ALTUS CAPITAL LIMITED
21 Wing Wo Street
Central, Hong Kong

Tel: (852) 2522 6122
Fax: (852) 2522 6992

November 6, 2026

To the Independent Board Committee

Guotai Junan International Holdings Limited
27/F, Low Block, Grand Millennium Plaza
No. 181 Queen's Road Central
Hong Kong

Dear Sirs,

(1) PROPOSAL FOR THE PRIVATISATION OF GUOTAI JUNAN INTERNATIONAL HOLDINGS LIMITED BY THE OFFEROR BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 673 OF THE COMPANIES ORDINANCE; AND (2) PROPOSED WITHDRAWAL OF LISTING OF THE SHARES OF GUOTAI JUNAN INTERNATIONAL HOLDINGS LIMITED

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee in respect of the Proposal (including the Scheme and the Share Option Offer). Our appointment as the independent financial adviser has been approved by the Independent Board Committee as set out in an announcement of the Company dated August 17, 2026. Details of the Proposal (including the Scheme and the Share Option Offer) are set out in the section headed "Terms of the Proposal" contained in the Scheme Document dated November 6, 2026, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context requires otherwise.

The Offeror and the Company jointly announced that, on July 22, 2026, the Offeror requested the Board, subject to the satisfaction of the Pre-Condition, to put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under Section 673 of the Companies Ordinance, involving among other things, (i) the cancellation of the Scheme Shares and, in consideration thereof, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share cancelled; and (ii) the withdrawal of listing of the Shares on the Stock Exchange. On October 30, 2026, the Offeror and the Company jointly announced that the Pre-Condition has been satisfied.

If the Scheme is approved and implemented, all the Scheme Shares will be cancelled and extinguished and the issued share capital of the Company will be restored by the issue to the Offeror, credited as fully paid, of the same number of new Shares as the number of Scheme Shares cancelled and extinguished on the Effective Date. Contemporaneously with the cancellation and extinguishment of the Scheme Shares, the reserve created in the Company's books of account as a result of any reduction in issued share capital will be applied to the paying up in full of the new Shares so issued, credited as fully paid, to the Offeror.

Upon completion of the Proposal and assuming none of the Exchangeable Bonds are exchanged into Shares after the Scheme Record Date, the Company will become a wholly-owned subsidiary of the Offeror. In the event that any Exchangeable Bonds Holder exercises the exchange right after the Scheme Record Date, such Exchangeable Bonds Holder will become a Shareholder holding unlisted Shares, and the Company will not be wholly-owned by the Offeror.

Upon satisfaction of the Pre-Condition, the implementation of the Proposal is, and the Scheme will become effective and binding on the Company and all the Scheme Shareholders subject to the satisfaction or waiver (where applicable) of the Conditions. Details of the conditions are set out in the section headed "3. Pre-Condition and Conditions of the Proposal and the Scheme" of "Part VII – Explanatory Statement" in the Scheme Document.

As at the Latest Practicable Date, none of the Conditions had been satisfied or waived. When all the Conditions are satisfied or waived (as applicable), the Scheme will be binding on all the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting and/or the EGM.

The Offeror is making an appropriate offer to the Share Option Holders in accordance with Rule 13 of the Takeovers Code, subject to and conditional upon the Scheme becoming effective. Under the Share Option Offer, the Offeror is offering the Share Option Holders the Option Offer Price (which is the "see-through" price, being the Cancellation Price minus the relevant exercise price of the outstanding Share Option) in cash for the cancellation of each outstanding Share Option they hold.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all non-executive Directors and independent non-executive Directors who have no direct or indirect interest in the Proposal under Rule 2.8 of the Takeovers Code, namely Dr. Fu Tingmei, Professor Chan Ka Keung Ceajer and Mr. Liu Chung Mun, has been established by the Board in accordance with Rules 2.1 and 2.8 of the Takeovers Code to make a recommendation to the Takeovers Code Disinterested Shareholders in respect of the Proposal and the Scheme and the Share Option Holders in respect of the Share Option Offer as to (i) whether the Proposal (including the Scheme and the Share Option Offer) are, or are not, fair and reasonable; (ii) whether to vote for or against the Scheme at the Court Meeting and of the resolutions in connection with the implementation of the Proposal at the EGM; and (iii) whether to accept or reject the Share Option Offer by the Share Option Holders.

Each of Ms. Yu Xuping and Mr. Dong Boyang, being a non-executive Director, is a director of the Offeror and therefore an Offeror Concert Party. Mr. Zou Hua, being a non-executive Director, is the general manager of the legal and compliance department of Guotai Haitong, the parent company of the Offeror. Therefore, Ms. Yu Xuping, Mr. Dong Boyang, and Mr. Zou Hua are not considered as independent for the purpose of giving advice or recommendations to the Takeovers Code Disinterested Shareholders. Accordingly, each of Ms. Yu Xuping, Mr. Dong Boyang and Mr. Zou Hua is not a member of the Independent Board Committee.

THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser with respect to the Proposal (including the Scheme and the Share Option Offer), our role is to advise the Independent Board Committee as to (i) whether the terms of the Proposal (including the Scheme and the Share Option Offer) are fair and reasonable so far as the Takeovers Code Disinterested Shareholders and the Share Option Holders are respectively concerned; (ii) whether the Takeovers Code Disinterested Shareholders should vote for or against the Scheme at the Court Meeting and of the resolutions in connection with the implementation of the Proposal at the EGM; and (iii) whether the Share Option Holders should accept or reject the Share Option Offer.

We are not associated or connected, financial or otherwise, with the Company or the Offeror, their respective controlling shareholders or any parties acting, or presumed to be acting, in concert with any of them.

We acted as the independent financial adviser to the independent board committee of Haitong Securities Co., Ltd. ("**Haitong Securities**") with regard to the proposed merger and share exchange of Guotai Junan Securities Co., Ltd. and Haitong Securities, details of which were set out in the joint circular dated November 22, 2024. Save for the aforesaid transaction, we have not acted as the financial adviser or independent financial adviser in relation to any transaction of the Company or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them in the last two years prior to the date of the Scheme Document.

Pursuant to Rule 13.84 of the Hong Kong Listing Rules and Rule 2 of the Takeovers Code, and given that (i) remuneration for our engagement to opine on the Proposal (including the Scheme and the Share Option Offer) is at market level and not conditional upon the outcome of the Proposal (including the Scheme and the Share Option Offer); (ii) no arrangement exists whereby we shall receive any fees or benefits from the Company (other than our said remuneration) or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them; and (iii) our engagement is on normal commercial terms and is approved by the Independent Board Committee, we are independent of the Company or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them and can act as the Independent Financial Adviser to the Independent Board Committee in respect of the Proposal (including the Scheme and the Share Option Offer).

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others (i) the Scheme Document; (ii) the annual report of the Company for the year ended December 31, 2025 (the "**2025 Annual Report**"); (iii) the interim report of the Company for the six months ended 30 June 2026 (the "**2026 Interim Report**"); (iv) the rules of a share option scheme adopted by the Shareholders at a general meeting held on June 19, 2010 (the "**2010 Share Option Scheme**"); and (v) other information as set out in the Scheme Document.

