Gram Capital Limited
嘉林資本有限公司

30 July 2026

To: The Independent Board Committee and the Takeovers Code Independent Shareholders of DFZQ

Dear Sir/Madam,

(1) MAJOR TRANSACTION – PROPOSED ACQUISITION OF 100% EQUITY INTERESTS IN SHANGHAI SECURITIES BY WAY OF ISSUE OF CONSIDERATION A SHARES UNDER SPECIFIC MANDATE AND PAYMENT OF CASH;
AND
(2) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment as the Hong Kong Independent Financial Adviser to advise the Independent Board Committee and the Takeovers Code Independent Shareholders in respect of the Proposed Transaction, the Specific Mandate and the Whitewash Waiver, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 30 July 2026 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 6 May 2026, the Company entered into the Framework Agreement with the Vendors, pursuant to which the Company conditionally agreed to acquire, and the Vendors conditionally agreed to sell, in aggregate 100% of the equity interests in Shanghai Securities (being the Target Equities). On 27 July 2026, the Company and the Vendors entered into the Definitive Agreement which provides for the Total Consideration for the Proposed Transaction and upon which the number of the Consideration A Shares and the Cash Consideration have been determined by reference to the Total Consideration. According to the Asset Valuation Report issued by the Valuer, which has been filed with Shanghai SASAC, the appraised value of the Target Equities as at the Valuation Benchmark Date of 31 March 2026 is RMB25,119,840,000.

Upon arm's length negotiations between the Company and each Vendor based on the appraised value of the Target Equities set out in the Asset Valuation Report, the Total Consideration has been determined to be RMB25,120,000,000, which shall be settled by the Company (i) as to RMB23,550,000,000 by the allotment and issuance of 2,288,629,735 Consideration A Shares in aggregate to the Vendors, calculated based on the issue price of RMB10.29 per Consideration A Shares (the "**Issue Price**"); and (ii) as to RMB1,570,000,000 by the payment of Cash Consideration to Guotai Haitong. Upon the entering into the Definitive Agreement between the parties, the Framework Agreement has been superseded in its entirety.

With reference to the Board Letter, the Proposed Transaction constitutes a major transaction of the Company, and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Hong Kong Listing Rules.

In addition, if the Proposed Transaction materialises, it is expected that immediately after Completion thereof and assuming that (i) there will not be any further adjustment to the Issue Price; and (ii) there will be no change in the total issued Shares since the Latest Practicable Date, save for the issue of the Consideration A Shares pursuant to the Definitive Agreement, the aggregate voting rights in the Company held by the Whitewash Applicant Vendors and the Whitewash Applicant Vendors Concert Party Group will increase to approximately 35.30% and will therefore trigger the mandatory general offer obligations of the Vendors in respect of the Company under Rule 26.1 of the Takeovers Code. The Whitewash Applicant Vendors have made an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 to dispensation from Rule 26 of the Takeovers Code. Pursuant to the Definitive Agreement, implementation of the Proposed Transaction is conditional upon the granting of the Whitewash Waiver and the obtaining of the requisite approval by the Takeovers Code Independent Shareholders and each of such conditions is not waivable.

The Whitewash Waiver, if granted by the Executive, will be subject to (i) the approval of the Whitewash Waiver by at least 75% of the votes cast by the Takeovers Code Independent Shareholders either in person or by proxy at the EGM; and (ii) the approval of the Proposed Transaction by more than 50% of the votes cast by the Takeovers Code Independent Shareholders either in person or by proxy at the EGM. As at the Latest Practicable Date, the Executive has indicated that it is minded to grant the Whitewash Waiver. The Proposed Transaction will not proceed if the Whitewash Waiver is not granted or if the requisite approval by the Takeovers Code Independent Shareholders in respect of the Whitewash Waiver is not obtained.

Pursuant to Rule 2.8 of the Takeovers Code, the Independent Board Committee (comprising all the non-executive Directors and independent non-executive Directors who have no direct or indirect interest in the Proposed Transaction and the Whitewash Waiver, namely Mr. SHI Lei, Ms. LI Yun, Mr. XU Yongmiao, Mr. REN Zhixiang and Mr. SUN Weidong, being the non-executive Directors, and Mr. WU Hong, Mr. FENG Xingdong, Mr. CHAN Hon and Mr. ZHU Kai, being the independent non-executive Directors) has been formed to advise the Takeovers Code Independent Shareholders on the Proposed Transaction, the Specific Mandate and the Whitewash Waiver. We, Gram Capital Limited, have been appointed as the Hong Kong Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Takeovers Code Independent Shareholders in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as the independent financial adviser to the independent board committee and independent shareholders of Guotai Haitong in relation to (i) continuing connected transactions of Guotai Haitong, details of which are set out in Guotai Haitong's circular dated 5 December 2025; and (ii) a connected transaction of Guotai Haitong, details of which are set out in Guotai Haitong's circular dated 22 November 2024 (collectively, the "**IFA Engagements**").

Notwithstanding the IFA Engagements, as at the Latest Practicable Date, we were not aware of (i) any relationship or interest between (a) Gram Capital and the Company; (b) Gram Capital and Shanghai Securities; (c) Gram Capital, the Vendors and the Whitewash Applicant Vendors Concert Party Group; and (d) Gram Capital and any other parties, that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Hong Kong Independent Financial Adviser to the Independent Board Committee and the Takeovers Code Independent Shareholders; or (ii) any other services provided by Gram Capital to (a) the Company; (b) Shanghai Securities; or (c) the Vendors and the Whitewash Applicant Vendors Concert Party Group, during the past two years immediately preceding 19 April 2026.

Having considered the above and that (i) none of the circumstances as set out under the Rule 13.84 of the Listing Rules and Rule 2.6 of the Takeovers Code existed as at the Latest Practicable Date; and (ii) the aforesaid IFA Engagements will not affect our independence to act as the Hong Kong Independent Financial Adviser, we are of the view that we are independent to act as the Hong Kong Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Takeovers Code Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private

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agreement/arrangement or implied understanding with anyone concerning the Proposed Transaction, the Specific Mandate and the Whitewash Waiver. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Hong Kong Listing Rules and Rule 2 of the Takeovers Code.

We have not made an independent evaluation or appraisal of the assets and liabilities of Shanghai Securities and we have not been furnished with any such evaluation or appraisal, save as and except for the Asset Valuation Report in respect of the Target Equities prepared by the Valuer, as set out in Appendix V to the Circular. Since we are not experts in the appraisal of assets or business, we have relied solely upon the Asset Valuation Report for the appraised value of the Target Equities as at 31 March 2026 (i.e. the Valuation Benchmark Date).

Your attention is drawn to the responsibility statements as set out in the section headed "1. RESPONSIBILITY STATEMENT" of Appendix VIII to the Circular. We, as the Hong Kong Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Vendors, Shanghai Securities or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Proposed Transaction. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. The Shareholders will be notified of any material changes as soon as possible in accordance with Rule 9.1 of the Takeovers Code. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

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

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PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Proposed Transaction, the Specific Mandate and the Whitewash Waiver, we have taken into consideration the following principal factors and reasons:

(I) The Proposed Transaction

1. Background of the Proposed Transaction

Information on the Group

With reference to the Board Letter, the Company is a joint stock company incorporated in the PRC with limited liability, the A Shares and H Shares of which are listed and traded on the Shanghai Stock Exchange (stock code: 600958) and the Main Board of the Hong Kong Stock Exchange (stock code: 03958) respectively, and is principally engaged in wealth and asset management, investment banking and alternative investment, institutions and sales trading, and international and other businesses.

