
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in **Shenwan Hongyuan (H.K.) Limited**, you should at once hand this circular together with the accompanying proxy form to the purchaser or transferee or to the bank, registered dealer in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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SHENWAN HONGYUAN (H.K.) LIMITED

申萬宏源(香港)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 218)

CONTINUING CONNECTED TRANSACTIONS

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



A letter from the Independent Board Committee of Shenwan Hongyuan (H.K.) Limited (the “**Company**”) is set out on pages 31 and 32 of this circular. A letter from Somerley Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders of the Company, is set out on pages 33 to 58 of this circular.

A notice convening an extraordinary general meeting of the Company (the “**EGM**”) to be held at Level 6, Three Pacific Place, 1 Queen’s Road East, Hong Kong, on Monday, 1 September 2025 at 10:00 a.m. is set out on pages 66 to 67 of this circular. Whether or not you are able to attend the EGM, you are advised to complete the accompanying proxy form in accordance with the instructions printed thereon and return it to the Company’s Share Registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible but in any event not later than 10 a.m. on Friday, 29 August 2025. Completion and return of the proxy form will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

12 August 2025

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DEFINITIONS

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

“2022 SWHYG MOU”	the memorandum of understanding entered into between SWHYG and the Company on 20 April 2022, details of which have been disclosed in the announcement of the Company dated 20 April 2022
“2025 SWHYG MOU”	the memorandum of understanding entered into between SWHYG and the Company on 5 August 2025
“Annual Cap”	each of the proposed annual cap amounts of the Continuing Connected Transactions for the four months ending 31 December 2025, each of the two years ending 31 December 2027 and the five months ending 31 May 2028, as set out in the paragraph headed “Annual Caps” in this circular
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“B-to-H Share Conversion”	conversion of B shares (shares denominated in RMB, subscribed and traded in foreign currencies on the stock exchanges in the PRC) to H shares (foreign shares registered in the PRC and traded on The Stock Exchange of Hong Kong Limited) of companies established in the PRC
“Board”	the board of Directors of the Company
“Bond Connect”	a mutual market access scheme that allows investors from Mainland China and overseas to trade in each other’s bond markets through connection between the related Mainland and Hong Kong financial infrastructure institutions
“Company”	Shenwan Hongyuan (H.K.) Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 00218)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	SWHYG Transactions
“Director(s)”	the director(s) of the Company

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“EGM”	the extraordinary general meeting of the Company to be convened and held at Level 6, Three Pacific Place, 1 Queen’s Road East, Hong Kong, on Monday, 1 September 2025 at 10:00 a.m. for the purpose of, among other things, approving the 2025 SWHYG MOU and the transactions contemplated thereunder, as well as the Annual Caps
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee, comprising all the independent non-executive Directors, namely Mr. Kwok Lam Kwong Larry, Mr. Liu Chijin and Ms. Chiu Lai Kuen Susanna formed to advise the Independent Shareholders in relation to the terms of the 2025 SWHYG MOU and the transactions contemplated thereunder, as well as the Annual Caps
“Independent Financial Adviser” or “Somerley Capital”	Somerley Capital Limited, a corporation licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders with regard to the 2025 SWHYG MOU and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders who are not required to abstain from voting on the relevant matters at the EGM
“Latest Practicable Date”	8 August 2025, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended from time to time
“Mainland-Hong Kong Mutual Recognition of Fund Programs”	a mutual recognition fund platform for Hong Kong-domiciled funds to be sold in the PRC and for funds from the PRC to be sold in Hong Kong (subject to relevant authorities’ approvals)
“Offshore Investors Schemes”	the schemes under which offshore investors are permitted to invest directly in the PRC capital markets (subject to relevant authorities’ approvals)

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“Onshore Investors Schemes”	the schemes under which the PRC onshore investors are permitted to invest directly in Hong Kong and overseas capital markets (subject to relevant authorities’ approvals)
“PRC” or “China”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Previous Annual Caps”	the maximum aggregate annual value of various payments receivable from, or payable to the SWHYG Group arising from the continuing connected transactions under the 2022 SWHYG MOU
“QDII”	the qualified domestic institutional investors program of the PRC, a program which allows either licensed domestic institutional investors or qualified domestic investors to invest in capital markets outside the PRC (for example Hong Kong) through institutions that have obtained QDII status
“QDII 2”	the new qualified domestic institutional investors program of the PRC (subject to relevant authorities’ approvals)
“QFI”	the qualified foreign investors program of the PRC, a program which allows qualified foreign institutional investors and RMB qualified foreign institutional investors to invest in China’s securities and futures markets with funds raised overseas which have been approved by China Securities Regulatory Commission
“RMB”	Renminbi, the lawful currency of the PRC
“RQDII”	the RMB qualified domestic institutional investors scheme of the PRC, a program which allows either licensed domestic institutional investors or qualified domestic investors to invest in the capital markets outside the PRC through institutions that have obtained RQDII status
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shanghai-Hong Kong Stock Connect”	a cross-boundary investment channel that connects the Shanghai Stock Exchange and the Stock Exchange
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	shareholder(s) of the Company

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“Shenzhen-Hong Kong Stock Connect”	a cross-boundary investment channel that connects the Shenzhen Stock Exchange and the Stock Exchange
“Cross-boundary WMC”	a cross-boundary wealth management connect scheme in the Guangdong-Hong Kong-Macao Greater Bay Area, which was launched in September 2021, is one of the key initiatives that facilitates mutual market access between Hong Kong, Macao and the Mainland China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“SWHYG”	Shenwan Hongyuan Group Co., Ltd., a joint stock company incorporated under the laws of the PRC, the A shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 000166) and the H shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 6806)
“SWHYG Group”	SWHYG and its subsidiaries
“SWHYG Transactions”	transactions arising from the cooperation between the SWHYG Group and the Group pursuant to the 2025 SWHYG MOU
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers approved by the Securities and Futures Commission as amended from time to time
“%”	per cent.

LETTER FROM THE BOARD



SHENWAN HONGYUAN (H.K.) LIMITED

申萬宏源(香港)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 218)

Executive Directors:

Wu Meng (*Chairman*)

Tan Weijun

Liang Jun (*Chief Executive Officer*)

Hu Jing (*Chief Risk Officer*)

Registered Office:

Level 6

Three Pacific Place

1 Queen's Road East

Hong Kong

Non-executive Directors:

Zhang Lei

Zhang Ying

Independent non-executive Directors:

Kwok Lam Kwong Larry

Liu Chijin

Chiu Lai Kuen Susanna

12 August 2025

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

1. INTRODUCTION

Reference is made to the announcement published by the Company on 20 April 2022 and the circular issued by the Company on 13 May 2022.

The continuing connected transactions contemplated under the 2022 SWHYG MOU were approved by the then Independent Shareholders at the EGM of the Company held on 30 May 2022. The 2022 SWHYG MOU was expired on 31 May 2025.

On 5 August 2025, the Company entered into the 2025 SWHYG MOU with SWHYG in relation to SWHYG Transactions to replace the 2022 SWHYG MOU. The 2025 SWHYG MOU shall be effective from 1 September 2025 or upon approval by the Independent Shareholders at the EGM and shall expire on 31 May 2028.

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The purpose of this circular is to provide you with, among other things, (i) further details of the Continuing Connected Transactions; (ii) a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders on the Continuing Connected Transactions and the Annual Caps; (iii) a letter from Somerley Capital Limited, the Independent Financial Adviser, setting out its opinion to the Independent Board Committee and the Independent Shareholders on the Continuing Connected Transactions and the Annual Caps; and (iv) a notice of the EGM.

2. PRINCIPAL TERMS OF THE MOU

2025 SWHYG MOU

Date

5 August 2025

Parties

- (1) SWHYG
- (2) the Company

Duration

1 September 2025 to 31 May 2028

Provisions of services

The scope of services consists of the following:

A. *Services provided by the SWHYG Group to the Group:*

- (i) *Brokerage services:* regarding brokerage services in the PRC capital markets, the SWHYG Group provides the Group with brokerage services related to securities, including but not limited to providing B-share brokerage services. The scope of services provided by the SWHYG Group to the Group includes, but is not limited to, the anticipated introduction of offshore investor schemes in the future. The SWHYG Group provides brokerage services for investment products that are allowed to be traded under these schemes to the Group's clients. The SWHYG Group will actively cooperate with the Group to take measures to develop the business of overseas institutions and individuals investing in the B-share market, including jointly developing overseas institutional investors (such as QFI, Bond Connect, Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect and Cross-boundary WMC). Meanwhile, the SWHYG Group also provides the Group with other anticipated brokerage services;

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- (ii) *Investment operational supporting services:* supporting services provided by the SWHYG Group to the Group in support of the Group's PRC and overseas market development and operations, so as to promote the Group's investment operations, the scope of which includes but is not limited to the new products services launched or to be launched, such as the QFI, Mainland-Hong Kong Mutual Recognition of Fund Programs, domestic commodity futures, domestic bonds (Bond Connect), Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect and Cross-boundary WMC. When these new products are implemented, the SWHYG Group can assist the Group in aspects such as client referrals, business and market consultations, and staff training, and assist the Group in providing support services for business market consultations, including but not limited to (i) assigning relevant professional service personnel to provide consulting services to the Group, (ii) providing information on China's macroeconomic environment and business development on a regular basis and as required, (iii) providing logistics services, and (iv) conducting market research and writing the Chinese market research reports for the Group's internal reference;
- (iii) *Research supporting services:* provision of various research supporting services to the Group by the SWHYG Group based on the business needs of the Group, to support the Group's securities, futures, and corporate finance business. The research services provided by the SWHYG Group include economic analysis, investment strategy research, industry research, Hong Kong and PRC listed company research, and research services for fixed income product, derivative and other securities, as well as provision of special investigation, demonstration, etc. based on the Group's requirements; and
- (iv) *Corporate finance services:* the SWHYG Group and the Group will cooperate with each other in the corporate finance business and will jointly promote their businesses in bond capital market and equity capital market. The SWHYG Group recommends the Group to its clients and provides corporate finance transactions, including but not limited to, finance projects, merger and acquisition transactions and financial advisory services. The cooperation transactions are as follows:
 - (a) *Finance projects:* the SWHYG Group will fully utilise its resources in corporate finance business to provide relevant information to the Group, and jointly develop and cultivate listing projects.
 - (b) *Merger and acquisition transactions:* the SWHYG Group provides information to the Group and recommends the Group to the clients of the SWHYG Group to provide financial advisory services in connection with merger and acquisition business, so as to make full use of each other's strengths and to provide more complete services to the clients.

