incentive to be announced by Guotai Junan Securities will be linked to the implementation of the measures of Guotai Junan Securities concerning compensation for returns;
7. From the date when the undertakings are made to the completion of Guotai Junan Securities’ implementation of the Proposed Merger and the Proposed Placement, if the regulatory authority has made other requirements with respect to the measures concerning compensation for returns and the relevant regulations imposed on such undertaking, and the above undertakings cannot meet such new regulatory requirements of the regulatory authority, I promise to make a supplementary undertaking in accordance with the relevant requirements; and
8. I undertake that I will earnestly implement the measures of Guotai Junan Securities concerning compensation for returns and my commitments thereon, and if any loss is incurred to Guotai Junan Securities or investors due to my violation of such commitments, I am willing to be liable for compensation to Guotai Junan Securities or investors in accordance with the laws.”

Shanghai SA (the controlling shareholder of Guotai Junan Securities) and Shanghai International (the de facto controller of Guotai Junan Securities) have made the following declarations and undertakings:

- “1. Not to act beyond its authority and interfere with the operation and management of Guotai Junan Securities, or to encroach on the interests of Guotai Junan Securities;
2. We undertake that we will earnestly implement our relevant commitments made, and if any loss is incurred to Guotai Junan Securities or investors due to its violation of such commitments, we are willing to be liable for compensation to Guotai Junan Securities or investors in accordance with the laws.”

**Future dividend plan for return to the shareholders for the coming three years (2024-2026)**

***A. Basic principles in the formulation of the Future Return Plan***

According to Guotai Junan Securities’ strategic development plan and its sustainable development needs, having considered factors such as the actual operation and development of Guotai Junan Securities, reasonable demands of shareholders and its cash flow position, and in view of the relevant industry regulatory requirements, the requirements of its articles of association and the characteristics of the securities industry, Guotai Junan Securities will prudently determine the profit distribution plan and ensure the continuity and stability of the profit distribution policy. On the premise of meeting the regulatory requirements on net capital and the requirements for the normal operation and long-term development of Guotai Junan Securities, the Company will actively adopt dividend distribution by way of cash.

***B. Key factors considered in the formulation of the Future Return Plan***

The Future Return Plan is formulated based on a comprehensive analysis of the actual operation and development, the requests and willingness of shareholders, the social capital cost, the external financing environment and other factors, having fully considered Guotai Junan Securities’ current and future profitability, cash flow position, development stage, funding requirement for operation and development, net capital requirement and external financing environment.

***C. Details of the Future Return Plan***

***(a) Order for profit distribution***

The Company is required to distribute each year’s after-tax profits in the following order:

1. To cover the losses incurred in the previous year;
2. To allocate 10% of its profits into its statutory surplus reserve;

3. To withdraw general risk reserve to cover the losses and transaction risk reserve to cover securities operation loss in accordance with the laws, regulations or regulatory requirements;
4. Subject to the passing of resolutions at a general meeting, to withdraw discretionary surplus reserve from after-tax profit;
5. Pay dividends to shareholders.

When the cumulated amount of the statutory surplus reserve of the Company has reached 50% or more of its registered capital, no further withdrawals are required. After making up for the losses and allocations to the surplus reserve fund, statutory surplus reserve fund and discretionary surplus reserve fund, any remaining after-tax profits may be distributed to the shareholders in proportion to their respective shareholdings, except it is stipulated in the articles of association of Guotai Junan Securities that profit distributions shall not be made in accordance with the shareholding proportion. No profits shall be distributed in respect of the shares held by Guotai Junan Securities.

*(b) Conditions and proportion for profit distribution*

Guotai Junan Securities may distribute dividends in cash, in shares or in a combination of both cash and shares. Priority should be given to distributing cash dividends provided that the conditions for cash distribution are satisfied. When implementing the cash dividend distribution, Guotai Junan Securities shall consider the internal and external factors, directors' opinions and shareholders' expectations. Under the preconditions that there is no material investment plan nor significant cash expenditure, as well as the net profits being realised by Guotai Junan Securities in current year, the accumulated undistributed profits at the end of current year and the capital reserve are positive, the Guotai Junan Board shall, based on the capital of Guotai Junan Securities, suggest annual or interim cash distribution. The profit distributed in cash by Guotai Junan Securities each year (including annual and interim distributions) should not be less than 15% of the distributable profit achieved that year (after deducting fair value changes and other relevant items according to regulations). In distributing profits by shares, Guotai Junan Securities shall take into account the operation position and share capital scale and adequately consider factors such as growth, dilution to net assets per share and so on.