Set out below are the audited consolidated financial information of the Group for the two years ended 31 December 2025, as extracted from the Company's annual report for the year ended 31 December 2025 (the "**2025 Annual Report**"):

	For the year ended 31 December 2025 ("FY2025") *RMB'000*	For the year ended 31 December 2024 ("FY2024") *RMB'000*	Year-on-year change %
Total revenue, other income and net gains and losses	25,477,248	20,665,592	23.28
– Commission and fee income	*11,989,304*	*9,988,145*	*20.04*
– Interest income	*6,126,979*	*5,558,875*	*10.22*
– Net investment gains	*6,725,507*	*4,786,472*	*40.51*
– Other income, gains and losses, net	*635,458*	*332,100*	*91.35*
Profit attributable to equity holders of the Company	5,633,560	3,350,208	68.16

As illustrated in the above table, the Group's total revenue, other income and net gains and losses increased by approximately 23.28% from approximately RMB20.67 billion for FY2024 to approximately RMB25.48 billion for FY2025. With reference to the 2025 Annual Report, such increase was mainly due to the year-on-year increase in income from securities proprietary trading business, securities and futures brokerage business, investment banking business and international business.

Alongside with the aforesaid increase in total revenue, other income and net gains and losses, as partially offset by increased staff costs (which was mainly attributable to higher performance-based remuneration due to increased revenue), commission and fee expenses (which was mainly attributable to higher fee expenses as trading volume of securities and futures broking and dealing increased) and interest expenses (which was mainly attributable to higher interest expenses derived from financial assets sold under repurchase agreements (a financing arrangement of the Group whereas financial assets were sold with repurchase clause(s)), borrowings, and increased cash held on behalf of brokerage clients), the profit attributable to equity holders of the Company also increased by approximately 68.16% from approximately RMB3.35 billion for FY2024 to approximately RMB5.63 billion for FY2025.

With reference to the 2025 Annual Report, the Company will adhere to one overall positioning, continuously promote high-quality development with the characteristics of DFZQ, focus on the two key areas of comprehensive wealth management and comprehensive investment banking, forge three core capability pillars of comprehensive customer group management, digital technology-driven initiatives, and endogenous compliance and risk control, create four characteristic advantages of buyer's investment advisory, industrial investment banking, institutional finance, and digital technology, and promote five coordinated developments including wealth management, asset management and futures, investment banking, investment and research, licenses and clients, energy and finance, and domestic and offshore sectors. The Company will improve the safeguard mechanisms for plan implementation, strengthen the leadership guarantee for the Company's development; promote steady and long-term reform, consolidate the elemental foundation for the Company's development; and strengthen the construction of talent teams to stimulate the internal driving force for the Company's development.

Information on the Vendors

Bailian Group

With reference to the Board Letter, Bailian Group is a limited liability company incorporated in the PRC, the principal businesses of which are convenience store chains, integrated department stores, commodities trading, and specialty retail chains. Bailian Group became the controlling shareholder of Shanghai Securities since February 2021 and, as at the Latest Practicable Date, holds 50.0000% of the equity interests in Shanghai Securities. As at the Latest Practicable Date, Bailian Group's ultimate beneficial owner is Shanghai SASAC.

Guotai Haitong

With reference to the Board Letter, Guotai Haitong is a joint stock company incorporated in the PRC with limited liability, whose A shares and H shares are listed and traded on the Shanghai Stock Exchange (stock code: 601211) and the Main Board of the Hong Kong Stock Exchange (stock code: 02611), respectively. The principal businesses of Guotai Haitong are

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wealth management, investment banking, institution and transaction, investment management, finance lease and other business. As at the Latest Practicable Date, SIG and its subsidiaries collectively hold approximately 20.4% of the equity interests in Guotai Haitong, as its largest shareholder.

SIG Investment

With reference to the Board Letter, SIG Investment is a limited liability company incorporated in the PRC, the principal businesses of which are asset management, industrial investment, enterprise management consultancy and financial consultancy. As at the Latest Practicable Date, SIG Investment is a wholly-owned subsidiary of SIG, and its ultimate beneficial owner is Shanghai SASAC.

SIG

With reference to the Board Letter, SIG is a limited liability company incorporated in the PRC, the principal businesses of which are investment primarily in the financial sector and secondarily in the non-financial sector, capital operation and asset management, financial research and socio-economic consultancy. As at the Latest Practicable Date, the ultimate beneficial owner of SIG is Shanghai SASAC.

Shanghai Chengtou Group

With reference to the Board Letter, Shanghai Chengtou Group is a limited liability company incorporated in the PRC, which is a state-owned enterprise group principally engaged in the investment, development, and operation and management of urban infrastructure projects. As at the Latest Practicable Date, the ultimate beneficial owner of Shanghai Chengtou Group is Shanghai SASAC.

Information on Shanghai Securities

With reference to the Board Letter, Shanghai Securities is a limited liability company established in the PRC on 27 April 2001. Shanghai Securities is principally engaged in wealth management, securities trading and investment, asset management, investment banking, and other businesses in the PRC.

Set out below is the audited financial information of Shanghai Securities, prepared in accordance with International Financial Reporting Standards ("**IFRS**") Accounting Standards, for the three financial years ended 31 December 2025 and the three months ended 31 March 2026 (with comparative figures for the corresponding period in 2025) as extracted from Appendix II to the Circular. Please refer to the Appendix II to the Circular for detailed financial information of Shanghai Securities and Appendix IV to the Circular for detailed management discussion and analysis of Shanghai Securities.

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	For the three months ended 31 March 2026 ("1Q2026") *RMB'000* *(audited)*	For the three months ended 31 March 2025 ("1Q2025") *RMB'000* *(unaudited)*	Changes from 1Q2025 to 1Q2026 *%*	For the year ended 31 December 2025 *RMB'000* *(audited)*	For the year ended 31 December 2024 *RMB'000* *(audited)*	For the year ended 31 December 2023 ("FY2023") *RMB'000* *(audited)*	Changes from FY2024 to FY2025 *%*	Changes from FY2023 to FY2024 *%*
Total revenue, other income and net gains and losses	950,642	1,275,192	(25.45)	4,969,118	4,369,562	3,011,315	13.72	45.10
– Commission and fee income	*558,549*	*372,620*	*49.90*	*1,761,185*	*1,468,413*	*1,225,044*	*19.94*	*19.87*
– Interest income	*388,130*	*333,427*	*16.41*	*1,401,767*	*1,445,574*	*1,533,120*	*(3.03)*	*(5.71)*
– Net investment gains/(losses)	*(3,313)*	*565,864*	*(100.59)*	*1,726,898*	*1,387,478*	*178,932*	*24.46*	*675.42*
– Other income, gains and losses, net	*7,276*	*3,281*	*121.76*	*79,268*	*68,097*	*74,219*	*16.40*	*(8.25)*
Profit for the year/period	151,329	385,486	(60.74)	1,323,494	953,461	353,233	38.81	169.92

With reference to the "Management discussion and Analysis on Shanghai Securities" as contained in Appendix IV to the Circular and as confirmed by the Directors:

(i) Shanghai Securities' total revenue, other income and net gains and losses increased by approximately 45.10% from approximately RMB3.01 billion for FY2023 to approximately RMB4.37 billion for FY2024. The increase was mainly due to the increase of approximately 675.42% in net investment gains for FY2024 as compared to that for FY2023, which was primarily attributable to the year-on-year increase in investment income from financial assets at fair value through profit or loss ("**FVTPL**") in 2024.

(ii) Shanghai Securities' total revenue, other income and net gains and losses increased by approximately 13.72% from approximately RMB4.37 billion for FY2024 to approximately RMB4.97 billion for FY2025. The increase was mainly due to (a) the increase of approximately 19.94% in commission and fee income for FY2025 as compared to that for FY2024, which was primarily due to the year-on-year increase in the commission and fee income from the wealth management business, as Shanghai Securities has benefited from increased activities in the securities and future market and growth in its client base, leading to a sustained increase in trading volume for its securities and future brokerage business and contributing to the growth in fee and commission income from its brokerage business; and (b) the increase of approximately 24.46% in net investment gains for FY2025 as compared to that for FY2024, which was primarily attributable to the overall improvement in market conditions in 2025, which drove a significant year-over-year increase in investment income from Shanghai Securities' equity investments.