We have relied on the statements, information, opinions and representations contained or referred to in the Scheme Document and/or provided to us by the Company, the Directors and the management of the Company (collectively the "**Management**"). We have assumed that all statements, information, opinions and representations contained or referred to in the Scheme Document and/or provided to us were true, accurate and complete in all material aspects at the time they were made and continued to be so as at the Latest Practicable Date. The Company will notify the Shareholders and the Share Option Holders of any material changes to information contained or referred to in the Scheme Document as soon as practicable in accordance with Rule 9.1 of the Takeovers Code. The Shareholders and the Share Option Holders will also be informed as soon as practicable when there are any material changes to the information contained or referred to herein as well as changes to our opinion, if any, after the Latest Practicable Date.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Scheme Document, and information relating to the Company provided to us by the Company and the Management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and consider that we have been provided with and have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

We have not considered the taxation implications on the Takeovers Code Disinterested Shareholders arising from approval or disapproval of the Proposal and the Scheme and the Share Option Holders arising from acceptance or non-acceptance of the Share Option Offer, if any, and therefore we will not accept responsibility for any tax effect or liability that may potentially be incurred by the Takeovers Code Disinterested Shareholders or the Share Option Holders as a result of the Proposal (including the Scheme or the Share Option Offer). In particular, the Takeovers Code Disinterested Shareholders and the Share Option Holders who are subject to Hong Kong, Mainland China or overseas taxation on dealings in securities are urged to seek advice from their own professional advisers on tax matters.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our advice for the Proposal, the Scheme and the Share Option Offer, we have considered the following principal factors and reasons:

1. Background and financial information of the Group

1.1 Background of the Group

The Company is an investment holding company. The operations of the Group are mainly based in Hong Kong and its principal businesses include wealth management, institutional investor services, corporate finance services, investment management and other business.

1.2 Historical financial performance of the Group

Set out below is a table summarising certain key financial information of the Group for its financial years ended December 31, ("**FY**") 2024 and 2025 ("**FY2024**" and "**FY2025**") and the six months ended June 30, 2025 and 2026 respectively ("**1H2025**" and "**1H2026**"), as extracted from the 2025 Annual Report and the 2026 Interim Report.

Extract of the Group's consolidated statement of profit or loss

	For the year ended December 31, 2025 ("FY2025")	**For the year ended December 31, 2024 ("FY2024")**	**For the six months ended June 30, 2026 ("1H2026")**	**For the six months ended June 30, 2025 ("1H2025")**
	(audited)	*(audited)*	*(unaudited)*	*(unaudited)*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	6,230,008	4,421,609	3,870,872	2,825,044
Revenue breakdown by nature of income stream:				
(i) Commission and fee income	1,527,153	871,755	874,179	541,145
(ii) Interest income	2,389,637	2,314,006	1,511,377	1,195,970
(iii) Net trading and investment income	2,313,218	1,235,848	1,485,316	1,087,929
Revenue breakdown by operating segment:				
(i) Wealth Management	1,854,122	1,918,547	1,040,005	912,518
(ii) Institutional Investor Services	1,865,706	1,920,686	2,014,181	827,739
(iii) Corporate Finance Services	740,418	318,628	388,462	202,243
(iv) Investment Management	1,769,762	263,748	428,224	882,544

	For the year ended December 31, 2025 ("FY2025") *(audited)* *HK$'000*	For the year ended December 31, 2024 ("FY2024") *(audited)* *HK$'000*	For the six months ended June 30, 2026 ("1H2026") *(unaudited)* *HK$'000*	For the six months ended June 30, 2025 ("1H2025") *(unaudited)* *HK$'000*
Staff costs	(1,005,210)	(794,802)	(489,806)	(444,253)
Profit before tax for the year/period	1,722,824	366,631	799,945	636,798
(a) Wealth Management	623,627	173,073	380,294	249,563
(b) Institutional Investor Services	349,017	378,652	538,639	82,417
(c) Corporate Finance Services	346,472	44,458	125,173	38,917
(d) Investment Management	403,708	(229,552)	(244,161)	265,901
Profit for the year/period	1,346,721	350,697	677,020	551,410
Profit for the year/period attributable to owners of the Company	1,345,354	347,783	674,860	550,089

Extract of the Group's consolidated statement of financial position

	As at June 30, 2026 (unaudited) HK$'000	As at December 31, 2025 (audited) HK$'000	As at December 31, 2024 (audited) HK$'000
Non-current assets	7,606,401	8,552,463	6,611,622
Financial assets at fair value through profit or loss	6,335,062	7,917,016	5,602,967
Current assets	209,413,415	144,947,798	123,561,527
Financial assets at fair value through profit or loss	108,045,141	62,562,738	64,722,825
Financial assets at fair value through other comprehensive income	25,674,620	17,901,251	8,985,272
Non-current liabilities	(8,549,584)	(10,579,747)	(7,453,891)
Debt securities in issue	(8,491,716)	(10,424,277)	(7,113,611)
Current liabilities	(192,169,193)	(126,949,873)	(107,692,555)
Debt securities in issue	(57,772,675)	(42,722,692)	(41,244,641)
Interest-bearing borrowings	(19,528,864)	(12,093,323)	(5,935,911)
Net assets	16,301,039	15,970,641	15,026,703
Equity attributable to holders of the Shares	16,186,857	15,859,368	14,914,657

FY2025 compared to FY2024

In FY2025, the Group recorded a substantial 40.9% increase in revenue, from approximately HK$4,421.6 million in FY2024 to HK$6,230.0 million in FY2025. This growth was driven by performances across all three income streams, being (i) commission and fee income; (ii) interest income; and (iii) net trading and investment income. In terms of the Group's four operating segments, being (i) wealth management; (ii) institutional investor services; (iii) corporate finance services; and (iv) investment management, the overall growth in revenue was primarily attributable to significant increase in the investment management segment, which increased by 571.0% from FY2024 to FY2025, as well as the corporate finance services segment, which increased by 132.4% from FY2024 to FY2025.

Analysis by nature of income stream:

(i) Commission and fee income

Commission and fee income comprise (i) brokerage fee; (ii) corporate finance income (including placing, underwriting and sub-underwriting commission); (iii) consultancy and financial advisory fee income; (iv) asset management fee and performance fee income; and (v) handling income on financial products.

Commission and fee income increased substantially by approximately 75%, increasing from approximately HK$871.8 million in FY2024 to approximately HK$1,527.2 million in FY2025. The rise in this income stream was primarily due to the recovery in Hong Kong's equity primary and secondary markets as well as the debt capital market. In particular, brokerage commissions increased by approximately 56%, from HK$512.3 million in FY2024 to HK$801.4 million in FY2025, while placing, underwriting and sub-underwriting commission more than doubled from HK$255.1 million in FY2024 to HK$593.4 million in FY2025.

(ii) Interest income

Interest income comprise (i) interest income from customers; (ii) interest income from banks; (iii) interest income from other financial institutions; and (iv) interest income from fixed income securities.

Interest income amounted to approximately HK$2,389.6 million in FY2025, representing a modest increment of approximately 3% from HK$2,314.0 million in FY2024. Key contributors included (i) interest income from fixed income securities held by the Group, which increased by 30.8% from HK$552.7 million in FY2024 to HK$722.7 million in FY2025; and (ii) interest income from other financial institutions which increased by 102.3% from HK$278.2 million in FY2024 to HK$562.7 million in FY2025. However, such increment was partially offset by reduced bank interest income by approximately 35%, from HK$1,006.9 million in FY2024 to HK$653.8 million in FY2025.

(iii) Net trading and investment income

Net trading and investment income comprise (i) net trading income from fixed income securities, unconsolidated investment funds, derivative and equity investments; and (ii) net income from financial products.

Net trading and investment income amounted to approximately HK$2,313.2 million in FY2025, up by 87.2%, from HK$1,235.8 million in FY2024. This change was primarily driven by the Group's holdings in fixed income securities, non-consolidated investment funds, derivatives and equity investments, which generated HK$1,384.5 million in FY2025 as compared to HK$324.2 million in FY2024.

Analysis by operating segment:

(i) Wealth Management

Income from the wealth management segment decreased slightly by 3.4%, from HK$1,918.5 million in FY2024 to HK$1,854.1 million in FY2025. Notwithstanding that there was an increase in the trading volume of securities and customised products, with product trading volume growing by more than 50% year on year, which boosted commission and fee income, the falling market interest rates amid the interest rate cut cycle initiated by the US Federal Reserve resulted in decline of the Group's interest income. Such combined effect resulted in the slight decline in this segment.

(ii) Institutional Investor Services

Income from this segment slightly dropped by 2.9%, from HK$1,920.7 million in FY2024 to HK$1,865.7 million in FY2025. Such decrease was attributable to the decline in market interest rates, leading to a drop in interest income.