LETTER FROM THE BOARD

- (c) *Financial advisory services:* the SWHYG Group provides the Group with information of financial advisory business, and introduces clients to the Group, so as to strengthen the market advantages of both parties and to provide more complete services to the clients. The financial advisory services include, but are not limited to, pre-initial public offering (“**IPO**”) private placement and the introduction of strategic investors, as well as advice on the offering of securities and corporate restructuring.

B. Services provided by the Group to the SWHYG Group:

- (i) *Brokerage services:* regarding brokerage services in the Hong Kong and overseas capital markets, the Group provides the SWHYG Group with brokerage services for various investment products available for the SWHYG Group to participate in Hong Kong and overseas, as well as client referral services. The Group’s business scope includes, but is not limited to, (i) brokerage and related services arising from Hong Kong and overseas investment products such as stocks, futures, options, bonds, etc.; (ii) the Group is one of the designated service providers of the SWHYG Group to provide brokerage services for the overseas investment products, including but not limited to, QDII, QDII 2, RQDII, Bond Connect, Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect and Cross-boundary WMC.
- (ii) *Investment operational supporting services:* Hong Kong and overseas market supporting services provided by the Group to the SWHYG Group in support of the SWHYG Group’s market development and operations. Service coverage includes, but is not limited to, new products or new arrangements launched or to be launched in the future, such as QDII, QDII 2, RQDII, QFI, Mainland-Hong Kong Mutual Recognition of Fund Programs, overseas commodity futures, offshore bond issuance (Bond Connect), Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect.

When these products or plans are implemented, the Group can assist the SWHYG Group in aspects such as business and market consultations and staff training, including but not limited to: (i) assigning relevant professional service personnel to provide consulting services to the SWHYG Group, (ii) providing product basic data such as stocks, funds, bonds, indices, financial news, market trends, policy and regulatory news express, (iii) providing reports on industry, companies, macroeconomics, investment strategies, etc., (iv) providing special advisory services on matters related to securities investment, (v) providing logistics services, and (vi) the Group granting a license for the SWHYG Group to occupy the Group’s Hong Kong office.

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The SWHYG Group can engage the Group to provide asset management services for managing its capital investment. The services to be provided by the Group to the SWHYG Group include but are not limited to the provision of investment advisory services for offshore securities investment single orientation asset management and other asset management programs.

- (iii) *Corporate finance services:* the SWHYG Group and the Group will cooperate with each other in the corporate finance business, and the Group recommends the SWHYG Group to its clients and provides corporate finance transactions, including but not limited to, finance projects, merger and acquisition transactions, and financial advisory services. The cooperation transactions are as follows:
- (a) *Finance projects:* the Group will fully utilise its resources in corporate finance business to provide relevant information to the SWHYG Group, and jointly develop and cultivate listing projects.
- (b) *Merger and acquisition transactions:* the Group provides information to the SWHYG Group and recommends the SWHYG Group to the clients of the Group to provide financial advisory services in connection with merger and acquisition business, so as to make full use of each other's strengths and to provide more complete services to the clients.
- (c) *Financial advisory services:* the Group provides the SWHYG Group with information of financial advisory business, and introduces clients to the SWHYG Group, so as to strengthen the market advantages of both parties and to provide more complete services to the clients. The financial advisory services include, but are not limited to, pre-initial public offering ("IPO") private placement and the introduction of strategic investors, etc. The Group provides aforementioned corporate finance services to the SWHYG Group, including but not limited to capital raising (including but not limited to offering of securities (including IPO), share placements, bond issuances, etc.), acting as placing agent, listing agent, arranger, settlement lead manager, bookrunner, sponsor, global coordinator, etc., compliance advisory service in relation to the Hong Kong Listing Rules and the Takeovers Code, corporate restructuring and cross-border financial service, and other types of legal compliance advisory services.

C. *Principal-to-principal transactions of investment products:*

The principal-to-principal transactions between the SWHYG Group and the Group, including but not limited to, derivative transactions (including but not limited to swaps, options, futures, forwards, etc.) traded by linking diversified underlying assets, such as debt securities, stocks, bonds, private debts, private equity, commodities, funds, indices, interest rates, foreign exchange on the primary and secondary stock and debt securities markets; trading of structured products (including but not limited to total return swaps, bond-linked notes, interest rate-linked notes, fund-linked notes, equity-linked notes) as well as customised

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investment products trading and related services. The principal-to-principal transactions of the aforesaid products are only conducted between Shenwan Hongyuan Securities Co., Ltd., a subsidiary of the SWHYG Group, or subsidiaries included in the consolidated financial statements of Shenwan Hongyuan Securities Co., Ltd. and the Group.

The underlying of structured products trading (including total return swap transactions) includes but is not limited to equity, bonds, funds, and the transactions are conducted on a back-to-back basis with clients. The total return swap transactions can be categorized into southbound and northbound.

1. For southbound transactions, it is initiated by an investment need from the clients of the SWHYG Group on certain offshore investment products. Then, the Group will enter into a pair of transactions. First, the Group will enter a total return swap with the SWHYG Group, through which the Group will receive the notional amount of the transaction from the SWHYG Group. On the other hand, for hedging purpose, the Group might either buy the offshore underlying investment products (e.g. a bond) or trade a total return swap with another external counterparty who will then pass the return to the Group in the same way the Group passes to the SWHYG Group. On the settlement date of the total return swap transaction, the Group will pass the total return which comprises the notional amounts and the return (e.g. investment profit/loss of the bond, interest accrued of the bond, etc.) arising from the underlying investments (e.g. bond investments) to the SWHYG Group.

The return arising from the underlying investments attributable to the clients of the SWHYG Group and the related hedging profit/loss of the Group will be booked in a net basis (i.e. being offset) in the profit or loss of the Group. The Group will also recognise the handling fee income and, where applicable, interest income generated from total return swap transactions in the financial statements. The total return swap payables and the respective underlying assets are booked on the balance sheet of the Group at the exchanged/settled amounts.

2. For northbound transactions, it is initiated by an investment need from the clients of Group on certain investment products. Then, the Group will enter into a pair of transactions. First, the Group will enter a total return swap with the clients of the Group, through which the Group will receive the notional amount of the transaction from the clients. On the other hand, the Group will enter a total return swap with the SWHYG Group who will then pass the return to the Group in the same way the Group passes to the clients of the Group. On the settlement date of the total return swap transaction, the SWHYG Group will pass the total return which comprises the notional amounts and the return (e.g. investment profit/loss of the bond, interest accrued of the bond, etc.) arising from the underlying investments (e.g. bond investments) to the Group.

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The return arising from the underlying investments attributable to the clients of the Group and the return arising from the total return swap entered with the SWHYG Group will be booked in a net basis (i.e. being offset) in the profit or loss of the Group. The Group will also recognise the handling fee income and, where applicable, interest income generated from total return swap transactions in the financial statements. The total return swap receivables from the SWHYG Group and payables to the clients of the Group are booked on the balance sheet of the Group at the exchanged/settled amounts.

Such principal-to-principal transactions were introduced in 2020 and the Company expected that there will be an increasing demand for such cross-border investment product transactions due to the business development of the Group. The Group's business relationship with the SWHYG Group will get closer due to various reasons such as (1) the increased shareholding interest in the Group directly held by the SWHYG Group, and (2) the increasing demand for cross-border investment products from the customers of the SWHYG Group and the Group.

Pricing

The SWHYG Group and the Group have agreed that the fees charged to each other during the cooperation period (including the principal-to-principal transactions and corporate finance transactions) will be determined based on normal commercial principles (including individual negotiation with reference to market levels and actual circumstances), taking into account the scope of work and nature of the services as well as the resources utilized, and based on principles of fairness and reasonableness, co-development, benefit sharing. In addition, the terms and the fees in relation to the Continuing Connected Transactions shall be no more favorable to the SWHYG Group, or no less favorable to the Group, than the terms and the fees offered by the SWHYG Group or the Group to the independent third parties for similar comparable services, or the general terms and fees in the services procured from the independent third parties for similar comparable services. In no event shall the total amount received or paid in respect of the connected transactions exceed the annual cap of the connected transactions approved by the shareholders of the Company.

(1) Brokerage services

With respect to securities brokerage transactions, the fees received/receivable or paid/payable (as the case may be) shall be determined with reference to, among other things, the fees, rates and commission for independent third parties in the market and the expected total brokerage transactions amount. For futures brokerage, the commission per lot per side varies according to (i) the type of futures contract, (ii) the stock exchange on which it is traded; and (iii) whether the trade is executed during the day or overnight in Hong Kong time. With respect to the brokerage ancillary services, for example handling service fees, the fees received/receivable or paid/payable (as the case may be) shall be determined with reference to expected costs.

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The brokerage fees to be charged by the SWHYG Group to the Group relating to provision of the brokerage services for the PRC capital markets will be based on normal commercial principles including individual negotiation with reference to market rates and actual circumstances, and the most favourable rates charged by the SWHYG Group to its existing clients. The pricing policy shall be based on a fixed percentage (0.05%-0.10%) of the gross consideration of clients' trade turnover. Such fixed percentage will be the most favourable rates charged by the SWHYG Group to its existing clients.

The brokerage fees to be charged by the Group to the SWHYG Group relating to provision of the brokerage services for Hong Kong and overseas capital markets will be determined based on normal commercial principles including individual negotiation with reference to market rates and actual circumstances, and the prevailing market rates charged by the Group to its existing clients. The pricing policy shall be based on a fixed percentage (0.03%-0.3%) of the gross consideration of clients' trade turnover. The fixed percentage has been determined by the type of the transactions (such as securities trading, options trading, etc.) after taking into account the rates charged by the Group to other independent third parties clients in the same/similar type of transactions. Such fixed percentage will be the prevailing market rates charged by the Group to its existing clients.