Guotai Junan Board should take various factors into account, including its industry features, the stage of development, its own business model, profitability and whether it has any substantial capital expenditure arrangement, to propose a differentiated policy for cash distribution. Unless otherwise stipulated in the articles of association of Guotai Junan Securities, the cash distribution each time shall not be less than 20% of the actual profit distributed.

1. Where Guotai Junan Securities is in a developed stage with no substantial capital expenditure arrangement, cash dividend shall represent at least 80% of the total profit distribution when distributing profits;
2. Where Guotai Junan Securities is in a developed stage with substantial capital expenditure arrangement, cash dividend shall represent at least 40% of the total profit distribution when distributing profits;
3. Where Guotai Junan Securities is in a developing stage with substantial capital expenditure arrangement, cash dividend shall represent at least 20% of the total profit distribution when distributing profits.

If it is difficult to determine the stage of development but there is a significant capital expenditure arrangement, profit distribution may be dealt with pursuant to the aforesaid requirements.

If Guotai Junan Securities decided not to make cash dividend or decided to make cash dividend at a ratio lower than the prescribed one under special circumstances, it shall implement the relevant decision-making procedures and make disclosure according to laws, administrative regulations, departmental rules and the provisions of the stock exchanges where the securities of Guotai Junan Securities are listed.

***D. Adjustments to the profit distribution policy***

Guotai Junan Securities may adjust the abovementioned proportion of cash dividend distribution by way of passing a resolution by two-thirds or more of the voting rights held by the shareholders who attend the shareholders' general meeting if any one of the following events takes place:

- (a) there are changes in, or adjustments to, relevant laws and regulations or regulatory requirements;
- (b) the net capital risk control indicators reach the warning levels;
- (c) the operating conditions of Guotai Junan Securities deteriorate;
- (d) the Guotai Junan Board proposes the adjustments.

Before introducing adjustment to the profit distribution plan, the Guotai Junan Board shall fully listen to opinions from independent directors, take the initiative to communicate and interact with minority shareholders through various channels, and carefully respond to questions from shareholders. When convening a shareholders' general meeting to consider adjustment to the profit distribution plan, in addition to organising on-site meeting, the Company should also allow shareholders to vote through Internet to the extent technically feasible.

#### ***E. Formulation and implementation of the profit distribution plan***

Upon passing of a resolution at the shareholders' general meeting of Guotai Junan Securities on the profit distribution plan, or after the Guotai Junan Board having formulated a specific plan in line with the interim dividend conditions and caps for the next year which have been considered and approved at an annual general meeting, the dividend (or share) distribution shall be completed within two months.

#### **4. CONNECTED TRANSACTIONS OF THE POST-MERGER COMPANY**

Upon completion of the Proposed Merger, (i) Shanghai International, the controlling shareholder of Guotai Junan Securities, will continue to be a substantial shareholder (as defined under the Hong Kong Listing Rules) of the Post-Merger Company, and (ii) HuaAn Funds, a connected subsidiary of Guotai Junan Securities, will continue to be a connected subsidiary of the Post-Merger Company. As a result, transactions entered into by Shanghai International or HuaAn Funds and their respective associates with Guotai Junan Group or Haitong Group will become connected transactions of the Post-Merger Company upon completion of the Proposed Merger. The Post-Merger Company will comply with the Hong Kong Listing Rules in respect of these connected transactions.

#### **5. COMPETITION IMPLICATIONS OF THE PROPOSED MERGER ON THE POST-MERGER COMPANY**

Reference is made to the prospectus dated 25 June 2010 of Guotai Junan International (stock code: 01788), a non-wholly-owned subsidiary of Guotai Junan Securities. As disclosed in such prospectus, certain non-competition undertakings were given by Guotai Junan Securities (and two of its wholly-owned subsidiaries) in favour of Guotai Junan International pursuant to a deed of non-competition (the “**Non-competition Deed**”) with Guotai Junan International on 19 June 2010, pursuant to which Guotai Junan Securities and the two subsidiaries have undertaken not to compete with Guotai Junan International and its subsidiaries (“**GJ International Group**”) with respect of their brokerage business in Hong Kong and/or any other jurisdictions (excluding Mainland China) and other regulated businesses in Hong Kong. GJ International Group currently operates brokerage business in Hong Kong, Macau, Singapore, and Vietnam, and other regulated businesses in Hong Kong including but not limited to businesses involving Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO.