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(iii) Shanghai Securities' total revenue, other income and net gains and losses decreased by approximately 25.45% from approximately RMB1.28 billion for 1Q2025 to approximately RMB0.95 billion for 1Q2026. The decrease was mainly due to the fact that Shanghai Securities recorded net investment losses of approximately RMB3.31 million for 1Q2026 in contrast of net investment gains of approximately RMB565.86 million for 1Q2025 (primarily affected by volatile market conditions, losses from the disposal of derivative financial instruments and the fair value change of financial assets at FVTPL), the effect of which was partially offset by increase in commission and fee income from 1Q2025 to 1Q2026.

(iv) Shanghai Securities' profit increased by approximately 169.92% from approximately RMB353.23 million for FY2023 to approximately RMB953.46 million for FY2024. The increase was mainly due to the aforementioned increase in total revenue, other income and net gains and losses.

(v) Shanghai Securities' profit increased by approximately 38.81% from approximately RMB953.46 million for FY2024 to approximately RMB1,323.49 million for FY2025. The increase was mainly due to the aforementioned increase in total revenue, other income and net gains and losses.

(vi) Shanghai Securities' profit decreased by approximately 60.74% from approximately RMB385.49 million for 1Q2025 to approximately RMB151.33 million for 1Q2026. The decrease was mainly due to the aforementioned decrease in total revenue, other income and net gains and losses.

2. *Reasons for and benefits of the Proposed Transaction*

With reference to the Board Letter:

(i) The Company and Shanghai Securities both originated in Shanghai. Both companies have proactively served and aligned themselves with the overall reform and development of China's capital markets over the years. The Proposed Transaction represents a pioneering move in further deepening reforms within Shanghai's state-owned enterprises. Upon completion of the Proposed Transaction, the Company's key shareholder base will encompass sectors such as energy, consumer goods, finance and science and technology innovation. This will facilitate the introduction of all the necessary elements and resources required for Shanghai's new round of development and securing a leading position in the industrial and economic development of Shanghai during the period covered by the Outline of the 15th Five-Year Plan for National Economic and Social Development of the PRC (2026-2030) (《中華人民共和國國民經濟和社會發展第十五個五年規劃綱要(2026-2030年)》). At the same time, the Company will play a more critical role in the development of Shanghai as an international financial centre and make greater contribution to the development of China as a financial powerhouse.

(ii) Shanghai Securities is a high-quality target among unlisted securities companies, possessing competitive advantages in terms of scale, quality and geographic location. Shanghai Securities has a relatively strong capital base and sound operating performance. As of 31 December 2025, among unlisted securities companies in the PRC, Shanghai Securities ranked second by total assets, third by net assets, and second by operating income. Shanghai Securities has a long history, being one of the earliest securities companies in the PRC to be granted qualification for innovative business pilot programmes, with relatively complete business qualifications, and possesses prudent risk management and internal control systems. Furthermore, Shanghai Securities is rooted in Shanghai and has a strong presence in the Yangtze River Delta region, with a relatively stable local customer base, a relatively well-established branch network, and robust shareholder resources.

(iii) Against the backdrop of an ongoing industry-wide consolidation in the securities industry, the Proposed Transaction is expected to leverage complementary strengths between the two companies, facilitating enhanced business complementarity and mutual empowerment, and ultimately generating significant synergies:

(1) the asset scale and capital strength of the Company will increase significantly. As at the end of 2025, the Company's total assets ranked eleventh in the PRC securities industry. Upon completion of the Proposed Transaction, the Company's ranking is expected to improve to top ten in the industry, the total assets of the Company would exceed RMB590 billion and the total net assets of the Company would exceed RMB100 billion. The Company's overall competitiveness and industry position will be significantly enhanced;

(2) the Company has demonstrated more efficient capital utilisation than Shanghai Securities. As at 31 December 2025, the operating leverage ratios of the Company and Shanghai Securities were 4.11 and 3.16, respectively. Upon completion of the Proposed Transaction, the Company will deploy capital resources of both parties to optimise capital allocation. While maintaining risk control, the Company will steadily expand asset scale and further enhance capital utilisation efficiency. Following the Proposed Transaction, the Company is well positioned to effectively leverage its unique profile and competitive strengths to scale up its business, with clear operating models, sustainable business performance, and a measurable and manageable risks profile, thereby consolidating its competitive advantages in proprietary investment, capital intermediation, and other business segments. While complying with regulatory requirements and maintaining effective risk control, the Company will endeavour to steadily improve the overall return on capital at the group level;

(3) the Company will achieve in-depth integration of the customer resources, branch network and regional footprint of both entities. Upon completion of the Proposed Transaction, the Company's network coverage will be further expanded, with significant regional advantage. The number of securities outlets of the Company in Shanghai will reach 77, ranking first among PRC securities companies. Meanwhile, the Company's customer base will be strengthened, with its further optimized customer structure, and further increased number of high-net-worth clients. Upon completion of the Proposed Transaction, the Company's total number of wealth management client fund accounts will increase from the existing 3.29 million to over 5 million, and the number of its high-net-worth clients will increase by more than 50% compared to that before the Proposed Transaction;

(4) wealth management, investment banking and institutional services and other business segments develop in synergy, forming a growth pattern supported by multiple drivers and building a more diversified and more balanced business structure. The overall scale and competitiveness of the Company's business will be significantly enhanced;

(5) the Company will, leveraging a more comprehensive business footprint, licenses and qualifications, as well as investment and research capabilities, provide high quality, full range, one-stop comprehensive financial services to customers, significantly enhancing its overall service capability; and

(6) the cost structure will be optimised and operating efficiency will be significantly improved through in-depth integration of technology platforms, empowerment from fintech utilization, and optimisation of resource allocation and core business processes. The Proposed Transaction will enable the Company to better perform the functions of a financial institution, and accelerate its development into a first-class modern investment bank with strong domestic competitiveness and international influence.

In recent years, the PRC government issued various polices regarding the PRC financial and securities industry as set out below:

In March 2024, CSRC issued《關於加強證券公司和公募基金監管加快推進建設一流投資銀行和投資機構的意見(試行)》(Opinions on Strengthening the Regulation of Securities Companies and Public Funds, and Accelerating the Construction of World-Class Investment Banks and Investment Institutions (Trial Implementation)*), which outlined that the PRC government should (i) appropriately expand the capital space for high-quality financial institutions, and support leading financial institutions to optimize and strengthen themselves through mergers and acquisitions and organizational innovation; and (ii) encourage small and medium-sized financial institutions to pursue differentiated development and specialized operations.

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In April 2024, the State Council of the PRC issued《關於加強監管防範風險推動資本市場高品質發展的若干意見》(Several Opinions on Strengthening Supervision, Preventing Risks, and Promoting High-Quality Development of the Capital Market*), which stated that the PRC government should (i) promote the high-quality development of securities and fund institutions, and drive the industry to strengthen investment banking capabilities and wealth management capabilities; (ii) support leading financial institutions to enhance their core competitiveness through mergers and acquisitions and organizational innovation; and (iii) encourage small and medium-sized financial institutions to pursue differentiated development and specialized operations.

In March 2026, Xinhua News Agency of the PRC (according to the official website of Xinhua News Agency of the PRC, Xinhua News Agency of the PRC, as the PRC's national news agency and a world news agency, undertakes the important responsibility of centrally and uniformly releasing authoritative news of the Communist Party of the PRC and the PRC government) published《中華人民共和國國民經濟和社會發展第十五個五年規劃綱要(2026-2030年)》(The Outline of the 15th Five-Year Plan for National Economic and Social Development of the PRC (2026-2030)*), which stated that the PRC government should expedite the building of a pre-eminent financial power, support large-scale state-owned financial institutions in elevating their comprehensive service levels, foster world-class investment banks and investment institutions, and accelerate the development of Shanghai as an international financial centre.