(2) *Investment operational supporting services*

The fees to be charged by the Group to the SWHYG Group relating to the supporting services for developing Hong Kong and overseas markets will be determined based on either (i) normal commercial principles (including individual negotiation with reference to market levels and actual circumstances), or (ii) the actual costs incurred in connection with provision of services (including but not limited to the staff cost of the middle-office and back-office of the Group), or (iii) a prescribed percentage (ranging from 20%-50%) of the after-tax actual relevant commission earned by the SWHYG Group. The prescribed percentage has been determined having regards to (a) the transaction type and the complexity of the supporting service the SWHYG Group provided (for example, a relative low percentage will be adopted for customer services reflecting lower complexity, while a relative high percentage will be adopted for clients referrals reflecting the strategic value of client acquisition and cost incurred); (b) normal commercial principles and actual circumstances;

The fees to be charged by the SWHYG Group to the Group relating to the supporting services will be determined based on either (i) the expected costs to be incurred by the SWHYG Group for provision of the services, which are calculated based on the estimated number of man-days/man-hours needed for the work and with reference to the SWHYG Group's employees' hourly payroll in provision of daily operations, market consulting, staff training and other services in relation to the Group's PRC market development and operations; or (ii) a prescribed percentage (ranging from 15%-50%) of the after-tax actual relevant commission earned by the Group. The prescribed percentage has been determined by (a) the demand of resources and the complexity of the supporting service the Group provided (for example, a tiered structure (i.e. a regressive percentage structure) of the percentage is adopted for financing projects referrals as initial years involve higher resource demands, which decrease as projects stabilize); (b) normal commercial principles and actual circumstances; or

LETTER FROM THE BOARD

(iii) fixed monetary consideration agreed in writing, for which the price and the terms will be determined based on an arm's length basis and normal commercial principles with reference to the scope of work.

With respect to the investment management and advisory services transactions, the fees received/receivable or paid/payable (as the case may be) shall be determined with reference to, among other things, the fund management fees and performance fees of independent third parties in the market. The reasonableness of the fee charged for provision of such investment management and advisory services to the SWHYG Group will be verified by the responsible business department of the Group by reference to the Group's relevant department's judgment of time required for work of similar nature and the time-cost rates of the staff to be involved. The Group will conduct on an annual basis or more regularly, if required, to review the fees charged with reference to the scope of work performed.

(3) *Research supporting service*

The pricing will be based on either (i) the fixed monetary consideration agreed in writing annually, for which the price and the terms will be determined based on an arm's length basis and normal commercial principles with reference to the scope of work; or (ii) a prescribed percentage of 30% of the after-tax actual relevant commission earned by the Group.

The research supporting service requested by our client is supported by the SWHYG Group as a whole. The integrated and streamlined services are unique in the market and only provided by the Group. Given no other service providers providing the same or similar services supported by the SWHYG Group, it is not practical to obtain quotations from independent third parties for comparison.

The Group will conduct on an annual basis or more regularly, if required, to review the fee charged with reference to the scope of work performed.

(4) *Corporate finance service*

With respect to corporate finance transactions, relevant business departments shall make reference to the fees for comparable transactions of independent third parties in the market and ensure that the pricing is negotiated on an arm's length basis. The pricing policy will be based on a fixed percentage (8%-50%) of the revenue from third party customers for each project. The fixed percentage has been determined having regards to (a) the business type and the complexity of the service provided (for example, a relative high percentage will be adopted for clients recommendations with supporting service (e.g. industry information provision) reflecting higher resources demand, while a relative low percentage will be adopted for clients recommendations without supporting service provided); (b) normal commercial principles and actual circumstances;

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(5) *Principal-to-principal transactions*

For bonds on the primary debt market, they will be priced at face value. For bonds traded over-the-counter on the secondary debt market, the price and terms will be determined on the basis of arm's length negotiations and respective clients' demand for the market making business.

The structured products will be priced on normal and ordinary commercial terms and based on either (i) the complexity of the products' structure and market conditions at the time of issuance and other factors; or (ii) if the products are tailor-made in accordance with the instructions of the purchasers, a cost-plus basis according to the complexity, structure, nature and volatility of the underlying assets and market conditions at the time of issuance.

According to the Group's internal control policy, the responsible business department of the Group will, on an annual basis or more regularly as necessary, refer to similar bonds traded over-the-counter or structured products purchased or sold by the Group to determine the commercial terms and the market price of the debt securities and structured products. Such information collected will form part of the pricing basis of such debt securities and structured products, or a reference to determine the mark-up margin for tailor-made products which will be priced on cost-plus basis.

For total return swap transactions, the Group will only conduct total return swap transactions on a back-to-back basis, which transaction amount comprises significantly the gain or loss attributable to the clients of the SWHYG Group in offshore trading and a relatively smaller amount of interest income, which will be borne by such clients and generated from facilitating the transaction of total return swaps between the SWHYG Group and the Group. The Group will only charge the clients a handling fee for such transactions.

Having considered the pricing policy, we are satisfied that this is a fair and reasonable basis upon which to price these transactions and is in line with the internal control policy of the Group governing these transactions.

LETTER FROM THE BOARD

3. PREVIOUS ANNUAL CAPS

Set out below are the Previous Annual Caps:

	Seven months ended 31 December 2022 <i>HK\$'000</i>	Year ended 31 December 2023 <i>HK\$'000</i>	2024 <i>HK\$'000</i>	Five months ended 31 May 2025 <i>HK\$'000</i>
Services provided by the SWHYG Group to the Group	90,343	174,888	234,104	152,475
(i) Brokerage services relating to the PRC capital markets from the SWHYG Group to the Group	2,391	4,508	4,959	2,273
(ii) Investment operational supporting services from the SWHYG Group to the Group	21,131	42,723	80,550	71,871
(iii) Research supporting services from the SWHYG Group to the Group	15,747	34,070	48,414	33,583
(iv) Corporate finance services from the SWHYG Group to the Group	51,074	93,587	100,181	44,748
Services provided by the Group to the SWHYG Group	41,815	93,505	139,491	102,096
(i) Brokerage services relating to Hong Kong and overseas capital markets from the Group to the SWHYG Group	2,984	5,627	6,189	2,837
(ii) Investment operational supporting services relating to Hong Kong and overseas markets from the Group to the SWHYG Group	29,206	69,728	113,337	90,108
(iii) Corporate finance services from the Group to the SWHYG Group	9,625	18,150	19,965	9,151
Principal-to-principal trading of financial products	1,180,404	6,039,250	10,078,500	6,732,083
Annual Caps	1,312,562	6,307,643	10,452,095	6,986,654

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4. HISTORICAL TRANSACTION AMOUNTS

Set out below is a summary of the Group's historical transaction amounts of the transactions under the 2022 SWHYG MOU for the seven months ended 31 December 2022, each of the two years ended 31 December 2024, and the five months ended 31 May 2025:

	Seven months ended 31 December 2022 <i>HK\$'000</i> (Audited)	Year ended 31 December 2023 <i>HK\$'000</i> (Audited)	2024 <i>HK\$'000</i> (Audited)	Five months ended 31 May 2025 <i>HK\$'000</i> (Unaudited)
Historical transaction amounts for services relating to the SWHYG Transactions comprising:				
Services provided by the SWHYG Group to the Group	2,226	3,328	3,819	1,323
(i) Brokerage services relating to the PRC capital markets from the SWHYG Group to the Group	126	149	799	230
(ii) Investment operational supporting services from the SWHYG Group to the Group	2,100	3,179	3,020	1,093
(iii) Research supporting services from the SWHYG Group to the Group	–	–	–	–
(iv) Corporate finance services from the SWHYG Group to the Group	–	–	–	–
Services provided by the Group to the SWHYG Group	7,568	27,769	23,719	10,204
(i) Brokerage services relating to Hong Kong and overseas capital markets from the Group to the SWHYG Group	–	–	1,749	286
(ii) Investment operational supporting services relating to Hong Kong and overseas markets from the Group to the SWHYG Group	7,568	27,769	21,970	9,918
(iii) Corporate finance services from the Group to the SWHYG Group	–	–	–	–
Principal-to-principal trading of financial products	376,358	1,175,376	5,447	2,646,224
Total historical transaction amounts	386,152	1,206,473	32,985	2,657,751

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The decrease or increase in the historical transaction amounts of the transactions under the 2022 SWHYG MOU mentioned above was mainly due to the following reasons:

- a) Since March 2022, the U.S. Federal Reserve embarked on a series of interest rate hikes, which, combined with the prolonged weakness in China's domestic real estate sector and the sluggish growth of total retail sales of consumer goods amid pandemic-related disruptions. The SSE Composite Index, Shenzhen Stock Exchange Component Index, and ChiNext Index all experienced declines during the period from 2022 to 2023 as a result of the tight monetary policies maintained by global central banks in 2023, the elevated interest rates that constrained financing activities and persistent declines in domestic real estate sales and investment in the PRC. Thus, it led to a decrease in historical transaction amounts of certain services provided by the SWHYG Group to the Group;
- b) As referral fees are only payable upon the completion of the corporate finance transaction, but no such transaction was completed during the period from 2022 to 2025; In the past 3 years 2022-2024, the capital market of Hong Kong was highly sluggish, thanks to the high interest rate environment, bad economic performance due to the persistent impact from COVID and the lower-than-expected recovery after COVID. Also, the market fund flows had shifted from China market to the overseas markets, especially to United States and Japan markets, given the sentiment had been dragged on by the sluggish Chinese Property chain. The clients would prefer go listed in overseas instead of Hong Kong. Thus, no corporate finance services was completed in the past 3 years. As a result, nil was recorded in the supporting services in connection with corporate finance business between the Group and the SWHYG Group;
- c) The consultancy fee for supporting services in relation to Hong Kong and overseas markets paid by the SWHYG Group increased in 2022-2023, due to a higher demand of such supporting services provided by the Group to the SWHYG Group, which is in line with the mission of the Group that it strives to be the execution platform for the SWHYG Group's overseas and cross-border operations, continues to enhance the domestic and international collaboration, leverages domestic brand and resource advantages to vigorously expand cross-border business; On the other hand, one of the wholly-owned subsidiary of the SWHYG Group has been developing its proprietary investment team since around 2023, this leads to the below-than-expected demand of asset management service from the Group by the SWHYG Group in 2024;
- d) Over the past three years, the utilization rate of asset management service provided by the Group to the SWHYG Group has been lower than anticipated, primarily due to the fact that the SWHYG Group increasingly conducting transactions directly with external counterparties as the SWHYG Group, as the issuers of QDII products, has accumulated sufficient experience over the years so that they are capable of making independent investment decisions and conduct transactions directly with external counterparties. This shift resulted in a decline in the number of transactions processed through the Group. Additionally, the Group's market-making activities are structured on a no-position basis, which limits its ability to act as a principal counterparty for clients (including the SWHYG Group) and confines trading activities mainly to back-to-back transactions with a limited product range, further affecting overall trading volume. Furthermore, the Group's cross-border business was constrained by the SWHYG