Upon Closing, the Post-Merger Company will assume all assets, liabilities, businesses, employees, contracts, qualifications and all other rights and obligations of Haitong Securities. Haitong Securities currently operates, through its subsidiaries, brokerage business in Hong Kong and other overseas jurisdictions including but not limited to Singapore, and the US, other regulated businesses in Hong Kong including but not limited to businesses involving Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO (the “**Overlapping Businesses**”). The Overlapping Businesses are primarily operated by Haitong Securities through Haitong International Securities Group Limited and its subsidiaries.

The respective revenue contribution of the relevant businesses of GJ International Group and the Overlapping Businesses to the historical aggregated revenue of Guotai Junan Group and Haitong Group in 2023 was less than 3%.

Given, among others, the nature and market share of the relevant businesses and competition landscape in relevant markets, there is not expected to be any material or substantial competition between the Overlapping Businesses and GJ International Group's relevant businesses. Having considered, among others, the overall objective of, and the business of the companies involved in, the Proposed Merger, and the insignificance of any potential competition, after arm's length discussions in good faith between Guotai Junan Securities and Guotai Junan International, at this stage the two parties have reached mutual understandings that it is (1) in the best interests of the two companies and their respective shareholders for the two parties to continuously gather relevant facts and evaluate the situation, and reach a solution after Closing, taking into account relevant factors such as regulatory requirements, financial implications, operational efficiencies, and strategic alignments, and (2) with the transitional arrangements as further described below in place to protect Guotai Junan International's interest, and the mutual understandings reached by the boards of both companies, Guotai Junan Securities is not expected to incur any liability for any default under the Non-competition Deed due to the Proposed Merger. It would not be in the best interest of Guotai Junan International and Guotai Junan Securities and their respective shareholders for the two companies to prematurely agree to any specific arrangement with respect to the Overlapping Businesses at this stage.

On 21 November 2024, Guotai Junan Securities issued a non-competition undertaking letter in favour of Guotai Junan International undertaking that it shall, within five years from the Closing, resolve any competition concerns between relevant subsidiaries of the Post-Merger Company and GJ International Group through methods in compliance with the Applicable Laws and permitted by regulatory authorities, including but not limited to asset restructuring and business consolidation. Guotai Junan Securities further undertakes that, following the Closing, the Post-Merger Company shall not operate the Overlapping Businesses in a matter that would be less favourable to GJ International Group than under the current conditions. The above undertaking shall become effective on 21 November 2024 and automatically terminate upon occurrence of any of the followings: (1) the shares of Guotai Junan International are no longer listed on the Hong Kong Stock Exchange; or (2) the Post-Merger Company (together with its associates) is no longer a controlling shareholder of Guotai Junan International as defined under the Hong Kong Listing Rules (the "**Relevant Non-competition Period**").

In order to keep the shareholders of both Guotai Junan Securities and Guotai Junan International informed and updated on the progress of the discussions on and resolution of such matter, both companies will disclose relevant information in each forthcoming interim reports/annual reports within such five-year period according to the above undertaking until the competition issue is resolved, and make announcements according to Applicable Laws as and when appropriate.

Notwithstanding such additional non-competition undertaking, it is the mutual understanding of Guotai Junan Securities and Guotai Junan International that the Non-competition Deed still remains valid and effective. Upon Closing, the following arrangements as set out in the Non-competition Deed, among other things, will be in place to address any potential conflict of interests in respect of the Post-Merger Company's role as a controlling shareholder of both Guotai Junan International and relevant Haitong Securities' subsidiaries conducting the Overlapping Businesses:

- Guotai Junan Securities shall allow, and shall procure that its associates (other than members of GJ International Group) to allow, during the Relevant Non-competition Period, the independent non-executive directors of Guotai Junan International to review, whereas necessary, at least on an annual basis, Guotai Junan Securities' compliance with the Non-competition Deed;
- Guotai Junan Securities shall provide, and shall procure that its associates (other than members of GJ International Group) to provide, during the Relevant Non-competition Period, all information necessary for the annual review by the independent non-executive directors of Guotai Junan International without prejudicing any Applicable Laws or any contractual obligations, in making a fair and reasonable assessment of Guotai Junan Securities' and/or its associates' (other than members of GJ International Group) compliance with the Non-competition Deed and the enforcement of the Non-competition Deed by the independent non-executive directors of Guotai Junan International;
- Guotai Junan Securities shall provide to Guotai Junan International with a declaration annually for inclusion by Guotai Junan International in its annual report, in respect of its compliance with the terms of the Non-competition Deed and disclose such information in the corporate governance report under the annual report of Guotai Junan International; and
- Guotai Junan Securities shall agree and authorise Guotai Junan International to disclose decisions on matters reviewed by the independent non-executive directors of Guotai Junan International relating to the compliance and enforcement of the Non-competition Deed either through the annual report, or by way of announcements to the public.

Furthermore, upon Closing, in the event that Guotai Junan Securities or its associates (other than members of GJ International Group) were given any business opportunity that is or may involve in direct or indirect competition with the business of GJ International Group that is subject to the scope in the Non-competition Deed, Guotai Junan Securities shall inform and assist GJ International Group in obtaining such business opportunity on the same or more favourable terms being acceptable to GJ International Group. In the event that the board of Guotai Junan International (including all independent non-executive directors but excluding any directors with conflicted interests) decides not to take up such business opportunity within a commercially reasonable period, Guotai Junan Securities and its associates (other than members of GJ International Group) may take up such business opportunity.

In addition to the above contractual arrangements, given any transactions between GJ International Group and the Enlarged Group (including entities operating the Overlapping Businesses) would constitute connected transactions of GJ International Group as defined under the Hong Kong Listing Rules upon Closing, any such transactions would be subject to the reporting, announcement and independent shareholders' approval requirements under the Hong Kong Listing Rules unless exempted, and directors having conflicted interest and the Post-Merger Company would be required to abstain from voting on relevant resolutions approving such transactions on board and general meetings, as the case may be. Such mechanism provided under the Hong Kong Listing Rules will further address any issue of potential conflict of interests in respect of the Post-Merger Company's role as a controlling shareholder of both Guotai Junan International and relevant Haitong Securities' subsidiaries conducting the Overlapping Businesses upon Closing.

## **6. EQUITY FUNDRAISING ACTIVITIES IN THE PAST 12 MONTHS**

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.

## **7. IMPLICATIONS UNDER THE TAKEOVERS CODE FOR GUOTAI JUNAN SECURITIES**

As at the Latest Practicable Date, Guotai Junan Securities indirectly holds approximately 73.85% of the total issued shares of Guotai Junan International. Accordingly, Guotai Junan International is an indirect non-wholly-owned subsidiary of Guotai Junan Securities. Based on information available as at the Latest Practicable Date, Shanghai International will not acquire statutory control over Guotai Junan Securities after Closing and completion of the Proposed Placement. As such, no obligation to make a mandatory general offer under Note 8 to Rule 26.1 of the Takeovers Code will arise in respect of the shares of Guotai Junan International as a result of the Proposed Merger and the Proposed Placement.

## **8. IMPLICATIONS UNDER THE HONG KONG LISTING RULES FOR GUOTAI JUNAN SECURITIES**

### **For the Proposed Merger**

The highest relevant percentage ratio for transaction classification under the Hong Kong Listing Rules in respect of the Proposed Merger and the issue and exchange of Guotai Junan A Shares and Guotai Junan H Shares pursuant to the Proposed Merger is more than 25% but less than 100%. As a result, the Proposed Merger will constitute a major transaction for Guotai Junan Securities under Rule 14.06(3) of the Hong Kong Listing Rules. Further, pursuant to Rules 13.36 and 19A.38 of the Hong Kong Listing Rules and the Guotai Junan Articles, the issue of the new Guotai Junan H Shares and Guotai Junan A Shares pursuant to the Proposed Merger will be pursuant to a specific mandate which requires approval by special resolution by a majority of not less than two-thirds of the votes cast by way of poll by the Guotai Junan Shareholders at the Guotai Junan EGM. Pursuant to the Hong Kong Listing Rules, any Guotai