(iii) Corporate Finance Services

Income from the corporate finance services segment increased substantially from HK$318.6 million in FY2024 to HK$740.4 million in FY2025, representing an increase of 132.4%. This was a result from the increase in scale and income of the Group's equity and debt market financing business. During FY2025, the Group completed 7 IPO sponsorship projects (FY2024: 3) and 34 secondary market projects (FY2024: 10). Such revenue recorded in FY2025 was a record high performance for the Group.

(iv) Investment Management

In FY2025, among the Group's operating segments, the most significant increase was recorded in the investment management segment, where income increased by 570.8%, from HK$263.7 million in FY2024 to HK$1,769.8 million in FY2025. Such result was attributable to the performance of the Group's fixed income securities holdings and enhanced investment holdings, which led to higher balances of financial assets (as further discussed below) as well as the buoyant stock market in FY2025, driving up the Group's investment income.

The Group's primary operational cost is staff costs, which increased significantly from approximately HK$794.8 million in FY2024 to HK$1,005.2 million in FY2025.

The Group's profit before tax increased from HK$366.6 million in FY2024 to HK$1,722.8 million in FY2025, representing a growth of 369.9%. In terms of segment profitability, the Group recorded profit before tax of (i) HK$623.6 million, representing an increase of 260.3% as compared to FY2024 (i.e. HK$173.1 million) for wealth management; (ii) HK$349.0 million, representing a decrease of 7.8% as compared to FY2024 (i.e. HK$378.7 million) for institutional investor services; (iii) HK$346.5 million, representing an increase of 678.7% as compared to FY2024 (i.e. HK$44.5 million) for corporate finance services; and (iv) HK$403.7 million as compared to a loss of HK$229.6 million recorded in FY2024 for investment management services.

Driven primarily by the aforementioned changes in revenue and profitability by operating segment, the Group recorded an increase in profit for the year from approximately HK$350.7 million in FY2024 to HK$1,346.7 million in FY2025, representing an increase of 284.0%.

1H2026 compared to 1H2025

For 1H2026, the Group reported total revenue of approximately HK$3,870.9 million, compared with HK$2,825.0 million in the corresponding period of 2025, representing an increase of 37.0%. The increase in top-line performance was across all income segments of commission and fee income, interest income, and net trading and investment income. In terms of the Group's four operating segments, the overall growth in revenue was primarily attributable to substantial increase from the institutional investor services segment.

Analysis by nature of income stream:

(i) Commission and fee income

The recorded commission and fee income of approximately HK$874.2 million during 1H2026, represents an increase of 62% as compared to the recorded amount of HK$541.1 million during 1H2025. Such increment was influenced by the activities in the Hong Kong equity capital markets, where total funds raised through initial public offerings rose by 92%. As a result, the Group's placing, underwriting, and sub-underwriting commission income increased from HK$165.0 million in 1H2025 to HK$271.9 million in 1H2026, representing an increase of 64.8%.

Brokerage commission income also substantially increased by 53.7% and amounted to HK$496.8 million in 1H2026, up from HK$323.2 million in 1H2025, due to high trading turnovers in the stock market. The increase reflected higher trading volumes in over-the-counter products, US stocks, and IPO stock transactions. A minor increase in Hong Kong stock commissions also contributed to the growth, though a decline in debt trading commissions moderated the overall gain.

(ii) Interest income

Interest income increased from approximately HK$1,196.0 million in 1H2025 to HK$1,511.4 million in 1H2026, representing an increase of 26.4%. In particular, interest income from fixed income securities increased by 64% (1H2026: HK$508.6 million; 1H2025: HK$309.4 million), following the Group's asset allocation toward high-rated and liquid fixed income instruments. As market interest rates declined, bank interest income decreased by 14% to HK$315.8 million in 1H2026, from HK$367.1 million in 1H2025. Interest income from other financial institutions also increased from HK$303.9 million in 1H2025 to HK$458.4 million in 1H2026, representing an increase of 50.8%. Such increase was mainly due to an increase in receivables from reverse repurchase agreements.

(iii) Net trading and investment income

Net trading and investment income amounted to approximately HK$1,485.3 million in 1H2026 as compared to HK$1,087.9 million in 1H2025, representing an increase of 36.5%. Within this segment, net income from financial products increased by 83.2%, from HK$556.7 million in 1H2025 to HK$1,019.7 million in 1H2026, which was due to higher issuance and demand for cross-border financial products. Meanwhile, net trading income from fixed income securities, unconsolidated investment funds, derivatives, and equity investments decreased by 12.3%, from HK$531.2 million in 1H2025 to HK$465.6 million in 1H2026 due to market fluctuations affected by price movements in the equity and debt markets.

Analysis by operating segment:

(i) Wealth Management

Revenue from the wealth management segment increased from HK$912.5 million in 1H2025 to HK$1,040.0 million in 1H2026, representing an increase of 14.0%. Such increment was driven by sustained growth in Hong Kong stock trading volume and active IPO fundraising, as well as the Group's effort to introduce diversified products and increase over-the-counter product sales, all of which contributed to higher commission and fee income. Meanwhile, lower interest rates resulted in a slight year-over-year decrease in interest income, which partly offset the growth in commission income.

(ii) Institutional Investor Services

When comparing 1H2026 to 1H2025, the institutional investor services segment experienced the most significant growth. Revenue increased from HK$827.7 million in 1H2025 to HK$2,014.2 million in 1H2026, representing a 143.3% increase. With strong market demand for cross-border business, the scale of client-driven financial products has increased, leading to a significant rise in net income from financial products. Such client-driven financial products had increased from HK$41.7 billion as at 30 June 2025 to HK$89.0 billion as at 30 June 2026.

(iii) Corporate Finance Services

Revenue from corporate finances service segment increased from HK$202.2 million in 1H2025 to HK$388.5 million in 1H2026, representing an increase of 92.1%. During 1H2026, total IPO funds raised in Hong Kong rose 92% year over year. The Group's equity underwriting business recorded growth in both revenue and scale, which offset weakness in the bond underwriting market.

(iv) Investment Management

The Group recorded a substantial decrease of 51.5% in this segment, from HK$882.5 million in 1H2025 to HK$428.2 million in 1H2026. Despite the Group's asset allocation toward high-rated and liquid fixed income instruments to generate stable income, the significant volatility in securities market prices in the equity and debt markets during the first half of 2026 resulted in the overall drop in revenue in the investment management operating segment.

The Group's profit before tax increased from HK$636.8 million in 1H2025 to HK$799.9 million in 1H2026, representing a growth of 25.6%. This was driven by the net effect of the following: (i) profit before tax from the wealth management segment rose from HK$249.6 million in 1H2025 to HK$380.3 million in 1H2026, representing an increase of 52.4%; (ii) profit before tax from institutional investor services significantly rose from HK$82.4 million in 1H2025 to HK$538.6 million in 1H2026, representing an increase of 553.6%; (iii) profit before tax from the corporate finance services segment rose from HK$38.9 million in 1H2025 to HK$125.2 million in 1H2026, representing an increase of 221.9%; and (iv) the investment management segment shifted from a profit before tax of HK$265.9 million in 1H2025 to a loss of HK$244.2 million in 1H2026 due to aforementioned substantial drop in revenue.

As a result of the above changes in the Group's revenue, the Group recorded a profit for the period of approximately HK$677.0 million during 1H2026, as compared to a profit for the period of HK$551.4 million in 1H2025, representing an increase of 22.8%.

December 31, 2025 compared to December 31, 2024

As of December 31, 2025, the Group's total assets increased to approximately HK$153.5 billion, up from HK$130.2 billion as at December 31, 2024. A significant portion of these assets consisted of financial assets at fair value through profit or loss (comprising financial assets held for trading and investment and financial products) alongside financial assets at fair value through other comprehensive income, which together totalled HK$88.4 billion and HK$79.3 billion as at December 31, 2025 and 2024 respectively. This overall asset growth was mainly driven by the expansion of the financial products business, which recorded client-driven financial assets rise of 18% to HK$47.4 billion. Client-driven financial assets are financial assets acquired and held primarily to support, match, and hedge transaction needs, over-the-counter derivatives, and structured notes issued to wealth management and institutional clients. As the Group increased its investment holdings, the total balance of financial assets at fair value through profit or loss – financial assets held for trading and investment and financial assets at fair value through other comprehensive income increased.