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Group's trading limits imposed internally due to risk control on various asset class and exposure, which restricted the addition of new positions in cross-border transactions, further suppressing trading volumes during this period;

With respect to principal-to-principal transactions in 2024, heightened volatility in market rates intensified investor concerns over uncertainties in the bond market. To mitigate risks from bond price fluctuations and rising financing costs, investors tended to reduce trading activity, leading to a significant decline in Bond Connect's trades volumes and a corresponding strain on market liquidity. As a result, the value of principal-to-principal transactions in 2024 dropped significantly compared to levels seen in 2022 and 2023;

- e) The low utilization rate of the Previous Annual Caps for the above-mentioned categories was due to the nature of the services provided by or received from the Group or the SWHYG Group or transactions entered between the Group and the SWHYG Group (as the case may be) that large fraction of the Previous Annual Caps were prepared to make provision against the potential demand for investment and the financing needs of the clients of the SWHYG Group in the PRC and the Group in Hong Kong and/or overseas. The actual utilization rate is subject to the then market conditions, investment strategies and opportunities appeared in the market and accordingly the historical low utilization rate is intelligible; and
- f) Notwithstanding the low utilization rate of the Annual Caps for some of the sub-category services and transactions in the past, the Company considers that it is necessary to maintain the same or higher proposed Annual Caps for the period from 2025 to 2028 in light of the projected increase in possible demand for cross-border trading and services and the proposed expansion of business activities due to the global capital reassessment of the value of PRC assets.

5. ANNUAL CAPS

Set out below is a summary of the proposed Annual Caps in respect of the Continuing Connected Transactions for the four months ending 31 December 2025, each of the two years ending 31 December 2027, and the five months ending 31 May 2028:

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	Four months ending 31 December 2025 <i>HK\$'000</i>	Year ending 31 December 2026 <i>HK\$'000</i>	December 2027 <i>HK\$'000</i>	Five months ending 31 May 2028 <i>HK\$'000</i>
Proposed Annual Caps for services relating to the SWHYG Transactions comprising				
Services provided by the SWHYG Group to the Group	32,686	104,231	111,104	49,495
(i) Brokerage services relating to the PRC capital markets from the SWHYG Group to the Group	1,627	5,638	6,524	3,151
(ii) Investment operational supporting services from the SWHYG Group to the Group	6,617	22,720	26,054	12,472
(iii) Research supporting services from the SWHYG Group to the Group	8,000	24,000	24,000	10,000
(iv) Corporate finance services from the SWHYG Group to the Group	16,442	51,873	54,526	23,872
Services provided by the Group to the SWHYG Group	24,769	87,687	101,601	57,104
(i) Brokerage services relating to Hong Kong and overseas capital markets from the Group to the SWHYG Group	1,333	4,800	5,760	6,912
(ii) Investment operational supporting services relating to Hong Kong and overseas markets from the Group to the SWHYG Group	13,545	51,413	66,167	36,228
(iii) Corporate finance services from the Group to the SWHYG Group	9,891	31,474	29,674	13,964
Principal-to-principal trading of financial products	6,003,333	20,020,000	24,040,000	11,700,000
Annual Caps	6,060,788	20,211,918	24,252,705	11,806,599

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6. BASIS OF THE ANNUAL CAPS FOR THE CONTINUING CONNECTED TRANSACTIONS

Brokerage services relating to the PRC capital markets from the SWHYG Group to the Group

The SWHYG Group's brokerage services relating to the PRC capital markets mainly represents the brokerage services for securities trading related to the B-share and the Offshore Investors Schemes (including but not limited to QFI, Bond Connect, Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect and Cross-boundary WMC). The Annual Caps in respect of the brokerage services provided by the SWHYG Group relating to the PRC capital markets are expected to account for approximately 8.5% of non-Hong Kong securities brokerage commission income of the Group after taking into account (i) the historical relationship between the B-share brokerage services relating to the PRC capital markets and the non-Hong Kong securities brokerage commission income of the Group over the past 3 years (2022-2024); (ii) the anticipated business growth stemming from the global capital reassessment of the value of PRC assets, as demand for investments in China-related listed companies and market services is projected to rise; (iii) a projected annual growth rate of 15%, in light of the 22% increase in the non-Hong Kong securities brokerage commission income in the first quarter of 2025 as compared to the last quarter of 2024. The Group's non-Hong Kong securities brokerage commission income is used as the basis for this annual cap, rather than commission expenses, as the demand for the SWHYG Group's brokerage services from the Group originates from client demand for the Group's brokerage services, which in turn generates this income. Therefore, we believe projecting commission income to arrive at the annual cap is the most appropriate method because it provides a more robust and direct measure of the underlying client demand that drives the resulting expense. This approach aligns the annual cap directly with our business volume and is consistent with how we manage and forecast our business operations.

Investment operational supporting services from the SWHYG Group to the Group

With the continuous rollout of domestic policies to boost economic development and the gradual expansion of openness to overseas investors, including initiatives such as QFI, the Mainland-Hong Kong Mutual Recognition of Fund Programs, domestic commodity futures, Bond Connect, Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect and Cross-boundary WMC, these measures have created broader opportunities for international investors to participate in the PRC capital markets. In addition, amid the global capital reassessment of the value of PRC assets, coupled with the increasing number of PRC companies listed in both Hong Kong and Mainland China, as well as the growing interest of the Group's clients in investing in the PRC-related securities, the demand for professional advisory services covering both Hong Kong and Mainland China is expected to surge significantly. This presents a critical development opportunity for the Group to meet clients' diversified needs for the PRC market investments.

Other than the PRC market, the SWHYG Group has been actively developing and expanding its business in overseas markets and it will also provide supporting services to the Group for the overseas markets. The Directors consider it is beneficial to market development, cost effective and less time consuming to engage the SWHYG Group in the provision of certain supporting services (which include mainly client referrals, business and market consultation services and personnel training services). The Annual Caps in respect of the supporting services are based on service fees

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and following factors: (i) the prevailing market rates and the estimated costs to be incurred in connection with provision of the supporting services; (ii) the estimated annual growth rate of approximately 15% in service fees taking into account the expected rise in demand for such services from the Group and the increase in costs due to inflation; (iii) the increased demand of the supporting services for the PRC market due to the increasing market demand and the enhanced business cooperation with the SWHYG Group; and (iv) for the period from 2022 to 2024, the average commission and related handling fee income was approximately HK\$112 million, and it is expected that the respective payment for the supporting services for the PRC market will be around 15% of such average handling fee.

Brokerage services relating to Hong Kong and overseas capital markets from the Group to the SWHYG Group

The brokerage services for Hong Kong and overseas capital markets provided by the Group include but are not limited to the securities trading services resulting from the launch and the anticipated launch of the Onshore Investors Schemes (including but not limited to QDII, QDII 2, RQDII, Bond Connect, Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect and Cross-boundary WMC). The Annual Caps in respect of such brokerage services are determined with reference to: (i) the potential increase in demand for the brokerage services to be provided by the Group to the SWHYG Group and its associates for the growing offshore investment business in connection with QDII, QDII 2 and RQDII, Bond Connect, Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect and Cross-boundary WMC, which is expected to have an annual growth rate of approximately 20%; and (ii) the estimated 5% of Hong Kong securities commission income which will be contributed from the SWHYG Group after taking into account the average related Hong Kong securities commission income for the period from 2022 to 2024 was approximately HK\$71 million.

Investment operational supporting services relating to Hong Kong and overseas markets from the Group to the SWHYG Group

With the continuous rollout of domestic policies to boost economic development and the gradual expansion of openness to overseas investors, including initiatives such as QFI, the Mainland-Hong Kong Mutual Recognition of Fund Programs, domestic commodity futures, Bond Connect, Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect and Cross-boundary WMC, these measures have created broader opportunities for international investors to participate in the PRC capital markets. The Group will provide supporting services to the SWHYG Group in areas such as client referrals, business and market consultation services and personnel training services, resulting in growth of the relevant service fees.

The Annual Caps in respect of the Group's supporting services are based on (i) the advisory service fee income derives from such investment operational supporting services provided by the Group to the SWHYG Group's International Business Division after taking into account: (a) the historical staff cost in connection with the provision of the supporting services for the year ended 31 December 2024; (b) an estimated growth rate of 20%, in light of the approximate 24% increase in the Hong Kong securities brokerage commission income in the first quarter of 2025 as compared to the last quarter of 2024; (ii) the asset management services relating to Hong Kong and overseas markets

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for asset management business after taking into account: (a) the historical income in connection with the provision of the asset management services for the year ended 31 December 2024; (b) an estimated growth rate of 20%, in light of the approximate 20% increase in the management fee income in the second half of 2024 as compared to the first half of 2024. The Group will be engaged to provide asset management services to manage the SWHYG Group's offshore capital investment by utilizing the expertise and experience in asset management of the Group; (iii) the historical amount of the outsourcing service income derived from providing logistics services by the Group to the SWHYG Group (including the dispatch of relevant professionals (e.g. the middle-office and back-office staff specialized in providing the related supporting service) after taking into account a growth rate of 50% aligning with the 2025 strategic plan which aims to deepen the cross-border cooperation between the Group and the SWHYG Group as well as the Group's internal key performance indicators set for wealth management business and securities brokerage business.