In light of the abovementioned factors, in particular, (i) upon the completion of the Proposed Transaction, (a) the asset scale and capital strength of the Company will increase significantly; (b) the Company will deploy capital resources of both parties to optimise capital allocation and endeavour to steadily improve the overall return on capital at the group level; (c) the Company will achieve in-depth integration of the customer resources, branch network and regional footprint of both entities; (d) the Company will build a more diversified and more balanced business structure; (e) the Company will significantly enhance its overall service capability; and (f) the cost structure will be optimised and operating efficiency will be significantly improved, and (ii) the Proposed Transaction is in line with the supportive government-issued policies regarding the PRC financial and securities industry above, we concur with the Board that the Proposed Transaction is expected to leverage complementary strengths between the Company and Shanghai Securities, facilitating enhanced business complementarity and mutual empowerment, and ultimately generating significant synergies.

Having considered (a) reasons for and benefits of the Proposed Transaction as stated in the Board Letter; (b) the supportive government-issued policies regarding the PRC financial and securities industry above; (c) the profit-making positions of Shanghai Securities for FY2024, FY2025 and 1Q2026; and (d) with Shanghai Securities' solid assets base, the Proposed Transaction will enhance the Group's total assets and net assets (such effects were indicated by the Pro Forma FI (as defined below)), we consider that although the Proposed Transaction is not conducted in the ordinary and usual course of business of the Group, the Proposed Transaction is in the interests of the Company and the Takeovers Code Independent Shareholders as a whole.

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3. Principal terms of the Proposed Transaction

Set out below are the principal terms of the Proposed Transaction under the Definitive Agreement, details of which are set out under the section headed "1. Definitive Agreement" of the Board Letter.

Date

27 July 2026

Parties

Purchaser

(1) Company;

Vendors

(1) Bailian Group;

(2) Guotai Haitong;

(3) SIG Investment;

(4) SIG; and

(5) Shanghai Chengtou Group

Target Equities

Pursuant to the Definitive Agreement, the Company has conditionally agreed to acquire and each Vendor has conditionally agreed to sell its respective interest in Shanghai Securities, which amounted to an aggregate of 100% of the equity interests in Shanghai Securities, of which (1) 50.0000% of the equity interests in Shanghai Securities held by Bailian Group, 18.7400% of the equity interests in Shanghai Securities held by Guotai Haitong, 16.3333% of the equity interests in Shanghai Securities held by SIG Investment, 7.6767% of the equity interests in Shanghai Securities held by SIG and 1.0000% of the equity interests in Shanghai Securities held by Shanghai Chengtou Group will be satisfied by the Company by way of issuance of the Consideration A Shares, and (2) the remaining 6.2500% of the equity interests in Shanghai Securities held by Guotai Haitong will be satisfied by the Company by way of payment of the Cash Consideration.

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Total Consideration

According to the Asset Valuation Report issued by the Valuer, which has been filed with Shanghai SASAC, the appraised value of the Target Equities as determined under the market approach as at the Valuation Benchmark Date of 31 March 2026 is RMB25,119,840,000 (the "**Appraised Value**").

Upon arm's length negotiations between the Company and each Vendor based on the Appraised Value set out in the Asset Valuation Report, the Total Consideration has been determined to RMB25,120,000,000, which shall be settled by the Company (i) as to RMB23,550,000,000 by the allotment and issuance of 2,288,629,735 Consideration A Shares in aggregate to the Vendors, calculated based on the Issue Price (i.e. RMB10.29 per Consideration A Shares); and (ii) as to RMB1,570,000,000 by the payment of the Cash Consideration to Guotai Haitong.

The Appraised Value

The Total Consideration is close to the Appraised Value.

For our due diligence purpose, we have (i) obtained and reviewed the qualification, experience and expertise of the Valuer in relation to the preparation of the Asset Valuation Report; (ii) enquired Valuer's current and prior relationship with the Group, the Vendors and the Shanghai Securities; (iii) reviewed the terms of Valuer's engagement in respect of the appraisal of the Target Equities; (iv) discussed with the Valuer the steps and due diligence measures for preparing the Asset Valuation Report; and (v) discussed with the Valuer regarding the bases, methodology and assumptions adopted in the Asset Valuation Report.

Qualification and independence

We performed due diligence on the qualification, experience and expertise of the Valuer and experience of the persons in charge of the Asset Valuation Report. We have conducted reasonable checks to assess the relevant qualification, experience and expertise of the Valuer, including reviewing the supporting documents on the qualification of the Valuer and discussing with the Company and the Valuer on the Valuer's qualifications and experience, and the bases and assumptions adopted in arriving the Appraised Value set out in the Asset Valuation Report (the "**Bases & Assumptions**"). Based on the information provided by the Valuer, we noted that:

- The Valuer complies with the requirements of the Securities Law of the PRC and completed filing with the securities regulatory authority of the State Council of the PRC and the relevant competent authority of the State Council of the PRC, and is qualified to engage in securities service business (including conduct valuation of unlisted companies in the PRC).

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- The two signatories of the Asset Valuation Report (being personnel engaged in the Asset Valuation Report) are filed as public valuers under China Appraisal Society, one of them has over 20 years of experience and the other one has around 9 years of experience in providing assets and enterprises valuation services to listed companies in the PRC and conduct valuation of unlisted companies in the PRC.

We also enquired into the Valuer as to its independence to the Group, the Vendors and Shanghai Securities and we were given the understanding that the Valuer is an independent third party of the Group, the Vendors and Shanghai Securities. As also confirmed by the Valuer, the Valuer was not aware of any relationship or interest between itself and the Group or any other parties that would reasonably be considered as hindrance to its independence.

Based on the above, we are of the opinion that (a) the Valuer and the personnel engaged in the Asset Valuation Report are (i) suitably qualified and experienced with sufficient knowledge, skills and understanding necessary to prepare the Asset Valuation Report competently; and (ii) meet the regulatory requirements which apply in the circumstances in which the Asset Valuation Reports is required; and (b) the Bases & Assumptions have been made with due care and objectivity, and on a reasonable basis.

Furthermore, we reviewed and noted from the engagement letter among the Company, Bailian Group (being one of the Vendors), and the Valuer, that the scope of work of the Valuer is appropriate to form the opinion required to be given and there was no limitation on the scope of work which might adversely impact the degree of assurance given by the Valuer in the Asset Valuation Report.

From the engagement letter and other relevant information provided by the Valuer, we are satisfied with the terms of engagement of the Valuer, and the Valuer's qualification and independence for the preparation of the Asset Valuation Report.

Methodology

We noted from the Asset Valuation Report that the Asset Valuation Report was prepared in accordance with various requirements and standards, including the Practice Standards for Asset Valuation – Enterprise Value * (《資產評估執業準則–企業價值》) (the "**Valuation Standards**") issued by the China Appraisal Society. In accordance with the Valuation Standards, an enterprise value valuation engagement may adopt any of three basic methods: the income approach, the market approach and the asset-based approach.

We noted from the Asset Valuation Report that in conducting the valuation of the appraised value of the Target Equities (the "**Valuation**"), the Valuer considered each of the basic methods and we understood that:

- The asset-based approach determines the value of a valuation subject based on the balance sheet of the appraised entity as at the valuation date, by reasonably valuing each on-balance-sheet asset and liability of the enterprise as well as each identifiable

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off-balance-sheet asset and liability. The use of the asset-based approach for enterprise value valuation may involve situations where not every asset and liability can be fully identified and individually valued. The basic idea of the asset-based approach is to reconstruct or replace the asset being valued under current conditions. A potential investor, in deciding whether to invest in an asset, would not be willing to pay a price exceeding the current acquisition and construction cost of that asset. This valuation project (i.e. the Target Equities) meets the conditions required for valuation using the asset-based approach, namely that the valued asset, or is assumed to be in continuing use, and that usable historical operating data is available. Therefore, asset-based approach is suitable for the Valuation.