As of December 31, 2025, the Group's total liabilities increased by 19% to HK$137.5 billion, from HK$115.1 billion as at December 31, 2024, primarily reflecting higher leverage used to support business development and investment needs. A major component of total liabilities was debt securities in issue, which increased from approximately HK$48.4 billion as at December 31, 2024 to HK$53.1 billion as at December 31, 2025. Within total liabilities, interest-bearing borrowings increased by approximately 103% to HK$12.1 billion.

As a result of the above, the Group recorded a slight enhancement in its net assets from approximately HK$15.0 billion as at December 31, 2024 to HK$16.0 billion as at December 31, 2025.

June 30, 2026 compared to December 31, 2025

As at June 30, 2026, the Group's total assets increased from approximately HK$153.5 billion to HK$217.0 billion. This increase was primarily driven by client activity in cross-border operations and the growth of the financial products segment, where client-driven assets rose 88% to HK$89.0 billion (i.e. recorded as "financial assets held for trading and investment – financial product" in the consolidated statement of financial position of the Group). In addition, the Group expanded its allocation toward liquid, high-rated, and lower-risk debt securities, resulting in higher balances for both financial assets at fair value through profit or loss (as at June 30, 2026: HK$114.4 billion; as at December 31, 2025: HK$70.5 billion) and financial assets measured at fair value through other comprehensive income (as at June 30, 2026: HK$25.7 billion; as at December 31, 2025: HK$17.9 billion).

As of June 30, 2026, the Group's total liabilities increased to approximately HK$200.7 billion, from HK$137.5 billion as at December 31, 2025. The growth reflected an increase in overall debt to support ongoing business expansion and investment initiatives. Within total liabilities, (i) debt securities in issue increased from approximately HK$53.1 billion as at December 31, 2025 to HK$66.3 billion as June 30, 2026; and (ii) interest-bearing borrowings increased from HK$12.1 billion as at December 31, 2025 to HK$19.5 billion as at June 30, 2026.

The above net changes in the Group's assets and liabilities resulted in a slight improvement of net assets from HK$16.0 billion as at December 31, 2025 to HK$16.3 billion as at June 30, 2026.

Our observations

During FY2025 and 1H2026, the Group experienced growth in revenue and net profit, with profit reaching HK$1,346.7 million in FY2025 (FY2024: HK$350.7 million) and HK$677.0 million in 1H2026 (1H2025: HK$551.4 million). Such performance was supported across all revenue streams, being commission and fee income, interest income, and net trading and investment income, benefiting from improved Hong Kong market activity and client demand for financial products.

The Group's financial position also expanded, with total assets growing from HK$130.2 billion as at December 31, 2024 to HK$217.0 billion as at June 30, 2026, driven by higher holdings in financial assets and client-driven financial products. Such increase appeared to be funded by higher leverage through debt securities and interest-bearing borrowings where total liabilities increased by a higher rate from HK$115.1 billion to HK$200.7 billion over the period. Consequently, net assets recorded incremental growth from HK$15.0 billion to HK$16.3 billion over the same period.

As the marked improvements in the Group's financial performance in FY2025 had occurred over a period with indications of strong growth manifested in the 1H2025 interim financial results, investors would have digested such public information with trading price reflecting its effects leading up to the Joint Announcement. As such, comparing the Cancellation Price against historical and prevailing Share prices can fairly measure the value offered under the Proposal against Share prices that should have factored into these improved financial results. Please refer to the paragraph headed "4.1 Historical price performance of the Shares" for details.

1.3 Historical dividends of the Shares

According to the Company's dividend policy ("**Dividend Policy**"), the Company endeavours to reward Shareholders with stable dividend income while retaining adequate reserves for its future development. The Company aims to distribute to Shareholders with regular dividends semi-annually with a certain percentage of attributable profit and may also distribute special dividends from special income. The Board adopted a Dividend Policy with a target payout ratio of not less than 30% of profit attributable to Shareholders, subject to the economic conditions as well as the Company's position. All dividend decisions made by the Board were made in accordance with the Dividend Policy.

The Company has been listed on the Hong Kong Stock Exchange since July 8, 2010. We set out below the history of dividends declared and paid by the Company to the Shareholders during the past 16 years ended December 31, 2025:

Year	**Financial year ended December 31**	**Total dividend of the year per Share** *HK$*	**Dividend payout ratio** *(Note 1)* *%*
1	2010	0.070	46
2	2011	0.090	51
3	2012	0.100	53
4	2013	0.160	51
5	2014	0.210	55
6	2015	0.075	51
7	2016	0.075	53
8	2017	0.090	51
9	2018	0.053	51
10	2019	0.062	57
11	2020	0.085	52
12	2021	0.060	53
13	2022	0.050	119 *(Note 2)*
14	2023	0.020	95
15	2024	0.032	88
16	2025	0.070	50

Source: Respective annual reports and interim reports of the Company.

Note:

1. The dividend payout ratio is the total dividend paid for the respective financial year divided by the profit attributable to shareholders of the Company of the respective financial year.

2. This does not include the special dividend (total of HK$0.04 per Share), otherwise the payout ratio would be 594%.

As illustrated in the table above, the Company maintained a consistent dividend payout record from 2010 to 2021, with payout ratios ranging from approximately 46% to 57%. Notwithstanding the cyclical downturn from 2022 to 2024, the Company continued to declare dividends, resulting in higher payout ratios of approximately 88% to 119%. In FY2025, following a substantial recovery in earnings, with profit attributable to shareholders of the Company reaching approximately HK$1,345.4 million as mentioned under the paragraph headed "1.2 Historical financial performance of the Group" above, the total dividend per Share increased to HK$0.07 and the payout ratio returned to approximately 50%.

Notwithstanding that the Company has a long-standing track record of returning capital to Shareholders, as stated in the section headed "Letter from the Board", it does not intend to declare or pay any interim dividend for the six months ended June 30, 2026, or any other return of capital prior to the Effective Date. As at the Latest Practicable Date, no dividends or distributions remain unpaid, and any future dividends remain subject to Board discretion and market conditions. However, if any dividend, distribution, or return of capital is declared or paid after the Joint Announcement date, the Cancellation Price will be reduced by the Dividend Adjustment, and all references to the Cancellation Price in relevant documents will be construed accordingly.

For illustration, based on total dividend paid for FY2025 of HK$0.07 per Share, if one factors in a dividend level similar to that of FY2025 as part of the Cancellation Price of HK$3.00, deducting that dividend would leave HK$2.93. On that adjusted basis, the HK$2.93 still represents a premium of over 40% above the closing price on the Last Trading Day. This continues to provide a significant premium over the market price. For details on our assessment of the fairness of the Cancellation Price, please refer to the section headed "4. The Cancellation Price" of this letter.

In particular, as market price of Shares leading up to the Joint Announcement had already digested the Group's financial performance, alongside investors' expectations for future earnings, please refer to the paragraph headed "4.1 Historical price performance of the Shares" for our analysis of the Cancellation Price as compared to the historical trading prices of the Shares. In assessing the Proposal, Shareholders should also take into account the premium offered and the certainty of immediate cash realisation against the inherent uncertainties and cyclicality of the Company's future earnings (as described in the section headed "2. Outlook" below) and dividend distributions.

2. OUTLOOK

The Management expects the Hong Kong capital market to stabilise gradually in the second half of 2026, supported by continued policy measures to reinforce Hong Kong's role as an international financial centre and a gateway for cross-border capital flows. Against this backdrop, the Management considers that the Group's principal business segments, including (i) Wealth Management, (ii) Institutional Investor Services, (iii) Corporate Finance and (iv) Investment Management, are expected to benefit from improved market activity, continued Mainland investor participation and the ongoing development of cross-border investment channels. For the purpose of assessing the reasonableness of the Management's view, we have considered three principal factors: (i) the prevailing macroeconomic and monetary backdrop; (ii) the sustainability of the recovery indicated by the latest market data; and (iii) whether such recovery may translate into earnings for the Group, taking into account interest-rate, competitive, execution and capital risks.