The following factors have also been considered: (i) the potential increase in number of customers participating in schemes such as QDII, QDII 2, RQDII, QFI, the Mainland-Hong Kong Mutual Recognition of Fund Programs, overseas commodity futures, Bond Connect, Shanghai-Hong Kong Stock Connect Scheme, Shenzhen-Hong Kong Stock Connect and Cross-boundary WMC and the potential growth in the corresponding commission income; (ii) the prevailing market rates and the estimated costs to be incurred in connection with provision of the supporting services.

Supporting services relating to research from the SWHYG Group to the Group

In view of the increasing number of dual-listed PRC companies listed in both the Hong Kong and the PRC markets, and the growing interest of the Group's foreign clients in investing in the PRC related securities, the Directors expect the demand for research materials covering both Hong Kong and PRC markets will grow continuously. In addition, as the Group will continue to actively develop its business with institutional investors, it is anticipated that more overseas institutional clients will be attracted to invest in the Hong Kong stock market, which in turn will lead to a rise in demand for research materials covering the PRC companies. Headquartered in the PRC, the SWHYG Group has its own securities research division principally engaged in securities research business, primarily covering the PRC listed companies. Given the significant and strong research capability of the SWHYG Group, the Directors consider that the Group's service level can be improved through utilizing the SWHYG Group's resources and therefore it is appropriate to engage it to provide such products and services. The Annual Caps in respect of the SWHYG Group's supporting services for research are determined with reference to (i) the historical transaction amounts of the relevant transactions; and (ii) a prescribed sharing ratio of approximately 30% on the average related Hong Kong securities commission income (including futures and options) for the period from 2022 to 2024 amounting to approximately HK\$85 million.

Corporate finance services between the Group and the SWHYG Group

In view of the increase in cross-border business in relation to securities listings, the Group and the SWHYG Group could broaden cooperation in respect of corporate finance business, and will jointly promote the business in the securities capital market and equity capital market.

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The Annual Caps in respect of the provision of corporate finance services by the SWHYG Group to the Group are based on (i) the historical corporate finance income of the SWHYG Group for the year ended 31 December 2023 and the estimated 1% of such income coming from the supporting corporate finance service provided to the Group after taking into account (a) the historical corporate finance services fees paid to the SWHYG Group; (b) the 2025 strategic plan which aims to deepen the cross-border cooperation between the Group and the SWHYG Group; (c) the Group's potential demand for corporate finance services with reference to the Group's internal 2025 key performance indicator set for corporate finance business and a projected annual growth rate of 5%; (ii) the Group's potential demand for research reports for IPO and placing projects with reference to the number of projects completed in 2024 and a projected growth of one project per annum; and (iii) the Group's potential demand for the debt capital market projects, which is based on the number of projects completed in 2024 and a projected growth rate of 5%. The growth rate of 5% used in the above was determined with reference to the increase in (i) such income of the Group by 4.2% and (ii) number of projects by 5.7%, for the first quarter of 2025 as compared to the same period in 2024.

The Annual Caps in respect of the provision of corporate finance services by the Group to the SWHYG Group are based on (i) 30% of the corporate finance income of the Group for the year ended 31 December 2024 is estimated to derive from the provision of corporate finance services to the SWHYG Group after taking into account (a) the historical corporate finance income of the Group for the year ended 31 December 2024 and the expected portion of such income coming from the provision of corporate finance services to the SWHYG Group; (b) a projected annual growth rate of 10% given the 2025 strategic plan which aims to deepen the cross-border cooperation between the Group and the SWHYG Group as well as the Group's internal 2025 key performance indicator set for corporate finance business; (ii) estimated commission income in connection with the expected participation in offshore bond issuance of one of the wholly-owned subsidiaries of the SWHYG Group as an underwriter in 2026 and 2028, respectively, providing rating advisory, roadshow coordination, marketing, pricing and bookrunning services for the renewal of the two existing bonds upon their expiry. The growth rate of 10% used in the above has also taken into account the factors of (i) the 28.4% year on year increase in corporate finance income of the Group for the year ended 31 December 2024; and (ii) the increase of 4.2% in corporate finance income of the Group in the first quarter of 2025 compared to the same period in 2024.

Principal-to-principal trading between the SWHYG Group and the Group

The principal-to-principal transactions between the SWHYG Group and the Group include, but are not limited to, derivative transactions (including, but not limited to, swaps, options, futures, forwards, etc.) traded by linking diversified underlying assets, such as debt securities, stocks, bonds, private debts, private equity, commodities, funds, indices, interest rates, foreign exchange on the primary and secondary stock and debt securities markets; trading of structured products (including but not limited to total return swaps, bond-linked notes, interest rate-linked notes, fund-linked notes, equity-linked notes) as well as customised investment products trading and related services, in particular debt securities trading. For the detailed mechanism, please refer to page 9-10 under the subject "C. Principal-to-principal transactions of investment products".

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Among those financial products, we expected that the debt securities trading and the total return swap transactions contribute the majority of the principal-to-principal trading amounts. The Annual Caps for the transactions between the Group and the SWHYG Group are substantially based on:

(a) Debt securities trading

The expected transaction value of debt securities traded between the Group and the SWHYG Group which include (1) newly issued bonds in the primary market priced at their face value and (2) bonds traded in the secondary market through arm's length negotiations. The bonds are traded directly between the Group and the SWHYG Group, both acting as principals, through the market. The consideration paid/received for the debt securities traded is counted as part of the annual cap under this category. This results in a large in value annual cap to account for the overall consideration;

(b) Total return swap transactions (structured products trading)

The expected transaction value of total return swap transactions traded between the Group and the SWHYG Group, which comprises the notional amounts of underlying investments and the return (e.g. investment profit/loss, interest/dividend accrued, etc.) generated from the underlying investments (e.g. Hong Kong listed equities). These transaction values are counted as part of the annual cap under this category. As the notional amounts of the underlying investments are normally large and the returns of the underlying investments vary depending on the various factors such as market sentiment and interest rate forecasts, this results in a large in value annual cap;

The Annual Caps for the transactions between the Group and the SWHYG Group are determined with reference to the following factors:

- (i) The expectation that the transaction volumes to increase significantly over the next three years. Recent increase in average daily trading value of stocks listed on the Main Board of the Stock Exchange was noted, from HK\$99.3 trillion to HK\$121.5 trillion for the first three quarters of 2024, to HK\$186.8 trillion in the last quarter of 2024, and further to HK\$242.7 trillion in the first quarter of 2025. It has shown a clear upward momentum, and we anticipate a further pickup following the resolution of US election-related uncertainties and the commencement of the expected interest rate cut cycle;
- (ii) The expansion of the trading team will support broader product coverage and increased activity, including a higher frequency and expanding trading volume of ad-hoc transactions with the SWHYG Group; and

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- (iii) The proposed growth in the annual caps for 2026 and 2027 are driven by the anticipated significant capital market recovery, as evidenced by the actual result for the five months ended 31 May 2025. Our transaction amounts for the first five months of 2025 reached HK\$2,646.2 million, a sharp rebound from previous periods. This recent performance provides a new, more realistic basis for our forecasts. The annual caps in 2026 and 2027 are based on this actual results in 2025, combined with anticipated continued market momentum.

Given these factors, we respectfully submit that the trading cap for the Group should be set based on forward-looking business growth projections rather than referencing historical figures from the past three years, which were impacted by temporary and extraordinary market and regulatory conditions.

The Annual Caps of the principal-to-principal trading category is relatively large in value because the estimated amount of the gain or loss attributable to the clients of the SWHYG Group in offshore trading is estimated to be large in terms of monetary value after taking into account the large expected trading volume attributable to the clients of the SWHYG Group and the increased market demand. The fact that there are only a few qualified financial institutions in the PRC engaging in the business of cross-border structured products where the SWHYG Group is one of the qualified institutions and the enhanced cooperation between the Group and the SWHYG Group. Moreover, the transaction value of debt securities traded between the Group and the SWHYG Group is normally large in value as well. Therefore, the entire annual cap for this category is relatively large in value.

No material reliance on the SWHYG Group

Despite the high revenue ratio of the annual cap arising from the services provided by the Group to the SWHYG Group as compared to the revenue of the Group for the year ended 31 December 2024, the Directors are of the view that there is no material reliance on the SWHYG Group on the following grounds:

- (i) According to the latest published annual report of the Group, the revenue of the Group for the year ended 31 December 2024 amounted to approximately HK\$55.9 million. In which, a loss from a consolidated investment fund from investment business of HK\$436.6 million due to the business valuation adjustment was included. Such loss significantly lowered the revenue of the year resulting in the high revenue ratio in 2024.

In order to assess the reliance on the SWHYG Group fairly and reasonably, such impact has to be excluded. We assess it in the following two ways: (1) If such loss is excluded, the revenue of 2024 would become approximately HK\$491.5 million, which would result in a revenue ratio of 21% (using the highest annual cap among all the years); (2) By averaging the past 5 year's revenue to avoid the distorting impact from a particular event, the average revenue of past 5 year (i.e. 2020-2024, without any adjustments) amounted to approximately HK\$533.2 million, which would result in a revenue ratio of 19% (using the highest annual cap among all the years). In both ways, the results are considered as insignificant.

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- (ii) In addition, the expected improvement in the Group's performance as discussed above will result in the annual cap accounting for a further lower percentage to the Group's operation results and thereby lessen any reliance impact.
- (iii) The Proposed Annual Caps serve as the maximum limit of potential transaction amounts to be conducted between the Group and the SWHYG Group. There is also no commitment and no obligation by either party to the 2025 SWHYG MOU. It merely provides both the SWHYG Group with an additional option in sourcing the related services. The SWHYG Group has its own discretion to negotiate with independent third parties and select its service provider with a better offer.