- The income approach determines the value of a valuation subject by capitalising or discounting its expected income. The use of the income approach for enterprise value valuation places emphasises on the enterprise's overall expected profitability. The income approach determines asset value by estimating the present value of expected future income from the asset. Its applicability presupposes that the future income of the enterprise can be reasonably quantified, and that expected cash flows are sustained, stable and predictable. However, as Shanghai Securities is a securities-related enterprise, its operating results are highly positively correlated with the prosperity of the capital market, and its performance is significantly influenced by multiple factors, including secondary market trading volume, equity index fluctuations, the benchmark interest rate level and the shape of the yield curve. Given the notable strong cyclicality of the securities industry, enterprises often face relatively high volatility of performance during bull-to-bear market transitions, resulting in a certain degree of uncertainty in future cash flows. Under such circumstances, it is difficult to reliably quantify and predict medium-to-long-term future income through reasonable and professional judgment, and the fundamental prerequisite of the income approach on "predictability of future income" cannot be satisfied. Therefore, the income approach is not considered suitable for the Valuation.

- The market approach determines the value of a valuation subject by comparing it with comparable listed companies or comparable transaction cases. The valuation data were directly selected from the market, and the valuation results are therefore highly persuasive. The two commonly used specific methods under the market approach are the listed company comparison method and the transaction case comparison method. The market approach requires a well-developed, fair and active public market with sufficient market data and comparable transaction cases. Currently, many listed companies in the same industry as Shanghai Securities with similar product types, business structures and operating models, and information of listed companies with similar product types, business structures and operating models is available. Therefore, the market approach is suitable for the Valuation.

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Despite that both of the asset-based approach and the market approach are applicable for the Valuation, the Valuer selected valuation result under the market approach as the valuation conclusion for the Valuation since the valuation result under the asset-based approach only values individual tangible assets and identifiable intangible assets, and cannot fully reflect the value contribution of combinations of individual assets to the entire Shanghai Securities, nor can it fully measure the overall effect value of Shanghai Securities that may be generated by the mutual matching and organic combination of individual assets. The value connotation of the valuation result under the market approach includes the value of all unidentifiable intangible assets of Shanghai Securities, so the valuation result under the market approach is higher than that under the asset-based approach. Taking into account the purpose of the Valuation, the market approach can more objectively and reasonably reflect the overall value of Shanghai Securities. Therefore, the valuation result under the market approach is adopted as the final valuation conclusion.

Given that (i) it is difficult to reliably quantify and predict medium-to-long-term future income through reasonable and professional judgment, and the fundamental prerequisite of the income approach on "predictability of future income" cannot be satisfied; and (ii) the valuation result under the asset-based approach only values individual tangible assets and identifiable intangible assets, and cannot fully reflect the value contribution of combinations of individual assets to the entire Shanghai Securities, nor can it fully measure the overall effect value of Shanghai Securities that may be generated by the mutual matching and organic combination of individual assets, we are of the view that the use of market approach to conclude the Valuation is appropriate.

Bases, assumptions and parameters

The Valuation was conducted through the application of the listed company comparison method under the market approach. The listed company comparison method is a specific method that involves obtaining and analysing the operating and financial data of comparable listed companies, calculating valuation multiples, and determining the value of the Target Equities based on a comparative analysis with Shanghai Securities.

In respect of the selection and determination of valuation multiples, the Valuer considered price-to-earnings ratio ("**P/E**"), price-to-book ratio ("**P/B**"), price-to-sales ratio ("**P/S**"), or enterprise value multiples (such as enterprise value-to-earnings before interests and taxes ratio ("**EV/EBIT**"), enterprise value-to-earnings before interests, taxes, depreciation and amortisation ratio ("**EV/EBITDA**")) and selected the P/B multiple for the Valuation.

We understood from the Valuer that, Shanghai Securities operates in the securities industry, and its operating performance is materially affected by a number of factors, including trading volume in the secondary market, fluctuations in equity indices, the prevailing level of interest rates and the shape of the yield curve. Given the cyclical nature of the securities industry, enterprises in the industry are often exposed to a relatively high degree of earnings volatility during transitions between bull and bear markets, and the relevant parameters of profit-based and revenue-based indicators may fluctuate significantly. Accordingly, it is not appropriate to adopt profit-based and revenue-based indicators for the purpose of the Valuation. Considering that securities companies are typical capital-intensive financial institutions and that their core operations are conducted on the basis of net capital, the P/B multiple is considered an appropriate value indicator. After comparative analysis of the correlation between various value ratios and the market value of Shanghai Securities, the P/B multiple was selected as the value ratio for the Valuation.

As Shanghai Securities is a securities company, its operating results are highly positively correlated with the prosperity of the capital market, and its performance is significantly influenced by multiple factors, including secondary market trading volume, equity index fluctuations, the benchmark interest rate level and the shape of the yield curve. Given the notable strong cyclicality of the securities industry, enterprises often face relatively high volatility of performance during bull-to-bear market transitions, making revenue-based multiple (i.e. P/S multiple) and profit-based multiples (i.e. P/E, EV/EBIT and EV/EBITDA multiples) prone to distortion. Hence, we concur with the Valuer that the revenue-based multiple (i.e. P/S multiple) and the profit-based multiples (i.e. P/E, EV/EBIT and EV/EBITDA multiples) are unsuitable for the Valuation. In addition, as securities companies are typical capital-intensive financial institutions and that their core operations are conducted on the basis of net capital, the net assets reflect the net financial resources that drive the value. We also understood that P/B multiple is one of the commonly adopted valuation multiples for capital intensive businesses such as financial institutions. Given that the business capacity of Shanghai Securities is ultimately constrained by its net assets, we concur with the Valuer that the asset-based multiple (i.e. P/B multiple) is considered a suitable multiple for the Valuation.

Having considered the above, we consider that the profit-based multiples (i.e. P/E, EV/EBIT and EV/EBITDA multiples) and the revenue-based multiple (i.e. P/S multiple) are unsuitable for the Valuation, and the adoption of P/B multiple for the Valuation is fair and reasonable.

In respect of the selection of the comparable listed companies, the Valuer adopted the selection criteria as follows (the "**Selection Criteria**"):

As at the Valuation Benchmark Date:

(a) the comparable listed companies are publicly listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange;

(b) the comparable listed companies are in the securities industry in the PRC;

(c) the total revenue of comparable listed companies ranges from RMB2 billion to RMB5 billion for their respective latest available full financial year (the "**Revenue Range**");

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(d) total assets, net assets and net profit of comparable listed companies range from RMB60 billion to RMB150 billion (the "**Total Assets Range**"), RMB10 billion to RMB30 billion (the "**Net Assets Range**") and RMB0.5 billion to RMB2 billion (the "**Net Profit Range**"), respectively;

(e) the comparable listed companies shall not have engaged in any material mergers, acquisitions, reorganizations, or been subject to any significant penalties during the past two years;

(f) the comparable listed companies have been listed for no less than three years; and

(g) the revenue structure (i.e. the proportion of fee and commission income and investment gains compared to total revenue for the latest available full financial year) of comparable listed companies is similar to that of Shanghai Securities.

To assess the fairness and reasonableness of the Selection Criteria, we consider the following factors:

(i) The Selection Criteria were set with comprehensive consideration of financial data reliability and availability, business congruence with Shanghai Securities (i.e. Shanghai Securities operates in the securities industry in the PRC), and Shanghai Securities' operating conditions and financial positions with no material mergers, acquisitions, reorganizations and significant penalties during the past two years immediately preceding the Valuation Benchmark Date.

In particular, Shanghai Securities recorded (under CASBE *(note)*):

(a) total revenue of approximately RMB3.43 billion for FY2025 (being the latest available full financial year as at the Valuation Benchmark Date)), hence, the Revenue Range was set as RMB2 billion to RMB5 billion;

(b) net profit of approximately RMB1.32 billion respectively for FY2025, hence, the Net Profit Range was set as RMB0.5 billion to RMB2 billion;

(c) total assets of approximately RMB103.19 billion as at the Valuation Benchmark Date, hence, the Total Assets Range was set as RMB60 billion to RMB150 billion; and

(d) net assets of approximately RMB20.12 billion respectively as at the Valuation Benchmark Date, hence, the Net Assets Range was set as RMB10 billion to RMB30 billion.

Given the above, we consider the Revenue Range, the Net Profit Range, the Total Assets Range and the Net Assets Range to be reasonable ranges set with reference to the operating conditions and financial positions of Shanghai Securities.