Basis of our assessment

In considering the Management's outlook, we have reviewed the Group's latest published financial performance, together with the prevailing PRC and Hong Kong macroeconomic environment, US and Hong Kong interest-rate conditions, market trading and fundraising activity, cross-border capital flows and relevant regulatory developments. We have also considered market statistics and regulatory publications issued by, among others, Hong Kong Exchanges and Clearing Limited ("**HKEX**"), the SFC, the Hong Kong Monetary Authority (the "**HKMA**") and Bond Connect Company Limited. Our assessment focuses principally on the sustainability of the improvement in market conditions and the extent to which the Group may be able to translate such improvement into sustainable growth.

Macroeconomic and monetary environment

According to the National Bureau of Statistics of China, the PRC's gross domestic product ("**GDP**") increased by 4.7% year-on-year in the first half of 2026, while the year-on-year growth rate moderated from 5.0% in the first quarter to 4.3% in the second quarter. During the first half of 2026, the tertiary industry and financial intermediation grew by 5.2% and 6.7%, respectively, both exceeding the headline GDP growth rate, whereas the real estate industry contracted by 0.2%.[1] The comparatively stronger growth in services and financial intermediation is conducive to corporate financing, wealth allocation and institutional investment activities and, accordingly, provides a supportive demand backdrop for the Group's cross-border and capital-market services. Nevertheless, the moderation in economic growth during the second quarter of 2026 and the continuing weakness in the real estate sector indicate that the economic recovery remained uneven. Such conditions may constrain corporate risk appetite, collateral values and credit demand and increase the market and credit risks associated with the Group's capital-intensive activities. On balance, we consider that the PRC macroeconomic data provides support for the Group's Mainland-related business opportunities, although the potential benefits remain subject to the pace and breadth of the economic recovery.

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[1] National Bureau of Statistics of China, "Preliminary Accounting Results of GDP for the Second Quarter and the First Half of 2026", 17 July 2026, https://www.stats.gov.cn/english/PressRelease/202607/t20260717_1964160.html.

In relation to Hong Kong, the Census and Statistics Department reported that real GDP increased by 4.3% year-on-year in the second quarter of 2026, following growth of 5.9% in the first quarter, while GDP decreased by 0.6% on a seasonally adjusted quarter-to-quarter basis. In real terms, private consumption expenditure, gross domestic fixed capital formation, exports of goods and exports of services increased by 2.8%, 4.4%, 28.9% and 3.4%, respectively, in the second quarter of 2026.[2] Of more direct relevance to the Group, the value added of the financing and insurance sector increased by 7.4% year-on-year in real terms during the same period, compared with overall GDP growth of 4.3%.[3] In our view, the outperformance of the financing and insurance sector is consistent with the recovery in trading and fundraising activity discussed in the sub-section headed "Latest Hong Kong capital market statistics" below and indicates that the improvement was not confined to individual capital-market indicators. However, the quarter-to-quarter contraction in GDP and moderation in year-on-year growth suggest that the underlying economic momentum softened during the second quarter of 2026. Accordingly, while the Hong Kong macroeconomic data are generally supportive of the Management's outlook, they do not provide a basis for assuming an uninterrupted or broad-based acceleration in the Group's earnings going forward.

The HKMA's September 2026 Half-Yearly Monetary and Financial Stability Report, which generally covered information up to the end of August 2026, characterised Hong Kong's economy as resilient, supported by strong trade activity, improved services exports and stable private consumption and investment. The report also noted that total deposits with authorised institutions increased by 5.8% from the end of 2025 and that the banking sector's classified loan ratio declined during the first half of 2026.[4] We consider that the growth in deposits provides a supportive liquidity backdrop for capital-market and wealth-management activities, while the decline in the classified loan ratio indicates that the banking sector's overall asset quality remained manageable. The HKMA nevertheless identified tighter global financial conditions, geopolitical tensions, tariff risks and uncertainty regarding the sustainability of the artificial-intelligence investment cycle as material external risks. These factors may affect market valuations, capital-raising activity, funding costs and counterparty credit quality. We have therefore taken into account both the supportive liquidity and financial-system indicators and the continuing external and interest-rate risks in assessing the sustainability of the potential benefits to the Group.

We have also considered US monetary policy and its transmission to Hong Kong under the Linked Exchange Rate System. On 16 September 2026, the Federal Open Market Committee raised the target range for the federal funds rate by 25 basis points to 3.75%-4.00%, noting that economic activity continued to expand at a solid pace while inflation remained elevated.[5] The Federal Reserve's September 2026 Summary of Economic Projections showed median projections for the federal funds rate of 4.1% at

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2 Census and Statistics Department, "Gross Domestic Product by Expenditure Component – Second Quarter 2026", 14 August 2026, https://www.censtatd.gov.hk/en/wbr.html?ecode=B10300012026QQ02.

3 Census and Statistics Department, "Gross Domestic Product by Economic Activity – Second Quarter 2026", 18 September 2026, https://www.censtatd.gov.hk/en/wbr.html?ecode=B10300042026QQ02.

4 Hong Kong Monetary Authority, "Half-Yearly Monetary and Financial Stability Report", September 2026, published 29 September 2026, https://www.hkma.gov.hk/media/eng/publication-and-research/bulletin/202609/E_Half-yearly_202609.pdf.

5 Board of Governors of the Federal Reserve System, "Federal Reserve issues FOMC statement", 16 September 2026, https://www.federalreserve.gov/newsevents/pressreleases/monetary20260916a.htm.

the end of both 2026 and 2027, compared with 3.8% and 3.6%, respectively, in its June 2026 projections.[6] The upward revisions indicate that US interest rates may remain higher for longer and that, depending on incoming inflation, employment and economic data, the possibility of a further rate increase remains. This is consistent with the HKMA's observation in October 2026 that persistent above-target inflation could leave room for further action by the Federal Reserve and that another rate increase may be required between the remainder of 2026 and the first half of 2027.[7] Following the September 2026 increase, the HKMA raised Hong Kong's Base Rate by 25 basis points to 4.25%.[8] The HKMA further noted that a wider Hong Kong dollar-US dollar interest-rate differential could encourage carry trades, exert easing pressure on the Hong Kong dollar and create uncertainty in Hong Kong interbank rates, while banks' deposit and lending rates would continue to depend on Hong Kong-dollar liquidity, funding demand and their respective funding-cost structures. For the Group, a higher-for-longer or further-rising interest-rate environment may increase the funding costs of margin financing, underwriting commitments and other balance-sheet-intensive activities, dampen leveraged investment demand, place pressure on asset valuations and transaction activity, and increase borrower and counterparty risks. Conversely, higher benchmark rates may support interest income or financing spreads where the Group is able to reprice its lending and financing exposures promptly while maintaining prudent liquidity and credit controls. Given the uncertainty as to the timing and extent of any further Federal Reserve action and the corresponding pass-through to Hong Kong interbank and customer rates, we would not assume that higher policy rates would result in a net earnings benefit to the Group.

Latest Hong Kong capital-market statistics

According to HKEX, for the first nine months of 2026, the average daily turnover of the Hong Kong securities market amounted to HK$272.9 billion, representing an increase of 6% over the corresponding period in 2025. During the same period, IPO funds raised amounted to HK$388.0 billion, representing a year-on-year increase of 106%; 118 companies were newly listed, representing a year-on-year increase of 71%; and total funds raised amounted to HK$724.0 billion, representing a year-on-year increase of 60%.[9] The substantially higher growth rates in IPO funds raised, the number of newly listed companies and total funds raised, as compared with securities-market turnover, indicate that the improvement was more pronounced in the primary market. We consider that the increases in both transaction numbers and funds raised provide evidence of improved execution conditions for issuers and a larger potential pool of sponsorship, underwriting, placing and advisory mandates for the Group's Corporate Finance business. The increase in securities-market turnover is also generally supportive of brokerage commission income, securities-financing demand and client activity under the Group's Wealth Management and Institutional Investor Services businesses.