7. INTERNAL CONTROL

The terms of the 2025 SWHYG MOU were arrived at after arm's length negotiations between the Company and SWHYG. In order to ensure the pricing of each type of transactions is on normal commercial terms, the Company has established a series of internal control procedures, including:

- (1) On an annual basis or more regularly as necessary, upon any material change in market condition or requests by the Audit Committee, such as change of the Listing Rules or upon reaching the annual caps, the responsible business department of the Group will procure other quotations from independent brokers and services providers in the market and/or the rates charged to independent third party clients of the Group for similar transaction values for comparisons of the brokerage rates charged, the supporting services fees, the corporate finance services fees, the asset management services fees and the price of the primary debt, secondary debt and structured products involved in the principal-to-principal transactions, to act as the basis to review the services and products sourced from the SWHYG Group and/or the services and products provided to the SWHYG Group. If no comparable transaction is available, the Group will conduct review based on the nature and the scope of work performed. Before the Group enters into any of the transactions, the responsible business department must ensure that (i) the price of the transaction is the same as, or within the price range of, comparable transactions carried out by independent third parties in the market and/or comparable transactions carried out with independent third party clients of the Group (where such transactions are available as references; for tailor-made structured products which will be priced on cost-plus basis, the responsible business department of the Group will review the premium in the similar products offered to the independent third parties as reference) or the pricing policy; and (ii) if there is any change to the Group's pricing policy or mechanism, that the revised pricing policy or mechanism is in line with market practice.
- (2) As to the brokerage services, according to the Group's internal policy, on an annual basis or more regularly as necessary, the business department of the Group will compare the brokerage rates charged against at least five other independent third party customers which had transacted with the Group for similar transaction values for comparisons of the brokerage rates.

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- (3) As to the investment operational supporting services, according to the Group's internal policy, the reasonableness of the estimated man-days/man-hours will be verified by the business department of the Group by reference to the Group's relevant department's judgement of time required for work of similar nature. The Group will also cross check the time-cost rates of the SWHYG Group against the salary rates of Group's relevant staff to ascertain their reasonableness.
- (4) As to the corporate finance services and research services, according to the Group's internal policy, the responsible business department of the Group will conduct review on an annual basis or more regularly if required to compare the percentage of fee charged with reference to the scope of work performed.
- (5) As to the total return swap transactions, the transaction amount will be fully based on the gain and/or loss realised by the clients of the SWHYG Group and the Group only transfers/collects the amount to/from the SWHYG Group on dollar to dollar basis. The responsible business department will monitor the transactions regularly and ensure the transactions are in line with this principle. Therefore, the Directors consider that the Group has no (or minimal, if any) risk exposure in the total return swap transactions.
- (6) The reasonableness of the estimated man-days/man-hours for provision of supporting services will be verified by the Company's independent departments (e.g. internal audit department, finance department).
- (7) On a yearly basis, the auditors submit a letter to the Board confirming that the Continuing Connected Transactions:
 - (i) have received the approval of the listed issuer's board of directors;
 - (ii) are, in all material respects, in accordance with the pricing policies of the listed issuer if the transactions involve provision of goods or services by the listed issuer;
 - (iii) have been entered into, in all material respects, in accordance with the relevant agreement(s) governing the transactions; and
 - (iv) have not exceeded the cap disclosed in previous announcement(s).

The independent non-executive Directors will conduct an annual review with respect to the Continuing Connected Transactions of the Group throughout the preceding financial year and confirm in the annual report of the Company whether the transactions have been entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or better; and
- (iii) according to the agreement(s) governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

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The finance department of the Group will also collect statistics of each of the renewed Continuing Connected Transactions on a yearly basis to ensure the annual caps approved by the Independent Shareholders are not exceeded.

By implementing the above procedures, the Directors consider that the Group has established sufficient internal control reviewing and monitoring measures to ensure the pricing basis of each of the Continuing Connected Transactions will be on market terms and on normal commercial terms and will be fair and reasonable to the Group and the Shareholders as a whole.

8. REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Directors believe that the entering into of the 2025 SWHYG MOU will serve as a platform for more extensive cooperation between the Group and the SWHYG Group. The SWHYG Group and the Group would continue to benefit from more efficient use of their respective clientele and resources, and a synergy effect is expected to be achieved as a result of their cooperation. The Directors also believe that the Group's service quality will be enhanced through the provision of cross-border financial intermediary services. Therefore, the Directors consider that entering into the 2025 SWHYG MOU is in the interests of the Company and the Shareholders as a whole.

The terms of the 2025 SWHYG MOU are arrived at after arm's length negotiations between the Company and SWHYG. The Directors consider that the SWHYG Transactions are conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of the Continuing Connected Transactions and the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

9. INFORMATION ON THE GROUP AND THE SWHYG GROUP

The Group is principally engaged in (i) brokerage business; (ii) corporate finance business; (iii) asset management business; (iv) financing and loans business; and (v) investment and other business.

The SWHYG Group is an investment banking group in the PRC. The A shares of SWHYG are listed on the Shenzhen Stock Exchange (Stock Code: 000166), and the H shares of SWHYG are listed on the Main Board of the Stock Exchange (Stock Code: 6806). The SWHYG Group is an investment holding group focused on securities businesses and mainly provides comprehensive financial services, including enterprise finance, personal finance, institutional services and trading, as well as investment management.

10. LISTING RULES AND IMPLICATIONS

As SWHYG is deemed to be beneficially interested in approximately 64.9% of the issued share capital of the Company and a substantial shareholder of the Company, SWHYG is a connected person of the Company under the Listing Rules. As such, the SWHYG Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

Since each of the asset ratio, the revenue ratio and the consideration ratio (as defined under Rule 14.07 of the Listing Rules) with reference to the largest Annual Cap in respect of the SWHYG Transactions in aggregate exceeds 5% and the amount of the largest Annual Cap for the SWHYG Transactions is more than HK\$10 million respectively, the 2025 SWHYG MOU is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

A Board resolution on 27 May 2025 and 29 July 2025 had approved, among other things, the 2025 SWHYG MOU. Among all the Board of Directors, Ms. Wu Meng, Mr. Tan Weijun, Mr. Liang Jun and Mr. Hu Jing were considered to be materially interested in the SWHYG Transactions and they voluntarily abstained from voting on the relevant Board resolutions approving the 2025 SWHYG MOU and related matters.

11. GENERAL

To deal with the Continuing Connected Transactions, the Independent Board Committee, comprising all the independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and whether the terms of the Continuing Connected Transactions and the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Somerley Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. The Independent Board Committee will advise the Independent Shareholders on how to vote at the EGM on the resolutions in respect of the Continuing Connected Transactions and the Annual Caps, after taking into account the recommendations of the Independent Financial Adviser.

The Company proposes to seek approval from the Independent Shareholders in respect of the Continuing Connected Transactions and the Annual Caps at the EGM. Voting at the EGM will be conducted by poll. SWHYG and its associates who in aggregate control or are entitled to exercise control over the voting right in respect of 1,013,131,792 Shares, representing approximately 64.9 % of total Shares in issue as at the Latest Practicable Date, shall abstain from voting at the EGM in respect of the Continuing Connected Transactions as well as the Annual Caps. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, none of the other Shareholders will be required to abstain from voting at the EGM in respect of the Continuing Connected Transactions as well as the Annual Caps.

The Independent Board Committee comprising all of the three (3) independent non-executive Directors, namely Mr. Kwok Lam Kwong Larry, Mr. Liu Chijin and Ms. Chiu Lai Kuen Susanna has been formed to advise the Independent Shareholders as to whether the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and whether the terms of the Continuing Connected Transactions and the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

12. THE EGM AND THE NOTICE

A notice convening the EGM to be held at Level 6, Three Pacific Place, 1 Queen's Road East, Hong Kong, on Monday, 1 September 2025 at 10:00 a.m. is set out on pages 66 to 67 of this circular.

A proxy form for use at the EGM is enclosed herewith and is also published on the website of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>) and the website of the Company (<http://www.swhyhk.com>). Whether or not you are able to attend the EGM, you are advised to complete the accompanying proxy form in accordance with the instructions printed thereon and return it to the Company's Share Registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible but in any event not later than 48 hours excluding Sunday before the time appointed for holding of the EGM (i.e. 10:00 a.m. on Friday, 29 August 2025) or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting at the meeting or any adjourned meeting should you so wish.

13. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Shareholders at the EGM must be taken by poll. The chairman of the EGM will demand a poll for the resolutions to be proposed at the EGM in accordance with the articles of association of the Company. The results of the voting will be published on the website of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>) and the website of the Company (<http://www.swhyhk.com>) after the conclusion of the EGM.

14. RECOMMENDATION

You are advised to read carefully the letter from the Independent Board Committee as set out on pages 31 and 32 of this circular. The Independent Board Committee, having taken into account the advice of Somerley Capital, the text of which is set out on pages 33 to 58 of this circular, considers that (i) the Continuing Connected Transactions contemplated under the 2025 SWHYG MOU are conducted in the ordinary and usual course of business of the Group; (ii) the 2025 SWHYG MOU is in the interests of the Group and the Shareholders as a whole; (iii) the terms of the 2025 SWHYG MOU are on normal commercial terms and are fair and reasonable so far as the Company and the Shareholders are concerned; and (iv) the Annual Caps are fair and reasonable so far as the Company and the Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the 2025 SWHYG MOU and the transactions contemplated thereunder, as well as the Annual Caps.

15. ADDITIONAL INFORMATION

Your attention is drawn to the additional information as set out in the appendix to this circular.

Yours faithfully,
By order of the Board
Shenwan Hongyuan (H.K.) Limited
Liang Jun
Executive Director and Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee to the Independent Shareholders for the inclusion in this circular.



SHENWAN HONGYUAN (H.K.) LIMITED

申萬宏源(香港)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 218)

12 August 2025

To the Independent Shareholders
Shenwan Hongyuan (H.K.) Limited

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 12 August 2025 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the terms of the 2025 SWHYG MOU, the terms of the transactions contemplated thereunder as well as the Annual Caps and to advise the Independent Shareholders whether, in our opinion, the terms of the 2025 SWHYG MOU, the terms of the transactions contemplated thereunder as well as the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Somerley Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Details of their independent advice, together with the principal factors and reasons they have taken into consideration, are set out on pages 33 to 58 of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the advice given by, and the principal factors and reasons taken into consideration by Somerley Capital in arriving at its advice, we consider that (i) the Continuing Connected Transactions contemplated under the 2025 SWHYG MOU fall in the ordinary and usual course of business of the Group; (ii) the 2025 SWHYG MOU is in the interests of the Company and the Shareholders as a whole; (iii) the terms of the 2025 SWHYG MOU are on normal commercial terms and are fair and reasonable so far as the Company and the Shareholders are concerned; and (iv) the Annual Caps are fair and reasonable so far as the Company and the Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the 2025 SWHYG MOU and the transactions contemplated thereunder as well as the Annual Caps.