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Note: The Valuation was conducted based on the financial information of Shanghai Securities as prepared under CASBE. As the aforementioned comparable listed companies are publicly listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange, the financial information of which were also prepared under CASBE. Hence, we consider that taking into account the financial information of Shanghai Securities as prepared under CASBE in setting the Selection Criteria to be justifiable.

(ii) The Selection Criteria would allow the Valuer to identify companies that operate within the same industry as Shanghai Securities with sufficient information for the purpose of conducting the Valuation.

Hence, we consider that the Selection Criteria adopted by the Valuer is fair and reasonable.

Based on the Selection Criteria, the Valuer identified 4 comparable listed companies (the "**Comparable Companies**") and as confirmed by the Valuer, the Comparable Companies are exhaustive. As the Comparable Companies were selected based on the Selection Criteria and exhaustive, we are of the view that the Comparable Companies are fair and representative.

Furthermore, we noted that the Valuer made adjustments on the P/B multiples of the Comparable Companies (the "**Adjusted P/B Multiples**") due to the differences between Shanghai Securities and the Comparable Companies. As advised by the Valuer, the aforementioned adjustments primarily include transaction date adjustments, transaction conditions adjustments, scale adjustments, risk management capability adjustments, operating capability adjustments, profitability adjustments and growth capability adjustments. Please refer to the section headed "(V) Calculation of Total Shareholders' Equity under the Market Approach" under the Appendix V to the Circular for detailed information (including the respective figures) of the Adjusted P/B Multiples. Having considered that (i) the transaction date adjustments were considered in order to smooth out short-term share price fluctuations of the Comparable Companies between the selected pricing benchmark and the Valuation Benchmark Date; (ii) the transaction conditions adjustments were considered in order to eliminate the effects of any price deviations of Comparable Companies arising from special factors in the transaction process; (iii) the scale adjustments were considered in order to align the overall assets volume and risk resilience of the Comparable Companies with those of Shanghai Securities; (iv) the risk management capability adjustments were considered in order to align the capability in identifying, assessing, responding to and monitoring various risks in line with strategic and operational objectives, while continuously optimizing mechanisms and balancing risk and return of the Comparable Companies with that of Shanghai Securities; (v) the operating capability adjustments were considered in order to align the ability in utilizing various assets to generate profits of the Comparable Companies with that of Shanghai Securities; (vi) the profitability adjustments were considered in order to align the ability in increasing the value of funds or capital of the Comparable Companies with that of Shanghai Securities; and (vii) the growth capability adjustments were considered in order to align the growth capability of business development of the Comparable Companies with that of Shanghai Securities, we are of the view that the aforementioned adjustments are appropriate, fair and reasonable.

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For our due diligence purpose, we obtained the calculation of the Adjusted P/B Multiples, discussed each of the aforementioned adjustments for each of the Comparable Companies with the Valuer and noted that:

(i) no adjustment for transaction date is required as the selected pricing benchmarks of the Comparable Companies are consistent with the Pricing Benchmark Date;

(ii) no adjustment for transaction conditions is required as the transaction prices of the Comparable Companies are all normal market transaction prices under active and open market trading;

(iii) the scale adjustment for each Comparable Company is made by taking into account the gaps between each of the Comparable Companies and Shanghai Securities in terms of total assets, net assets attributable to owners of the parent company, net capital, net profit attributable to owners of the parent company and the number of business departments. In this regard, the Valuer provided us with the adjustment details including the information of total assets, net assets attributable to owners of the parent company, net capital, net profit attributable to owners of the parent company and the number of business departments of each of the Comparable Companies and Shanghai Securities. After reviewing the aforesaid adjustment details, nothing has come to our attention to cause us to doubt the authenticity and accuracy of the scale adjustments (including the adjustment details);

(iv) the risk management capability adjustment for each Comparable Company is made by taking into account the gaps between each of the Comparable Companies and Shanghai Securities in terms of net capital/debt ratio, capital leverage ratio, liquidity coverage ratio, net stable funding ratio, net assets/debt ratio, net capital/net assets ratio and net capital/total risk capital reserves. In this regard, the Valuer provided us with the adjustment details including the information of net capital/debt ratio, capital leverage ratio, liquidity coverage ratio, net stable funding ratio, net assets/debt ratio, net capital/net assets ratio and net capital/total risk capital reserves of each of the Comparable Companies and Shanghai Securities. After reviewing the aforesaid adjustment details, nothing has come to our attention to cause us to doubt the authenticity and accuracy of the risk management capability adjustments (including the adjustment details);

(v) the operating capability adjustment for each Comparable Company is made by taking into account the gaps between each of the Comparable Companies and Shanghai Securities in terms of total assets turnover ratio and net asset turnover ratio. In this regard, the Valuer provided us with the adjustment details including the information of total assets turnover ratio and net asset turnover ratio of each of the Comparable Companies and Shanghai Securities. After reviewing the aforesaid adjustment details, nothing has come to our attention to cause us to doubt the authenticity and accuracy of the operating capability adjustments (including the adjustment details);

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(vi) the profitability adjustment for each Comparable Company is made by taking into account the gaps between each of the Comparable Companies and Shanghai Securities in terms of revenue profit margin, expense profit margin, return on equity and return on assets. In this regard, the Valuer provided us with the adjustment details including the information of revenue profit margin, expense profit margin, return on equity and return on assets of each of the Comparable Companies and Shanghai Securities. After reviewing the aforesaid adjustment details, nothing has come to our attention to cause us to doubt the authenticity and accuracy of the profitability adjustments (including the adjustment details); and

(vii) the growth capability adjustment for each Comparable Company is made by taking into account the gaps between each of the Comparable Companies and Shanghai Securities in terms of growth rate of net assets attributable to owners of the parent company, compound annual growth rate of operating revenue and compound annual growth rate of net profit attributable to owners of the parent company. In this regard, the Valuer provided us with the adjustment details including the information of growth rate of net assets attributable to owners of the parent company, compound annual growth rate of operating revenue and compound annual growth rate of net profit attributable to owners of the parent company of each of the Comparable Companies and Shanghai Securities. After reviewing the aforesaid adjustment details, nothing has come to our attention to cause us to doubt the authenticity and accuracy of the growth capability adjustments (including the adjustment details).

In addition, we also recalculated the Adjusted P/B Multiples, and were satisfied with the adjustment procedures including the results of the Adjusted P/B Multiples. Hence, we are of the view that the Adjusted P/B Multiples are fair and reasonable.

Moreover, we also noted that the Valuer applied discount for lack of marketability ("**DLOM**") to reflect the discount of privately-held companies with no established market of readily-available buyers and seller. As advised by the Valuer, the applied DLOM (being 23.04%) is derived from the DLOM ratio pertaining to the securities and futures industry as set forth in the latest DLOM calculation table (the "**DLOM Table**") circulated by the China Appraisal Society as at the Valuation Benchmark Date. According to the official website of China Appraisal Society, China Appraisal Society, established in December 1993, is a national self-regulatory organization of the valuation profession, subject to the guidance and supervision of the Ministry of Finance of the PRC and the Ministry of Civil Affairs of the PRC, undertakes the statutory duties conferred by the Law of the People's Republic of China on Asset Appraisal and the duties of the profession self-regulation and management conferred by the by-laws of the China Appraisal Society, and participates in the international valuation affairs. Therefore, we do not doubt the credibility and reliability of China Appraisal Society. For our due diligence purpose, we obtained the DLOM Table and noted that the applied DLOM (being 23.04%) equals to the DLOM ratio pertaining to the securities and futures industry as set forth in the DLOM Table. Hence, we concur with the Valuer on the adoption of DLOM (being 23.04%) for the Valuation.

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Furthermore, we noted from Appendix V to the Circular that no control premium has been taken into account in the Valuation for the reasons set out below:

(i) There is currently no relatively reliable control premium data for the securities industry in China.