Junan Shareholder who has a material interest in the Proposed Merger is required to abstain from voting on the resolutions to approve the Proposed Merger at the Guotai Junan EGM. As at the Latest Practicable Date, Haitong Securities (and its subsidiaries) are Guotai Junan Shareholders and hold approximately 0.08% of the total issued shares of Guotai Junan Securities in its ordinary course of business, and HuaAn Funds, a subsidiary of Guotai Junan Securities, holds approximately 0.09% of the total issued shares of Guotai Junan Securities in its ordinary course of business. As such, Haitong Securities and its subsidiaries and HuaAn Funds are required to abstain from voting on the relevant resolutions at the Guotai Junan EGM. Other than Haitong Securities and its subsidiaries and HuaAn Funds, to the best of the Guotai Junan Board's knowledge, information and belief having made all reasonable enquiries, there is no other Guotai Junan Shareholder who has a material interest in the Proposed Merger and is required to abstain from voting on the relevant resolutions approving the Proposed Merger at the Guotai Junan EGM.

The Proposed Merger will not result in a change of control of Guotai Junan Securities.

As of the Latest Practicable Date, Haitong Securities and its subsidiaries are third parties independent of Guotai Junan Securities and are not connected persons of Guotai Junan Securities for the purposes of the Hong Kong Listing Rules. Therefore, the Proposed Merger does not constitute a connected transaction of Guotai Junan Securities as defined under the Hong Kong Listing Rules.

***Waiver from strict compliance with Rules 14A.36 and 14A.39 of the Hong Kong Listing Rules in respect of the issuance of Guotai Junan A Shares to HuaAn Funds in connection with the Proposed Merger***

As of the Latest Practicable Date, HuaAn Funds, a subsidiary of the Guotai Junan Securities, (i) is indirectly owned as to 32% by Shanghai International through its associates and therefore is a connected subsidiary of Guotai Junan Securities; and (ii) is interested in an aggregate of 18,119,372 Haitong A Shares because of its status as a manager of index tracking funds which held Haitong A Shares on a non-discretionary basis in its index tracking fund management business. The issue of shares by Guotai Junan Securities to HuaAn Funds as a shareholder of Haitong Securities in connection with the Proposed Merger and the Share Exchange constitutes a connected transaction.

Guotai Junan Securities has applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with Rules 14A.36 and 14A.39 of the Hong Kong Listing Rules relating to the shareholders' approval requirement, the setting up of an independent board committee and the appointment of an independent financial adviser in respect of the issuance of Guotai Junan A Shares to HuaAn Funds in connection with the Proposed Merger on the following bases:

- (i) **Passive holding of Haitong A Shares.** HuaAn Funds was interested in Haitong A Shares solely because of its status as a manager of index tracking funds which hold Haitong A Shares on a non-discretionary basis in its index tracking fund management business. HuaAn Funds is unable to exercise discretion on dealings in Haitong A Shares when managing the index tracking funds.

- (ii) **Customarily not exercising voting rights as an index tracking fund manager and not entitled to vote for the Proposed Merger.** As an index tracking fund manager, HuaAn Funds does not exercise voting rights over the shares held by its managed index tracking fund portfolios. Hence, HuaAn Funds is unable to influence the outcome of shareholders' resolutions of any listed issuers of which it holds shares in its index tracking fund portfolio.
- (iii) **Segregated client assets.** Holdings of Haitong A Shares are treated as segregated client assets for accounting purposes. HuaAn Funds do not beneficially own or control the Haitong A Shares held under its name.
- (iv) **No economic interests obtained from the index products.** All dividends generated from the shares underlying the index tracking fund products and gathered by the exchange-traded funds (ETFs) will be paid out to its fund investors. HuaAn Funds has no economic interests over dividends declared by the listed companies under its portfolio (including Haitong Securities).

In addition, according to the Applicable Laws in the PRC and based on the terms of the Merger Agreement, should a separate resolution in relation to the issuance of Guotai Junan A Shares to HuaAn Funds in connection with the Proposed Merger be proposed and voted down at the Guotai Junan EGM, the Proposed Merger would fall through, irrespective of the voting results of all other relevant resolutions. As such, it would be prejudicial and seriously detrimental to the interests of Guotai Junan Securities, Haitong Securities and their shareholders.