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6 Board of Governors of the Federal Reserve System, "Summary of Economic Projections", 16 September 2026, https://www.federalreserve.gov/monetarypolicy/fomcprojtabl20260916.htm.

7 Hong Kong Monetary Authority, "Recent trend in the Hong Kong dollar", 6 October 2026, https://www.hkma.gov.hk/eng/news-and-media/insight/2026/10/20261006/.

8 Hong Kong Monetary Authority, "Adjustment of Base Rate", 17 September 2026, https://www.hkma.gov.hk/eng/news-and-media/press-releases/2026/09/20260917-3/.

9 Hong Kong Exchanges and Clearing Limited, "HKEX Monthly Market Highlights – September 2026", https://www.hkex.com.hk/Market-Data/Statistics/Consolidated-Reports/HKEX-Monthly-Market-Highlights?sc_lang=en.

The latest monthly statistics nevertheless indicate a moderation in secondary-market and cross-border trading activity following the comparatively strong levels recorded in the first half of 2026. Average daily securities-market turnover decreased from HK$253.4 billion in August 2026 to HK$201.9 billion in September 2026, representing a month-on-month decrease of 20.3%, while Southbound Stock Connect average daily turnover decreased from HK$107.3 billion to HK$84.4 billion, representing a month-on-month decrease of 21.3%.[10] Notwithstanding the monthly decrease, average daily securities-market turnover for the first nine months of 2026 remained 6% higher than that for the corresponding period in 2025. In our view, these statistics indicate that, although the overall level of trading activity improved on a year-on-year basis, secondary-market and cross-border trading volumes may fluctuate materially from month to month and the comparatively strong activity recorded in the first half of 2026 should not be assumed to continue at the same level without taking into account subsequent market development. Southbound Stock Connect turnover in September 2026 was equivalent to approximately 41.8% of the overall securities-market average daily turnover for that month. Although the abovementioned two market turnover figures capture different types of trading activities and should not be combined, the comparison provides a broad indication of the significance of Mainland investor participation in the Hong Kong securities market. Continued Mainland participation may support trading volumes, securities-financing demand and demand for products providing access to the Hong Kong and Mainland markets. Any benefit to the Group will, however, depend on its ability to attract and retain clients, maintain competitive pricing and product capability, and manage the related credit, liquidity and market risks.

Translation of the market recovery to the Group's principal business segments

Wealth management: The Management expects the Group's wealth management related businesses to benefit from improved secondary market turnover, continued Stock Connect participation and broader client demand for investment products. In our view, higher equity market turnover is generally positive for brokerage commission income, client acquisition and margin financing demand, while a broader range of listed products and exchange-traded products may support client activity and product penetration. This is consistent with the Group's latest published financial performance, under which brokerage commission income increased during FY2025 and 1H2026.

Nevertheless, we note that the Wealth Management business is inherently cyclical, as its revenue is closely correlated with securities trading activity and investor sentiment. According to market data published by HKEX, average daily turnover on the Main Board decreased from HK$166.7 billion in 2021 to HK$124.9 billion in 2022, representing a decrease of approximately 25.1% and further to HK$105.0 billion in 2023, representing a decrease of 15.9% before rebounding to HK$249.8 billion in 2025 and to HK$283.0 billion in 1H2026. The Group's commission income from securities brokerage broadly followed the same trend, decreasing from HK$806.0 million in FY2021 to HK$481.3 million in FY2022 and HK$436.8 million in FY2023, before recovering to HK$801.4 million in FY2025 and HK$496.8 million in 1H2026. In our view, the historical correlation between market turnover and the Group's securities brokerage commission income indicates that the recent revenue growth of the segment was supported, at least in part, by favourable market conditions and should not, without evidence of sustained market activity, be assumed to continue at the same growth rate going forward.

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[10] Hong Kong Exchanges and Clearing Limited, "HKEX Monthly Market Highlights – September 2026", https://www.hkex.com.hk/Market-Data/Statistics/Consolidated-Reports/HKEX-Monthly-Market-Highlights?sc_lang=en.

We also note that the performance of the Wealth Management business is sensitive to movements in interest rates and investor demand for structured products. The impact of an interest-rate change is two-sided and depends principally on the relative effect on the yields earned from bank deposits and margin financing, the Group's funding costs and clients' demand for leveraged investment. The Group's 1H2026 results indicate that changes in interest yields may have an effect on the relevant income streams, as the Group's interest income under the Wealth Management business decreased slightly from HK$569.1 million in 1H2025 to HK$554.4 million. A decline in HIBOR or other relevant benchmark rates may reduce the yield earned on cash deposits and margin balances. Conversely, an elevated interest-rate environment, including the increase in the HKMA Base Rate to 4.25% in September 2026, may raise clients' borrowing cost, weaken retail investor risk appetite and reduce demand for leveraged equity financing trading and margin financing facilities. Accordingly, the net effect of an interest-rate change on the Wealth Management business will depend on whether any increase or decrease in interest income and financing spreads is sufficient to offset the corresponding effect on client borrowing demand, trading activity and funding costs. Taking the above into account, we consider that any benefit arising from the higher market turnover may be partly offset by lower interest yields, reduced financing demand, increased credit losses or weaker demand for structured products, depending on the prevailing market and interest-rate environment.

We further note that the Hong Kong securities brokerage market remains highly competitive, with traditional brokerage firms, bank-affiliated platforms and online or fintech-enabled brokers competing on commission rates, financing costs, execution capability and client incentives. Such competition has continued to exert downward pressure on brokerage commission rates and may limit the extent to which an increase in securities-market turnover translates into a corresponding improvement in revenue and operating margins. Accordingly, although stronger secondary market activity and continued Stock Connect participation may support the transaction volume and client activity of the Group's Wealth Management business, the resulting earnings benefit will depend on, among other factors, the Group's ability to maintain its market share, pricing and cost efficiency. On this basis, we do not consider the improvement in market activity provide assurance of a proportionate or sustained increase in the earnings of the Wealth Management business.

Institutional Investor Services and Investment Management: The Management expects the Group's institutional investor services and investment management business to benefit from policy initiatives promoting Hong Kong as an offshore Renminbi, fixed-income and risk management centre, including Southbound Bond Connect, Stock Connect, Bond Connect and Cross-boundary Wealth Management Connect.[11] These initiatives may support client demand for structured products, derivatives, fixed-income products and cross-border investment solutions.

[11] See: (i) HKMA, 'New Measures to Support the Development of Hong Kong's Fixed Income and Currency Market and Offshore RMB Business', released on 7 July 2026, https://www.hkma.gov.hk/eng/news-and-media/press-releases/2026/07/20260707-3/; and (ii) HKMA, 'Cross-boundary Wealth Management Connect Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area', last updated on 11 December 2025, https://www.hkma.gov.hk/eng/key-functions/international-financial-centre/wealth-management-connect/.

Nevertheless, we note that the Institutional Investor Services and Investment Management business are balance-sheet and capital intensive and required continued access to wholesale funding. As disclosed in the Group's interim results for 1H2026, the expansion of client-driven financial products contributed to an increase in the Group's total assets to HK$217.0 billion, while financial liabilities under repurchase agreements and debt securities in issue amounted to HK$65.38 billion and HK$66.26 billion respectively. Accordingly, the extent to which the Group can expand these businesses, and the profitability of such expansion, will depend in part on the availability and cost of wholesale funding, repo financing spreads, access to the debt capital markets and the Group's ability to deploy capital within applicable regulatory requirements.

These businesses are also exposed to market-price and valuation fluctuations. In this regard, the Investment Management segment recorded an operating loss before tax of HK$244.2 million in 1H 2026, as compared with an operating profit before tax of HK$265.9 million in 1H 2025, amid fluctuations in equity and debt prices. This year-on-year movement illustrates that earnings from investment and client-driven activities may vary materially notwithstanding the potential support provided by policy initiatives and the continued development of cross-border investment channels.