Yours faithfully,
For and on behalf of
the Independent Board Committee

Kwok Lam Kwong Larry
*Independent non-executive
Director*

Liu Chijin
*Independent non-executive
Director*

Chiu Lai Kuen Susanna
*Independent non-executive
Director*

LETTER FROM SOMERLEY CAPITAL LIMITED

The following is the letter of advice from Somerley Capital Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



SOMERLEY CAPITAL LIMITED

20th Floor
China Building
29 Queen's Road Central
Hong Kong

12 August 2025

*To: the Independent Board Committee and
the Independent Shareholders*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders on the terms of the 2025 SWHYG MOU and the Annual Caps. Details of the 2025 SWHYG MOU and the Annual Caps are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 12 August 2025 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

As SWHYG is deemed to be beneficially interested in approximately 64.9% of the issued share capital of the Company and a substantial shareholder of the Company, SWHYG is a connected person of the Company under the Listing Rules. As such, the SWHYG Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Since each of the assets ratio, the revenue ratio and the consideration ratio (as defined under Rule 14.07 of the Listing Rules) with reference to the largest Annual Cap in respect of the SWHYG Transactions in aggregate exceeds 5% and the amount of the largest Annual Cap is more than HK\$10 million, the 2025 SWHYG MOU is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all of the three (3) independent non-executive Directors, namely Mr. Kwok Lam Kwong Larry, Mr. Liu Chijin and Ms. Chiu Lai Kuen Susanna, has been formed to advise the Independent Shareholders on whether the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and whether the terms of the Continuing Connected Transactions and the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We, Somerley Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

LETTER FROM SOMERLEY CAPITAL LIMITED

During the past two years, Somerley Capital has acted as the independent financial adviser (the “**IFA Engagement**”) to the independent board committee and independent shareholders of SWHYG in relation to continuing connected transactions. The Company is a non-wholly-owned subsidiary of SWHYG. For details of the transaction for which Somerley Capital has been engaged as the independent financial adviser in the past two years, please refer to SWHYG’s announcement dated 26 November 2024. The IFA Engagement was limited to providing independent financial advisory services to SWHYG pursuant to the Listing Rules, and Somerley Capital, in return, has received fixed normal advisory fees from it. Somerley Capital is not aware of any circumstances as set out in the Rule 13.84 under the Listing Rules or any other matters which may cause it to have potential and/or actual a conflict of interest in acting as the independent financial adviser regarding the 2025 SWHYG MOU.

We are not associated with the Company, the SWHYG Group or their respective substantial shareholders or associates and accordingly we are considered eligible to give independent advice on the terms of the Continuing Connected Transactions and the Annual Caps. Apart from the normal fees payable to us in connection with this and similar engagements, no arrangements exist whereby we will receive any fees or benefits from the Company, the SWHYG Group or their respective substantial shareholders or associates.

In formulating our opinion, we have reviewed, among others, the 2025 SWHYG MOU, the annual reports of the Company for the years ended 31 December 2023 (the “**2023 Annual Report**”) and 2024 (the “**2024 Annual Report**”), and the information contained in the Circular. We have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group and have assumed that they are true, accurate and complete in all material aspects and will remain so up to the time of the EGM. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter. We have no reason to believe that any material information has been omitted or withheld from us, nor to doubt the truth, accuracy or completeness of the information provided. We have not, however, conducted any independent investigation into the businesses and affairs of the Group, the SWHYG Group or their respective associates, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into account the following principal factors and reasons:

1. Background

1.1 Information on the Group and the SWHYG Group

The Group is principally engaged in (i) brokerage business; (ii) corporate finance business; (iii) asset management business; (iv) financing and lending business; and (v) investment and other businesses.

LETTER FROM SOMERLEY CAPITAL LIMITED

The SWHYG Group is an investment banking group in the PRC. The A shares of SWHYG are listed on the Shenzhen Stock Exchange (stock code: 000166), and the H shares of SWHYG are listed on the Main Board of the Stock Exchange (stock code: 6806). The SWHYG Group is an investment holding group focused on securities businesses and mainly provides comprehensive financial services, including enterprise finance, personal finance, institutional services and trading, as well as investment management.

1.2 Introduction

The continuing connected transactions contemplated under the 2022 SWHYG MOU were approved by the then Independent Shareholders at the extraordinary general meeting of the Company held on 30 May 2022. The 2022 SWHYG MOU was expired on 31 May 2025.

On 5 August 2025, the Company entered into the 2025 SWHYG MOU with SWHYG in relation to SWHYG Transactions to replace the 2022 SWHYG MOU. The 2025 SWHYG MOU shall be effective from 1 September 2025 or upon obtaining of the approval of the Independent Shareholders at the EGM and shall expire on 31 May 2028.

1.3 The scope of services under the 2025 SWHYG MOU

The services provided by the SWHYG Group to the Group include (i) brokerage services; (ii) investment operational supporting services; (iii) research supporting services; and (iv) corporate finance services. The services provided by the Group to the SWHYG Group include (i) brokerage services; (ii) investment operational supporting services; and (iii) corporate finance services. In addition, the scope of services under the 2025 SWHYG MOU also includes principal-to-principal transactions of investment products between the SWHYG Group and the Group. For details of the aforementioned services, please refer to the section headed “2. Principal terms of the MOU” – “Provision of services” of the letter from the Board.

We noted that the scope of the services under the 2025 SWHYG MOU is generally the same as that under the 2022 SWHYG MOU and within the principal businesses of the Group.

1.4 Reasons for and benefits of, the entering into of the Continuing Connected Transactions

As stated in the letter from the Board, the Directors believe that the entering into of the 2025 SWHYG MOU will serve as a platform for more extensive cooperation between the Group and the SWHYG Group. The SWHYG Group and the Group would benefit through efficient use of their respective clientele and resources, and a synergy effect is expected to be achieved as a result of their cooperation. The Directors also believe that the Group’s service quality will be enhanced through the provision of cross-border financial intermediary services. Therefore, the Directors consider that entering into the 2025 SWHYG MOU is in the interests of the Company and the Shareholders as a whole.

LETTER FROM SOMERLEY CAPITAL LIMITED

Having considered (i) the long-term cooperation relationship between the Group and the SWHYG Group; and (ii) the SWHYG Group's strong presence in both PRC and Hong Kong financial market, we concur with the Directors that the entering into of the 2025 SWHYG MOU is in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the 2025 SWHYG MOU and pricing basis

2.1 Principal terms and pricing basis

The principal terms of the 2025 SWHYG MOU and the pricing basis of each category of transactions as extracted from the letter from the Board have been summarised as follows:

Parties	(1) the Company (2) SWHYG
Duration	From 1 September 2025 to 31 May 2028
Pricing basis	<p>The SWHYG Group and the Group have agreed that the fees charged to each other during the cooperation period (including the principal-to-principal transactions and corporate finance transactions) will be determined based on normal commercial principles (including individual negotiation with reference to market levels and actual circumstances), taking into account the scope of work and nature of the services as well as the resources utilised, and based on principles of fairness and reasonableness, co-development, benefit sharing. In addition, the terms and the fees in relation to the Continuing Connected Transactions shall be no more favourable to the SWHYG Group, or no less favourable to the Group, than the terms and the fees offered by the SWHYG Group or the Group to the independent third parties for similar comparable services, or the general terms and fees in the services procured from the independent third parties for similar comparable services. In no event shall the total amount received or paid in respect of the connected transactions exceed the annual cap of the connected transactions approved by the shareholders of the Company.</p> <p>(1) With respect to securities brokerage transactions, the fees received/receivable or paid/payable (as the case may be) shall be determined with reference to, among other things, the fees, rates and commission for independent third parties in the market and the expected total brokerage transaction amount. For futures brokerage, the commission per lot per side varies according to (i) the type of futures contract, (ii) the stock exchange on which it is traded, and (iii) whether the trade is executed during the day or overnight in Hong Kong time. With respect to the brokerage ancillary services, for example handling services fees, the fees received/receivable or paid/payable (as the case may be) shall be determined with reference to expected costs.</p>

LETTER FROM SOMERLEY CAPITAL LIMITED

- (2) With respect to investment operational supporting services, the fees to be charged by the Group to the SWHYG Group relating to the supporting services for developing Hong Kong and overseas markets will be determined based on either (i) normal commercial principles (including individual negotiation with reference to market levels and actual circumstances); or (ii) the actual costs incurred in connection with provision of services (including but not limited to the staff cost of the middle-office and back-office of the Group); or (iii) a prescribed percentage (ranging from 20%-50%) of the after-tax actual relevant commission earned by the SWHYG Group. The fees to be charged by the SWHYG Group to the Group relating to the supporting services will be determined based on either (i) the expected costs to be incurred by the SWHYG Group for provision of the services, which are calculated based on the estimated number of man-days/man-hours needed for the work and with reference to the SWHYG Group's employees' hourly payroll in provision of daily operations, market consulting, staff training and other services in relation to the Group's PRC market development and operations; or (ii) a prescribed percentage (ranging from 15%-50%) of the after-tax actual relevant commission earned by the Group; or (iii) fixed monetary consideration agreed in writing, for which the price and the terms will be determined based on arm's length basis and normal commercial principles with reference to the scope of work. With respect to the investment management and advisory services transactions, the fees received/receivable or paid/payable (as the case may be) shall be determined with reference to, among other things, the fund management fees and performance fees of independent third parties in the market. The reasonableness of the fee charged for provision of such investment management and advisory services to the SWHYG Group will be verified by the responsible business department of the Group by reference to the Group's relevant department's judgment of time required for work of similar nature and the time-cost rates of the staff to be involved. The Group will conduct on an annual basis or more regularly, if required, to review the fees charged with reference to the scope of the work performed.