Given that HuaAn Funds do not exercise voting rights of the Haitong A Shares in which it is interested, it will not become a Haitong Dissenting Shareholder and will not be eligible for exercise of the Haitong Put Option. As a result, HuaAn Funds will have to passively take part in the Share Exchange, which will be on the same terms as offered to all Haitong Share-Exchange Shareholders when the Proposed Merger becomes unconditional. On the above basis, the Guotai Junan Board including its independent non-executive directors are of the view that the issue of shares by Guotai Junan Securities to HuaAn Funds contemplated under the Proposed Merger bears no risk of conferring benefit to HuaAn Funds as a connected subsidiary.

Save as HuaAn Funds, as of the Latest Practicable Date, to the best knowledge of Guotai Junan Securities, Guotai Junan Securities is not aware of any of its connected person who is currently holding or expected to hold Haitong Shares before the Closing.

## **For the Proposed Placement**

Guotai Junan Securities proposed to approve the issuance of up to 626,174,076 Placement A Shares to the Subscriber to raise ancillary funds. The Placement A Shares will be allotted and issued under the specific mandate for the Proposed Placement and the Proposed Placement will be subject to the approval by the Independent Guotai Junan Shareholders by special resolution at the Guotai Junan EGM.

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.

Pursuant to the Hong Kong Listing Rules, any Guotai Junan Shareholder who has a material interest in the Proposed Placement is required to abstain from voting on the resolution to approve the Proposed Placement at the Guotai Junan EGM. Shanghai International (the controlling shareholder of Guotai Junan Securities and the Subscriber) and its associates, and HuaAn Funds (a subsidiary of Guotai Junan Securities and which holds Guotai Junan Shares), are required to abstain from voting on the relevant resolutions at the Guotai Junan EGM. Other than the above Guotai Junan Shareholders, to the best of the Guotai Junan Board's knowledge, information and belief having made all reasonable enquiries, there is no other Guotai Junan Shareholder who has a material interest in the Proposed Placement and is required to abstain from voting on the relevant resolutions approving the Proposed Placement at the Guotai Junan EGM.

## **9. GUOTAI JUNAN IBC AND GUOTAI JUNAN IFA FOR THE PROPOSED PLACEMENT**

The Guotai Junan Board and the supervisory committee of Guotai Junan Securities approved the Proposed Merger and the Proposed Placement and its related matters at its respective board and supervisory committee meeting held on 9 October 2024. As Mr. LIU Xinyi, Ms. GUAN Wei, Mr. ZHONG Maojun and Mr. CHEN Hua, all being non-executive directors of Guotai Junan Securities, were nominated by Shanghai International, they have abstained from voting on the resolutions relevant to the Proposed Placement at the Guotai Junan Board meeting on 9 October 2024. The approval of the resolutions of the Proposed Merger and the Proposed Placement will have a validity period of 12 months from the date of the relevant approvals of the Proposed Merger and the Proposed Placement at the Guotai Junan EGM.

To consider the Proposed Placement, the Guotai Junan Board has established the Guotai Junan IBC, consisting of all of the independent non-executive directors of Guotai Junan Securities, being Mr. DING Wei, Mr. LI Renjie, Mr. BAI Wei, Mr. WANG Guogang, Mr. YIM, Chi Hung Henry and Mr. PU Yonghao. The Guotai Junan IBC will advise the Independent Guotai Junan Shareholders as to: (a) whether the Proposed Placement is fair and reasonable; and (b) whether to vote in favour of the Proposed Placement at the Guotai Junan EGM. For opinions and advice of the Guotai Junan IBC, please refer to the section headed “Letter from Guotai Junan IBC” in this Joint Circular.

Guotai Junan IBC has approved and appointed Gram Capital Limited as its independent financial adviser to provide advice to the Guotai Junan IBC and the Independent Guotai Junan Shareholders in respect of the Proposed Placement. For the opinions and advice of the Guotai Junan IFA, please refer to the section headed “Letter from Guotai Junan IFA” in this Joint Circular.