Corporate Finance: The Management expects the Group's corporate finance business to be supported by the recovery in Hong Kong's primary market and the return of fundraising activity. As noted in the sub-section headed "Latest Hong Kong capital market statistics" above, HKEX reported a substantial year-on-year increase in IPO funds raised in the first half of 2026, indicating a more constructive backdrop for sponsorship, underwriting, placing and advisory mandates. However, corporate finance revenue remains transaction-driven and may fluctuate materially depending on the pace of new listings, market valuation levels, investor demand, interest rate expectations and geopolitical developments. As discussed under the section headed "Macroeconomic and monetary environment" above, the interest-rate outlook remains uncertain, while tighter global financial conditions, geopolitical tensions and tariff risks may adversely affect market valuations, investor risk appetite and capital-raising activity. These factors may affect the timing and completion of transactions and, therefore, the extent to which an enlarged potential mandate pool translates into realised fee income. Accordingly, while the Group may benefit from improved primary market activity, we do not consider such improvement to provide assurance of stable or recurring earnings growth.

Our assessment of the Group's outlook

Having considered the above, we are of the view that the prevailing operating environment is generally more favourable to the Group than that during the corresponding period in 2025. In particular, the growth of the PRC's services and financial-intermediation sectors, the continued expansion of Hong Kong economy, the relative outperformance of Hong Kong's financing and insurance sector and the liquidity and asset-quality indicators of the Hong Kong banking system provide a generally supportive macroeconomic and financial backdrop. The increases in IPO activity, funds raised and securities-market turnover, together with the continued significance of Southbound participation, also indicate that the improvement in Hong Kong's capital markets was reflected across a number of market indicators. In our view, these developments may broaden the Group's business opportunities available to the Group, particularly in Corporate Finance and cross-border financial services businesses.

Nevertheless, the recovery remained uneven and subject to uncertainties. The improvement in FY2025 and 1H2026 followed the multi-year downturn in Hong Kong capital-market activity during 2022 and 2023, when the Hang Seng Index traded at multi-year lows of approximately 14,800 to 17,000 points, annual cash-market average daily turnover decreased to HK$105.0 billion and annual IPO funds raised decreased to HK$46.3 billion in 2023, representing a decrease of 85% as compared with 2021. While the subsequent recovery represents a market improvement from those depressed levels, the latest macroeconomic and market data indicate some moderation in momentum. In particular, the PRC economic growth moderated during the second quarter of 2026, Hong Kong's GDP decreased by 0.6% on a seasonally adjusted quarter-to-quarter basis, secondary-market and Southbound trading activity each declined by more than 20% month-on-month in September 2026, and the global interest-rate outlook remained uncertain following the increase in the Fed Rate in September 2026. Accordingly, we consider that the recent improvement should be assessed in the context of both the low comparative base and the continuing volatility in economic and market conditions, and should not be assumed to represent a sustained structural expansion.

We further note that the market and banking-system statistics referred to above describe the external operating environment and do not directly measure the Group's market share, project pipeline, pricing, funding mix or asset quality. Although the Management was able to capitalise on the improvement in market conditions and the Group recorded year-on-year profit growth of 287% in FY2025, the continuation of such growth is subject to a number of Group specific constraints as described in the sub-section headed "Group specific constraints: competitive dynamics, execution risks and earnings cyclicality" below. The timing and completion of corporate finance transactions are also inherently transactional and dependent on prevailing market windows. Any incremental revenue may also be partly offset by fee compression, higher funding and operating costs, additional capital usage or credit losses. On balance, while we consider that the Group's business opportunities have improved, the available market data do not provide assurance that the recent rate of earnings growth will continue on an uninterrupted, proportionate or recurring basis.

Group specific constraints: competitive dynamics, execution risks and earnings cyclicality

We also note that the Hong Kong brokerage and financial services is highly competitive. According to statistics published by the SFC, as at mid-2026, there were 3,517 licensed corporations in Hong Kong, of which 1,507 were licensed to conduct Type 1 (dealing in securities) regulated activity and 282 were licensed to conduct Type 6 (advising on corporate finance) regulated activity. In addition, statistics from HKEX cash market transaction surveys indicate that securities-market turnover was concentrated among a relatively small number of exchange participants, with Category A participants, comprising the 14 participants with the highest market shares, accounting for approximately 72% of total market turnover and Category B participants, comprising those ranked 15th to 65th, accounting for approximately 25%. The remaining turnover was shared among Category C participants. In our view, these statistics indicate that the Group operates in a market with a large number of licensed competitors and a comparatively high concentration of securities-market among leading participants.

Against this backdrop, market participants compete on, among other matters, commission rates, financing costs, execution capability, client coverage, product access, margin financing terms, digital service channels and advisory capabilities. The availability of low-commission and flat-fee trading services offered by digital and fintech-enabled platforms may further exert downward pressure on brokerage commission rates. At the same time, compliance, cybersecurity and technology requirements may result in continuing operating expenditure. Accordingly, an increase in market turnover may not translate into a proportionate improvement in the revenue or operating margins of individual intermediaries, and the resulting benefit to the Group will depend on its ability to maintain its market share, pricing, service capability and cost efficiency.

The Group's financial performance is also subject to execution and financial risks that differs across its principal business segments. Wealth management revenue may fluctuate with securities market turnover and investor sentiment, financing demand and pricing pressure. Corporate Finance revenue is transaction-driven and depends on the availability of suitable mandates, prevailing market windows and the successful completion of transactions. Institutional Investor Services and Investment Management earnings may be affected by market and valuation movements, funding costs, product demand, counterparty exposures and changes in regulatory requirements. These factors may affect both the timing and extent to which an improvement in the external operating environment is reflected in the Group's earnings. The Group's operations are capital intensive principally because its margin financing, client-driven financial products and other balance-sheet activities involve the deployment of substantial capital and funding in the ordinary course of business, together with the maintenance of liquidity and regulatory capital. On balance, we consider that the recent improvement in the Group's revenue and profitability should be assessed in the context of the competitive, execution dependent, cyclical and capital-intensive nature of its businesses and should not, without evidence of sustained market activity and successful execution, be assumed to continue at the same rate.

Implications for our analysis and recommendation

Having considered the Management's view on the outlook, the market indicators and the factors described above, we have taken into account the outlook of the Group in our analysis and recommendation in the following manner. First, we have considered the Group's improved financial performance and the recovery in market activity when assessing the trading performance of the Shares, including whether the market price of the Shares before the Joint Announcement had already reflected investors' expectations regarding the Group's earnings recovery and business prospects. Secondly, in our comparable company analysis, we have selected comparable companies with businesses exposed to similar brokerage, fee and commission income, interest income and Hong Kong financial market activities, so that their trading multiples would also reflect prevailing market expectations for companies operating in a similar market environment. Thirdly, we have also taken into account the competitive and cyclical nature of the Group's principal businesses when assessing whether Scheme Shareholders should accept a fixed cash exit at the Cancellation Price rather than continue to remain exposed to market and execution risks. On this basis, we consider that the Proposal provides the Takeovers Code Disinterested Shareholders with an opportunity to realise their investment at a valuation which reflects the benefits of the recent market recovery and the Group's improved financial performance, compensating for potential loss of dividend while providing an avenue to reduce their exposure to uncertainties associated with the Group's business outlook where, for example, profit growth rate had moderated as observed in 1H2026.

3. RATIONALE OF THE PROPOSAL

We have considered the rationale of the Proposal mainly from the perspectives of Takeovers Code Disinterested Shareholders and our analysis is as follows.