(ii) China's financial industry is a heavily regulated industry. Compared with minority shareholders, the additional benefits that major shareholders may obtain through control are strictly constrained, and the impact of a control premium on valuation is extremely limited. Based on the results of certain empirical studies, the control premium observed in the financial industry is relatively low.

(iii) Not taking into account a control premium is consistent with market practice in securities company restructuring case.

In light of the above, we concur with the Valuer on not taking into account the control premium in the Valuation.

Our conclusion on consideration

Based on our due diligence on the Valuation and during our discussion with the Valuer, we did not identify any major factor which caused us to doubt the fairness and reasonableness of the methodology, principal bases, assumptions and parameters adopted for the Asset Valuation Report.

Having considered our independent work performed on the Asset Valuation Report as set out above and that the Total Consideration was determined upon arm's length negotiations between the Company and each Vendor based on the Appraised Value set out in the Asset Valuation Report and is close to the Appraised Value, we are of the view that the Total Consideration is fair and reasonable.

Issue Price

With reference to the Board Letter, the Issue Price is RMB10.29 per Consideration A Share, which was determined after arm's length negotiations between each of the parties, based on the weighted average trading prices of the A Shares for the 120 trading days prior to the Pricing Benchmark Date. The Issue Price of RMB10.29 per Consideration A Share represents:

(i) a premium of approximately 13.33% over the closing price of RMB9.08 per A Share as quoted on the Shanghai Stock Exchange on the Latest Practicable Date;

(ii) a premium of approximately 12.58% over the closing price of RMB9.14 per A Share as quoted on the Shanghai Stock Exchange on the last trading day (being 17 April 2026) prior to the Pricing Benchmark Date (after deducting the 2025 Final Dividend) (the "**LTD Premium**");

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(iii) a premium of approximately 14.33% over the weighted average trading price per A share as quoted on the Shanghai Stock Exchange for the 20 trading days prior to the Pricing Benchmark Date (after deducting the 2025 Final Dividend) (the "**20-Day Premium**");

(iv) a premium of approximately 5.54% over the weighted average trading price per A share as quoted on the Shanghai Stock Exchange for the 60 trading days prior to the Pricing Benchmark Date (after deducting the 2025 Final Dividend) (the "**60-Day Premium**");

(v) equals to RMB10.29, the weighted average trading price of the A Shares as quoted on the Shanghai Stock Exchange for the 120 trading days prior to the Pricing Benchmark Date (after deducting the 2025 Final Dividend); and

(vi) a premium of approximately 8.89% over the net asset value (after deducting perpetual subordinated bonds) attributable to the equity holders of the Company per Share which is RMB9.45 as at 31 December 2025.

Historical trading prices

In order to assess the fairness and reasonableness of the Issue Price, we reviewed the daily closing price of the A Shares (the "**A Shares Closing Price**") and H Shares as quoted on the Shanghai Stock Exchange and the Hong Kong Stock Exchange respectively, from 2 May 2025 (being approximately one year prior to the Pricing Benchmark Date), up to and including the Latest Practicable Date (the "**Review Period**"), which is commonly adopted for analysis and the duration of such period is sufficient for us to perform a thorough analysis on the historical closing prices of the Shares. The comparison of the daily closing prices of the Shares and the Issue Price is illustrated as follows:

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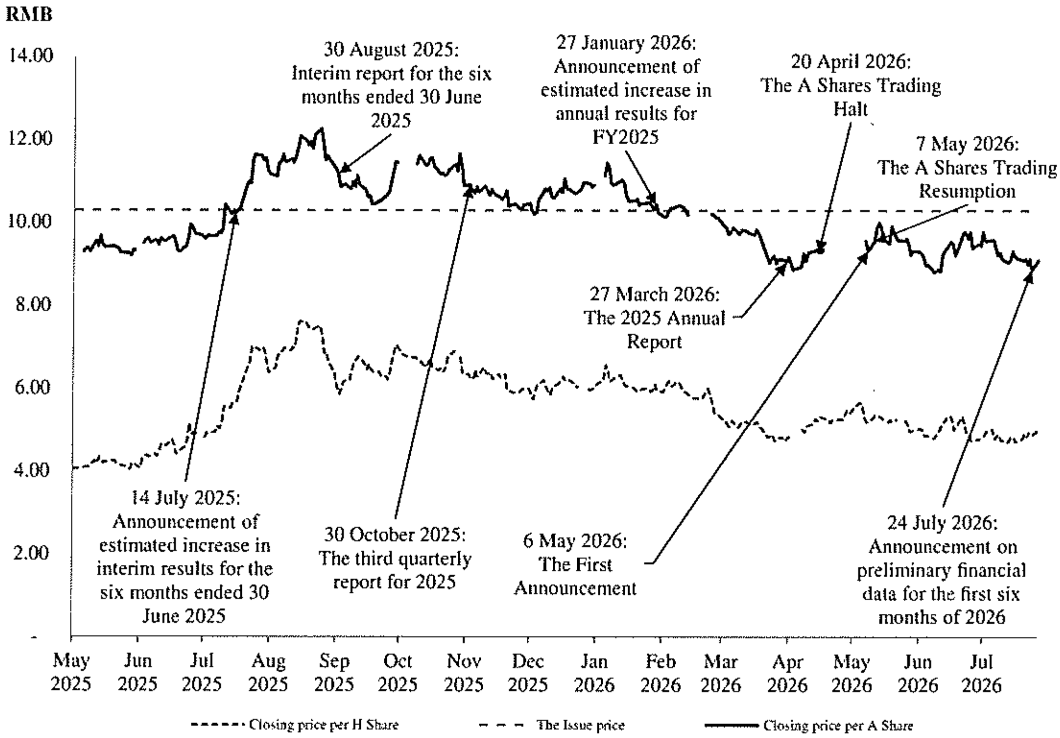
Historical daily closing price per A Share and H Share



Notes:

1. *The daily closing price of H Shares was presented in RMB equivalent based on the exchange rate of RMB0.87415 to HK$1, being the central parity rate as announced by the People's Bank of China on the Pricing Benchmark Date.*

2. *Trading in the A Shares was suspended on the Shanghai Stock Exchange from 9:00 a.m. on 20 April 2026 (the "**A Shares Trading Halt**") and resumed at 9:00 a.m. on 7 May 2026 (the "**A Shares Trading Resumption**").*

3. *Except for the A Shares Trading Halt and the A Shares Trading Resumption as aforementioned, the gaps in the trend of the historical daily closing price per A Share and H Share during the Review Period was primarily attributable to the differences in trading days between the Stock Exchange and the Shanghai Stock Exchange.*

Source: Wind Financial Terminal

During the Review Period, the lowest and highest Closing Price were RMB8.81 per A Share recorded on 8 June 2026 and RMB12.25 per A Share recorded on 25 August 2025, respectively. The Issue Price of RMB10.29 per Consideration A Share is within the A Shares Closing Price range during the Review Period.

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From the beginning of the Review Period, the A Shares Closing Price formed an increasing trend and reached the highest of RMB12.25 per A share on 25 August 2025. Thereafter, the A Shares Closing Price formed a general downward trend and reached RMB8.86 per A share on 3 April 2026. Subsequently, the A Shares Closing Price recovered to RMB9.54 per A share on 7 May 2026 (i.e. the Pricing Benchmark Date).

Following the publication of the First Announcement, the A Shares Closing Price formed a downward trend and recorded the lowest of RMB8.81 per A Share on 8 June 2026. Since then and up to the Latest Practicable Date, the A Share Closing Price fluctuated between RMB8.82 per A Share to RMB9.76 per A Share.

As aforementioned, the Issue Price represents the LTD Premium, the 20-Day Premium, the 60-Day Premium and equals to RMB10.29 (being the weighted average trading price of the A Shares as quoted on the Shanghai Stock Exchange for the 120 trading days prior to the Pricing Benchmark Date (after deducting the 2025 Final Dividend)).

In view of the above and that the Issue Price is within the A Shares Closing Price range during the Review Period, we consider that the Issue Price is fair and reasonable.