## **10. GUOTAI JUNAN EGM**

Guotai Junan Securities will convene the Guotai Junan EGM for Guotai Junan Shareholders to consider and, if thought fit, approve matters including the Proposed Merger and the Proposed Placement. Details of the Guotai Junan EGM and the resolutions to be considered at such meetings will be set out in the “Notice of the 2024 Third Extraordinary General Meeting of Guotai Junan Securities” attached to this Joint Circular. Guotai Junan H Shareholders who have been registered as holders of Guotai Junan H Shares on the register of members of Guotai Junan kept by the registrar of H shares and who have completed all such necessary registration procedures by no later than 4:30 p.m. on Monday, 9 December 2024 will be entitled to attend the Guotai Junan EGM.

### **Closure of Register of Members**

Guotai Junan H Shareholders whose names are on the register of members of Guotai Junan will be entitled to attend the Guotai Junan EGM when they have completed all such necessary registration procedures by no later than 4:30 p.m. on Monday, 9 December 2024. The register of members of Guotai Junan H Shareholders will be closed from Tuesday, 10 December 2024 to Friday, 13 December 2024 (such dates inclusive), during which no registration of transfers of Guotai Junan H Shares will be processed. If applicable, holders of H shares intending to attend the Guotai Junan EGM must lodge their respective transfer documents and relevant share certificates with the H share registrar of Guotai Junan Securities, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 9 December 2024.

## **Proxy Forms**

Whether or not you intend to attend the Guotai Junan EGM, you are strongly urged to complete and return the proxy forms in accordance with the instructions printed thereon. The proxy forms should be returned as soon as possible (but in any event not less than 24 hours before the appointed time for holding the relevant meeting or any adjournment thereof). After completion and return of the proxy forms, you may still attend and vote at the relevant meetings should you so wish.

## **Voting at the Guotai Junan EGM**

Pursuant to Rule 13.39(4) of the Hong Kong Listing Rules, all resolutions will be passed by way of poll at the Guotai Junan EGM.

### ***For the Proposed Merger***

Pursuant to the Hong Kong Listing Rules, any Guotai Junan Shareholder who has a material interest in the Proposed Merger is required to abstain from voting on the resolutions to approve the Proposed Merger at the Guotai Junan EGM. As at the Latest Practicable Date, Haitong Securities (and its subsidiaries) are shareholders of Guotai Junan Securities and hold approximately 0.08% of the total issued shares of Guotai Junan Securities in its ordinary course of business, and HuaAn Funds, a subsidiary of Guotai Junan Securities, holds approximately 0.09% of the total issued shares of Guotai Junan Securities in its ordinary course of business. As such, Haitong Securities and its subsidiaries and HuaAn Funds are required to abstain from voting on the relevant resolutions at the Guotai Junan EGM. Other than Haitong Securities and its subsidiaries and HuaAn Funds, to the best of the Guotai Junan Board's knowledge, information and belief having made all reasonable enquiries, there is no other Guotai Junan Shareholder who has a material interest in the Proposed Merger and is required to abstain from voting on the relevant resolutions approving the Proposed Merger at the Guotai Junan EGM.

### ***For the Proposed Placement***

Pursuant to the Hong Kong Listing Rules, any Guotai Junan Shareholder who has a material interest in the Proposed Placement is required to abstain from voting on the resolution to approve the Proposed Placement at the Guotai Junan EGM. 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. Shanghai International (the controlling shareholder of Guotai Junan Securities and the Subscriber) and its associates, and HuaAn Funds (a subsidiary of Guotai Junan Securities and which holds Guotai Junan Shares), are required to abstain from voting on the relevant resolutions at the Guotai Junan EGM. Other than the above Guotai Junan Shareholders, to the best of the Guotai Junan Board's knowledge, information and belief having made all reasonable enquiries, there

is no other Guotai Junan Shareholder who has a material interest in the Proposed Placement and is required to abstain from voting on the relevant resolutions approving the Proposed Placement at the Guotai Junan EGM.

## **11. TAXATION AND INDEPENDENT ADVICE**

Guotai Junan Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of the Proposed Merger or the exercise of the Guotai Junan Put Option or the Proposed Placement. None of Guotai Junan Securities or any of its directors, officers or associates or any other person involved in the Proposed Merger or the Proposed Placement accepts responsibility (other than in respect of themselves, if applicable) for any taxation effects on, or liabilities of, any other persons in respect of the Proposed Merger or other implications of any exercise of the Guotai Junan Put Option or the Proposed Placement.