3.1 From the perspective of Takeovers Code Disinterested Shareholders

Opportunity to sell Shares at premium over prevailing market prices

The Cancellation Price represents a substantial premium over the historical market trading price of Shares as analysed in the section headed "4.1 Historical price performance of the Shares" below. Such market prices represented the prevailing market valuation of the Shares at the relevant times, having regard to the publicly available information relating to the Group and the then prevailing market conditions. We note that notwithstanding the notable improvement in the Group's financial performance in FY2025, including the increase in consolidated profit attributable to shareholders of the Company rebounded to HK$1,345.4 million as announced in March 2026, the secondary market valuation of the Shares appeared constrained where from the beginning of 2026 to the Last Trading Day, the market price of Shares had declined by 21.2% from HK$2.640 as at January 2, 2026 to HK$2.080 as of the Last Trading Day. In November 2025, the Bond Issuer issued the Exchangeable Bonds and the Offeror entered into the Stock Lending Agreements, which appeared to have created short-selling pressure in the Shares during that period. We are not able to ascertain the extent of the short-selling effects on the price of Shares over time and quantitatively as we have no information as to how the 800,000,000 Shares under the Stock Lending Agreements were traded over the period, viz-a-viz market expectations on the Group's profitability and outlook as further explained in the section headed "4.1 Historical price performance of the Shares" below.

In this regard, the Proposal, which the Offeror had been contemplating since July 2026 and had put it forward to the Board on July 22, 2026, addresses the market valuation disconnect by enabling Takeovers Code Disinterested Shareholders to monetise their holdings at attractive implied multiples, being PB Ratio (as defined below) of approximately 1.76 times and 1.80 times (based on the unaudited and audited consolidated net asset value per Share of HK$1.70 and HK$1.66 as at June 30, 2026 and December 31, 2025 respectively) and an implied PE Ratio (as defined below) of approximately 21.3 times (based on the FY2025 earnings). As further detailed in the paragraph headed "4.3 Comparable Analysis," these implied multiples are higher than those of the Comparables (as defined below), which have a median PB Ratio of 0.48 times and a PE Ratio of 10.3 times.

In assessing the fairness of the Proposal, we have taken into account the Group's improved financial performance and its potential growth as detailed under the paragraph headed "1.2 Historical financial performance of the Group". We are of the view that, as market prices reflect public financial results alongside investors' expectations and market sentiment of the Company, the trading price of the Shares leading up to the Joint Announcement has already digested the Group's recent financial recovery and perceived growth. As such, our comparison of the Cancellation Price against the prevailing and historical market prices measures the value offered against priced-in growth expectations as well as financial fundamentals.

We are of the view that the valuation accorded by the Cancellation Price represents a favorable opportunity for Takeovers Code Disinterested Shareholders to capture potential value that the secondary public market has not reflected. Shareholders should therefore consider the premium offered under the Proposal together with our detailed share price analysis in the section headed "4.1 Historical price performance of the Shares" below. In addition, the Scheme provides Takeovers Code Disinterested Shareholders with the certainty to fully realise their entire investment in cash at a fixed price.

3.2 For the Offeror and the Company

As disclosed under the section headed "7. Reasons for and benefits of the Proposal" of the Scheme Document, through the Proposal, Guotai Haitong aims to streamline its Hong Kong operations, accelerate international expansion, and strengthen cross-market synergies without the pressure of short-term market fluctuations. This can simplify decision-making and align offshore incentives, allowing the Offeror to enhance risk management, optimise capital deployment. The Management is of the view that the Proposal gives the Group the flexibility to focus on long-term Hong Kong and global expansion, free from short-term market pressures.

Our observations

In assessing the Proposal, we recognise the commercial benefits of strategic realignment, organisational simplification, and operating synergies from the point of view of the Offeror and the Company. Such group-level initiatives however may not directly align with the immediate concerns of the Takeovers Code Disinterested Shareholders, and we believe the fundamental consideration for the Takeovers Code Disinterested Shareholders shall rest on the financial merits (such as fairness and reasonableness of the Cancellation Price) and certainty of the exit opportunity presented to them.

In this context, the Cancellation Price delivers an immediate realisation of value at pricing levels and valuation multiples that are more attractive than those of the secondary market, while comparing favorably against the prevailing market comparables valuation environment.

By means of the Proposal, Takeovers Code Disinterested Shareholders can secure complete cash realisation, whilst transferring future integration, governance, and market risks entirely to the Offeror. Accordingly, we consider the terms of the Proposal and the Scheme to be fair and reasonable so far as the Takeovers Code Disinterested Shareholders are concerned.

Takeovers Code Disinterested Shareholders should note that the proposed privatisation is conducted by way of a Scheme. Once all Conditions are fulfilled or waived (as applicable), the Scheme will become effective and binding on all Shareholders, resulting in the cancellation of all Scheme Shares. If the Scheme is not approved or the Proposal lapses, the Offeror will be subject to the standard 12-month restriction under the Takeovers Code before any new offer can be made, except with the consent of the Executive.

4. THE CANCELLATION PRICE

The Cancellation Price of HK$3.00 in cash for every Scheme Share represents:

(i) a premium of approximately 44.2% over the closing price of HK$2.08 per Share as quoted on the Hong Kong Stock Exchange on the Last Trading Day;

(ii) a premium of approximately 44.1% over the average closing price of approximately HK$2.08 per Share based on the daily closing prices as quoted on the Hong Kong Stock Exchange for the 5 trading days up to and including the Last Trading Day;

(iii) a premium of approximately 46.5% over the average closing price of approximately HK$2.05 per Share based on the daily closing prices as quoted on the Hong Kong Stock Exchange for the 30 trading days up to and including the Last Trading Day;

(iv) a premium of approximately 37.7% over the average closing price of approximately HK$2.18 per Share based on the daily closing prices as quoted on the Hong Kong Stock Exchange for the 60 trading days up to and including the Last Trading Day;

(v) a premium of approximately 1.4% over the closing price of approximately HK$2.96 per Share as quoted on the Hong Kong Stock Exchange on the Latest Practicable Date;

(vi) a premium of approximately 80.3% over the audited consolidated net asset value per Share attributable to the Shareholders of approximately HK$1.66 as at December 31, 2025; and

(vii) a premium of approximately 76.5% over the unaudited consolidated net asset value per Share attributable to the Shareholders of approximately HK$1.70 as at June 30, 2026.

As disclosed in the Joint Announcement, the Cancellation Price has been determined by the Offeror after taking into account, among other things, the recent and historical trading prices and trading volume of the Shares, the publicly available financial information of the Company, and other privatisation transactions relating to companies listed on the Hong Kong Stock Exchange in recent years.

Shareholders should note that the Cancellation Price will not be increased, and the Offeror does not reserve the right to do so. Shareholders, Share Option Holders, and potential investors of the Company should be aware that, following the making of this statement, the Offeror will not be allowed under the Takeovers Code to increase the Cancellation Price.

4.1 Historical price performance of the Shares

Set out below is a chart illustrating the historical closing prices of the Shares as quoted on the Hong Kong Stock Exchange during the period commencing from July 23, 2024, being two-year prior to the Last Trading Day ("**Pre-Announcement Period**"), and subsequently up to and including the Latest Practicable Date ("**Post-Announcement Period**") (collectively, the "**Review Period**").

For this analysis, in addition to the typical 12-month period before the Last Trading Day, we have extended the analysis to a period of approximately two years to illustrate the price movements of the Shares for comprehensiveness. We recognise that the initial period from mid-2024 to mid-2025 was more outdated and is for the purpose of a clearer picture as explained below, and we have placed more emphasis on the latter period from mid-2025 to the Latest Practicable Date. A longer period is illustrated considering:

(i) those significant events such as recent marked improvements in financial performance and changing market outlook and prospects that may have affected Share price trend and liquidity analysis;

(ii) market and investors' reaction towards the recent developments of the Group, including the merger by way of absorption and share exchange between Guotai Junan Securities Co., Ltd, its then majority Shareholder and Haitong Securities Co., Ltd. ("**GTHT Merger**") and the Group obtaining the licence for virtual asset dealing services;

(iii) changing market outlook and prospects as well as prevailing stock market sentiments; and

(iv) the extreme price volatility observed where prices of Shares increased more than ten-fold during a period and subsequently decreased by more than 70%, likely resulted in a temporary distortion of the trading price of the Shares.