Adjustment to the Issue Price

With reference to the Board Letter, during the period from the Pricing Benchmark Date to the date of issue of the Consideration A Shares, if the Company carries out any ex-rights or ex-dividend events such as dividend distribution, bonus issue, capitalisation of capital reserve, rights issue, etc., the Issue Price will be adjusted accordingly in accordance with the relevant PRC laws and the requirements of the regulatory authorities. The adjustment mechanism for the Issue Price is set out under the sub-section headed "Issue of the Consideration A Shares" of the Board Letter.

We did not identify any abnormal adjustment factor under the above adjustment mechanism. Accordingly, we consider the adjustment mechanism to be fair and reasonable.

Lock-up Period

With reference to the Board Letter, each of the Vendors has undertaken, in accordance with applicable laws and regulations, that it shall not transfer any of the Consideration A Shares within 12 months from the completion date of the issuance of the Consideration A Shares to it (i.e. date of Completion). If applicable laws and regulations, the stock exchanges or the relevant securities regulatory authorities impose any further requirements in respect of such lock-up periods, each Vendor shall agree to provide further undertakings in accordance with such requirements. The lock-up undertaking shall also apply to any additional A Shares derived from the Consideration A Shares received by each of the Vendors, pursuant to capitalisation of capital reserve, bonus share issue or rights issue upon completion of the issuance of the Consideration A Shares to it.

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According to the 《上市公司重大資產重組管理辦法》 amended by China Securities Regulatory Commission on 16 May 2025 (the "**Administrative Measures**"), any consideration shares issued by listed companies shall not be transferred within 12 months commencing from the date of issuance of such consideration shares.

Based on the above, the lock-up arrangement for each of the Vendors is in compliance with the relevant requirement by PRC regulations. Accordingly, we consider the lock-up arrangement for each of the Vendors is justifiable.

Our conclusion on terms of the Proposed Transaction

Having reviewed and considered the principal terms of the Proposed Transaction as set out above, we are of the view that the terms of the Proposed Transaction are on normal commercial terms and are fair and reasonable.

4. Financial impact of the Proposed Transaction

With reference to the Board Letter, upon completion of the Proposed Transaction, Shanghai Securities will become a wholly-owned subsidiary of the Company, and the financial results of Shanghai Securities will be consolidated into the consolidated financial statements of the Group.

With reference to the 2025 Annual Report, the Group's total assets was approximately RMB486.88 billion and the Group's total liabilities was approximately RMB404.19 billion as at 31 December 2025. Based on the unaudited pro forma financial information of the Enlarged Group (which have been prepared using IFRS Accounting Standards) as set out in Appendix III to the Circular (the "**Pro Forma FI**"), assuming completion of the Proposed Transaction had taken place on 31 December 2025, the pro forma total assets of the Enlarged Group would become approximately RMB595.36 billion; and the pro forma total liabilities of the Enlarged Group would become approximately RMB489.12 billion.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position of the Enlarged Group will be upon completion of the Proposed Transaction.

5. Possible dilution of the shareholding interests of the existing Shareholders

As depicted in the table under the section headed "III. EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY" of the Board Letter, the aggregated shareholding interests of the other A Share public shareholders and other H Share public shareholders would be diluted by 14.69 percentage points as a result of the issuance of Consideration A Shares, assuming there will be no change to the total number of Shares in issue since the Latest Practicable Date save for the issuance of Consideration A Shares. Nonetheless, in view of (i) the reasons and benefits for the Proposed Transaction; and (ii) the terms of the Proposed Transaction being fair and reasonable, we are of the view that the said level of dilution to the aggregated shareholding interests of the other A Share public shareholders and other H Share public shareholders is justifiable.

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RECOMMENDATION ON THE PROPOSED TRANSACTION

Having taken into consideration the factors and reasons as stated above, in particular:

(i) The Proposed Transaction is in the interest of the Company and the Shareholders as a whole after taking into account (a) reasons for and benefits of the Proposed Transaction as stated in the Board Letter; (b) the supportive government-issued policies regarding the PRC financial and securities industry above; (c) the profit-making positions of Shanghai Securities for FY2024, FY2025 and 1Q2026; and (d) with Shanghai Securities' solid assets base, the Proposed Transaction will enhance the Group's total assets and net assets (such effects were indicated by the Pro Forma FI);

(ii) the Total Consideration is fair and reasonable as analysed in the sub-section headed "Total Consideration" above;

(iii) the Issue Price is fair and reasonable after considering that (a) the Issue Price represents the LTD Premium, the 20-Day Premium, the 60-Day Premium and equals to RMB10.29 (being the weighted average trading price of the A Shares as quoted on the Shanghai Stock Exchange for the 120 trading days prior to the Pricing Benchmark Date (after deducting the 2025 Final Dividend)); and (b) the Issue Price is within the A Shares Closing Price range during the Review Period;

(iv) the adjustment mechanism to the Issue Price is fair and reasonable as we did not identify any abnormal adjustment factor under such adjustment mechanism; and

(v) the lock-up arrangement for each of the Vendors is justifiable as it is in compliance with the relevant requirement by PRC regulations,

we are of the opinion that (i) the terms of the Proposed Transaction are on normal commercial terms and are fair and reasonable so far as the Takeovers Code Independent Shareholders are concerned; and (ii) although the Proposed Transaction is not conducted in the ordinary and usual course of business of the Group, the Proposed Transaction is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Takeovers Code Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM and the H Shares Class Meeting to approve the Proposed Transaction (including the grant of Specific Mandate) and we recommend the Takeovers Code Independent Shareholders to vote in favour of the resolutions in this regard.

(II) Whitewash Waiver

According to the Board Letter, as at the Latest Practicable Date, (a) each of the Whitewash Applicant Vendors (being Bailian Group and Shanghai Chengtou Group) does not hold any Shares; and (b) members of the Whitewash Applicant Vendors Concert Party Group hold an aggregate of 2,540,153,516 Shares, representing approximately 30.11% of the total issued Shares (excluding treasury A Shares).

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If the Proposed Transaction materialises, it is expected that immediately after Completion thereof and assuming that (i) there will not be any further adjustment to the Issue Price; and (ii) there will be no change in the total issued Shares since the Latest Practicable Date save for the issue of the Consideration A Shares pursuant to the Definitive Agreement, the aggregate voting rights in the Company held by the Whitewash Applicant Vendors and the Whitewash Applicant Vendors Concert Party Group will increase to approximately 35.30% and will therefore trigger the mandatory general offer obligations of the Whitewash Applicant Vendors in respect of the Company under Rule 26.1 of the Takeovers Code. The Whitewash Applicant Vendors have made an application to the Executive for the granting of the Whitewash Waiver pursuant to Note 1 to dispensation from Rule 26 of the Takeovers Code. Pursuant to the Definitive Agreement, implementation of the Proposed Transaction is conditional upon the granting of the Whitewash Waiver and the obtaining of the requisite approval by the Takeovers Code Independent Shareholders and each of such conditions is not waivable.

In view of (i) the reasons for and benefits of the Proposed Transaction as set out under the section headed "2. Reasons for and benefits of the Proposed Transaction" of this letter; (ii) the terms of the Proposed Transaction is fair and reasonable so far as the Takeovers Code Independent Shareholders are concerned; and (iii) the granting of the Whitewash Waiver is a non-waivable condition precedent to the implementation of the Proposed Transaction, we are of the opinion that the approval of the Whitewash Waiver, which is a prerequisite for the completion of the Proposed Transaction, is in the interests of the Company and the Shareholders as a whole and is fair and reasonable for the purpose of proceeding with the Proposed Transaction.

RECOMMENDATION ON THE WHITEWASH WAIVER

Having taken into consideration the reasons for and benefits of the Proposed Transaction and that the Proposed Transaction is conditional upon, among other things, the Whitewash Waiver being granted, we consider that the Whitewash Waiver is fair and reasonable so far as the Takeovers Code Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Takeovers Code Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Whitewash Waiver and we recommend the Takeovers Code Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited

Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 30 years of experience in investment banking industry.

* *For identification purpose only*

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