### **Hong Kong Stamp Duty**

In respect of the exchange of Haitong H Shares for Guotai Junan H Shares, when the Guotai Junan H Shares are issued, Haitong H Shares will be cancelled. Therefore, the Share Exchange does not involve the sale and purchase of Hong Kong stock, and in this respect only, no stamp duty will be payable pursuant to the Stamp Duty Ordinance, Chapter 117 of the Laws of Hong Kong.

For the Guotai Junan Dissenting Shareholders who exercise the Guotai Junan Put Option holding H shares, Hong Kong stamp duty is payable at the rate of 0.1% of the consideration. The stamp duty payable will be deducted from the cash received by the Qualified Guotai Junan Dissenting Shareholders who exercise the Guotai Junan Put Option.

## **12. OVERSEAS SHAREHOLDERS**

The proposal and implementation of the Proposed Merger to Guotai Junan Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Guotai Junan Shareholders are located. Such overseas Guotai Junan Shareholders should inform themselves about and observe any applicable legal, tax or regulatory requirements. It is the responsibility of any overseas Guotai Junan Shareholders wishing to take any action in relation to the Proposed Merger to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with any other necessary formalities and the payment of any issue, transfer or other taxes in such jurisdiction.

Any approval by the Guotai Junan Shareholders will be deemed to constitute a representation and warranty from such persons to Guotai Junan Securities and their advisers that those laws and regulatory requirements have been complied with. If you are in doubt as to your position, you should consult your professional advisers.

### **13. GUOTAI JUNAN DISSENTING SHAREHOLDERS WHOSE GUOTAI JUNAN H SHARES ARE HELD BY AGENT, TRUSTEE OR NOMINEE OR HELD AS COLLATERAL**

For Guotai Junan Dissenting Shareholders whose Guotai Junan H Shares are held by an agent, trustee or nominee or held as collateral, please refer to paragraph headed “15. Rights of Guotai Junan Shareholders Dissenting from the Proposed Merger whose H Shares are held by Agent, Trustee or Nominee or held as collateral” in Appendix V to this Joint Circular.

### **14. VIEWS AND RECOMMENDATION OF GUOTAI JUNAN BOARD**

Having taken into account reasons and benefits of the Proposed Merger as set out in “10. Reasons and Benefits of the Proposed Merger and the Proposed Placement” in the section headed “Terms and Information of the Proposed Merger and the Proposed Placement” in this Joint Circular, Guotai Junan Board is of the view that the terms of the Proposed Merger are fair and reasonable and in the interests of Guotai Junan Securities and its shareholders as a whole, and have been decided through arm’s length negotiations by the parties. None of the Guotai Junan Directors has material interest in the Proposed Merger and should abstain from voting for the Proposed Merger in the relevant Guotai Junan Board meeting.

Having taken into account reasons and benefits of the Proposed Placement as set out in “10. Reasons and Benefits of the Proposed Merger and the Proposed Placement” in the section headed “Terms and Information of the Proposed Merger and the Proposed Placement” in this Joint Circular, Guotai Junan Board (other than Mr. LIU Xinyi, Ms. GUAN Wei, Mr. ZHONG Maojun and Mr. CHEN Hua, all being non-executive directors of Guotai Junan Securities, who were nominated by Shanghai International and have abstained from voting on the resolutions relevant to the Proposed Placement at the Guotai Junan Board meeting, and members of the Guotai Junan IBC, whose views in relation to the Proposed Placement are given in the section headed “Letter from Guotai Junan IBC” in this Joint Circular) is of the view that the terms of the Proposed Placement are fair and reasonable and in the interests of Guotai Junan Securities and its shareholders as a whole, and have been decided through arm’s length negotiations by the parties.

Therefore, Guotai Junan Board recommends that the Guotai Junan Shareholders vote in favour of the resolutions in relation to the Proposed Merger and the Proposed Placement at the Guotai Junan EGM.

### **15. OTHER INFORMATION**

Your attention is drawn to other information set out in the Appendices to this Joint Circular.

By order of the board of  
**Guotai Junan Securities Co., Ltd.**

**ZHU Jian**  
*Chairman*

A handwritten signature in black ink, consisting of stylized Chinese characters, positioned to the right of the printed name and title.