LETTER FROM SOMERLEY CAPITAL LIMITED

- (3) With respect to research supporting services transactions, the pricing will be based on either (i) the fixed monetary consideration agreed in writing annually, for which the price and the terms will be determined based on arm's length basis and normal commercial principles with reference to the scope of work; or (ii) a prescribed percentage of 30% of the after-tax actual relevant commission earned by the Group. Given no other service providers providing the same or similar services supported by the SWHYG Group, it is not practicable to obtain quotations from independent third parties for comparison. The Group will conduct on an annual basis or more regularly, if required, to review the fees charged with reference to the scope of work performed.
- (4) With respect to corporate finance transactions, relevant business departments shall make reference to the fees for comparable transactions of independent third parties in the market and ensure that the pricing is negotiated on an arm's length basis.
- (5) With respect to principal-to-principal transactions, for bonds on the primary debt market, they will be priced at face value. For bonds traded over-the-counter on the secondary debt market, the price and terms will be determined on the basis of arm's length negotiations and respective clients' demand for the market making business. The structured products will be priced on normal and ordinary commercial terms and based on either (i) the complexity of the products' structure and market conditions at the time of issuance and other factors; or (ii) if the products are tailor-made in accordance with the instructions of the purchasers, a cost-plus basis according to the complexity, structure, nature and volatility of the underlying assets and market conditions at the time of issuance. For total return swap transactions, the Group will only conduct total return swap transactions on a back-to-back basis, which transaction amount comprises significantly the gain or loss attributable to the clients of the SWHYG Group in offshore trading and a relatively smaller amount of interest income, which will be borne by such clients and generated from facilitating the transaction of total return swaps between the SWHYG Group and the Group. The Group will only charge the clients handling fees for such transactions.

LETTER FROM SOMERLEY CAPITAL LIMITED

2.2 *Our discussion and assessment*

2.2.1 *Pricing mechanism*

2.2.1.1 Services provided by the SWHYG Group to the Group

Brokerage services

As advised by the management of the Group, the SWHYG Group charges the Group at fixed percentages of 0.05% to 0.10% of the gross consideration of clients' trade turnover. We have reviewed the commission and service rates charged by five independent brokers in relation to securities brokerage services in the PRC markets, which are considered to be fair and representative given that such independent brokers (i) are well-established in Hong Kong; and (ii) offer comparable securities brokerage services to clients in Hong Kong. Given the Company's usual practice of obtaining at least three fee quotations when sourcing services, we consider the review of rates from five independent brokers sufficient. We noted that the brokerage service fees charged by the SWHYG Group were no less favourable than those offered by the independent brokers.

Investment operational supporting services

As advised by the management of the Group, the investment operational supporting service fees charged by the SWHYG Group are determined based on the expected costs to be incurred by the SWHYG Group for the provision of the services, which are calculated based on the estimated number of man-days/man-hours needed for the work and with reference to the SWHYG Group's employees' hourly payroll for daily operations, market consulting, staff training and other services in relation to the Group's development and operations in the PRC and overseas markets. We have obtained invoices issued by the SWHYG Group for the provision of investment operational supporting services to the Group, as well as the breakdown setting out the estimated man-days/man-hours and the average hourly payroll in calculating the expected costs of services for the period from June 2023 to November 2024 which covers half of the term of the 2022 SWHYG MOU and are considered to be fair and representative samples, and noted that the average hourly payroll charged by the SWHYG Group was lower than the salary rates of the Group's relevant staff.

Research supporting services

The pricing, which is expected to be a fixed monetary consideration agreed in writing on an annual basis, is determined based on normal commercial principles and at arm's length, after taking into account the scope of work. As advised by the management of the Group, no research supporting services agreement was signed between the Group and the SWHYG Group during the past three years and therefore no comparison can be made.

LETTER FROM SOMERLEY CAPITAL LIMITED

Corporate finance services

As advised by the management of the Group, the fees charged by the SWHYG Group to the Group relating to the provision of corporate finance services are determined based on a percentage of the revenue received by the Group from third party customers for each project. These percentages ranged from 8% to 50% in the past, depending on the nature and amount of work done by the SWHYG Group. As advised by the management of the Group, no corporate finance services agreement was signed between the Group and the SWHYG Group during the past three years and therefore no comparison can be made.

2.2.1.2 Services provided by the Group to the SWHYG Group

Brokerage services

As advised by the management of the Group, the Group charges the SWHYG Group at fixed percentages of 0.03% to 0.3% of the gross consideration of clients' trade turnover. As advised by the management of the Group, the Group did not provide any brokerage services to the SWHYG Group in 2022 – 2023. We have reviewed the client commission and rebate reports in 2024 for the SWHYG Group and independent third parties in relation to securities brokerage services in Hong Kong and overseas markets and noted that the brokerage service fees charged by the Group to the SWHYG Group were within the range of those charged by the Group to independent third parties.

Investment operational supporting services

As advised by the management of the Group, the pricing of the supporting services is determined based on either (i) normal commercial terms with reference to market levels; or (ii) the actual costs incurred in provision of such services (including, but not limited to, the staff cost of the middle-office and back-office of the Group); or (iii) a prescribed percentage (ranging from 20% to 50%) of the after-tax actual relevant commission earned by the SWHYG Group. As further advised by the management of the Group, both the advisory service fee income derived from the SWHYG Group's International Business Division and outsourcing service income (including provision of accounting and finance, information technology, human resources, operation, and administrative services) are determined based on actual staff costs and related disbursements incurred, incorporating a mark-up of 5% to comply with transfer pricing guidelines for multinational enterprises and tax administrations (the “**Transfer Pricing Guidelines**”) promulgated by Organisation for Economic Co-operation and Development, an international organisation of international cooperation, which provides guidance on the application of the “arm's length principle” for the valuation, for tax purposes, of cross-border transactions between associated

LETTER FROM SOMERLEY CAPITAL LIMITED

enterprises. The Transfer Pricing Guidelines suggest that a 5% mark-up may be applied to low value-adding intra-group services performed by one group member solely on behalf of one other group member.

For investment management and advisory services transactions, the fees charged/chargeable are determined with reference to including, among other things, the fund management fees and performance fees of independent third parties in the market. We have reviewed three agreements entered into between the Group and independent third party clients in relation to the investment management and advisory transaction services. As the samples are randomly selected out of a total of 18 agreements entered into between the Group and independent third party clients during the term of the 2022 SWHYG MOU, they are considered to be fair and representative samples. We noted that the investment management and advisory services fees charged by the Group to the SWHYG Group were no less favourable than those charged by the Group to independent third party clients.

Corporate finance services

As advised by the management of the Group, the fees charged by the Group to the SWHYG Group relating to the provision of corporate finance services are determined based on a percentage of the revenue received from third party customers for each project by the SWHYG Group. These percentages ranged from 8% to 50% in the past, depending on the nature and amount of work done by the Group. As advised by the management of the Group, the Group has not provided any corporate finance services to the SWHYG Group in the past three years and therefore no comparison can be made.

2.2.1.3 Principal-to-principal transactions of investment products

As advised by the management of the Group, among those financial products, the debt securities trading, which is priced at face value or determined on the basis of arm's length negotiations, and the total return swaps, which are conducted on a back-to-back basis initiated by the clients, contribute the majority of the principal-to-principal trading amounts. Acting as principal to the back-to-back transactions, the return arising from the underlying investments attributable to the client of the SWHYG Group and the related hedging profit/loss of the Group will be booked in a net basis (i.e. being offset) in the income statement of the Group, and the total return swap payables and the respective underlying assets are booked on the balance sheet of the Group at the exchanged/settled amounts. In summary, although large transaction amounts would arise from the principal-to-principal transactions of investment products between the Group and the SWHYG Group, the Group as an agent, only earns the handling fees and, where applicable, interest income from the clients. We have reviewed the principal-to-principal transaction reports in 2024 for the SWHYG Group and independent third parties and noted that the handling fees charged by the Group to the SWHYG Group were no less favourable than those charged by the Group to independent third parties.

LETTER FROM SOMERLEY CAPITAL LIMITED

2.3 *Our conclusion*

Given that (i) the above pricing mechanisms are commonly seen and widely acceptable in the financial market and are in compliance with local laws and regulations; and (ii) we have reviewed and compared samples for transactions conducted with the SWHYG Group against those of independent third parties and/or internal pricing policies, where available or applicable, and noted that the Group adopts similar pricing mechanisms for similar services provided/received to/from the SWHYG Group and independent third parties, we are of the view that the transactions contemplated under the 2025 SWHYG MOU shall be conducted on normal commercial terms and thus the prices and terms are fair and reasonable.

3. The Annual Caps

3.1 *Historical transaction amounts under the 2022 SWHYG MOU*

Set out below are the historical transaction amounts under the 2022 SWHYG MOU for the period from 1 June 2022 to 31 May 2025 as compared to the annual caps under the 2022 SWHYG MOU:

		Seven months ended 31 December 2022 HK\$'000 (audited)	Year ended 31 December 2023 HK\$'000 (audited)	2024 HK\$'000 (audited)	Five months ended 31 May 2025 HK\$'000 (unaudited)
Services provided by the SWHYG Group to the Group	Annual caps (A)	90,343	174,888	234,104	152,475
	Historical transaction amounts (D)	2,226	3,328	3,819	1,323
(i) Brokerage services relating to the PRC capital markets	Annual caps	2,391	4,508	4,959	2,273
	Historical transaction amounts	126	149	799	230
(ii) Investment operational supporting services	Annual caps	21,131	42,723	80,550	71,871
	Historical transaction amounts	2,100	3,179	3,020	1,093
(iii) Research supporting services	Annual caps	15,747	34,070	48,414	33,583
	Historical transaction amounts	–	–	–	–
(iv) Corporate finance services	Annual caps	51,074	93,587	100,181	44,748
	Historical transaction amounts	–	–	–	–

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		Seven months ended 31 December 2022 HK\$'000 (audited)	Year ended 31 December 2023 HK\$'000 (audited)	2024 HK\$'000 (audited)	Five months ended 31 May 2025 HK\$'000 (unaudited)
Services provided by the Group to the SWHYG Group	Annual caps (B)	41,815	93,505	139,491	102,096
	Historical transaction amounts (E)	7,568	27,769	23,719	10,204
(i) Brokerage services relating to Hong Kong and overseas capital markets	Annual caps	2,984	5,627	6,189	2,837
	Historical transaction amounts	–	–	1,749	286
(ii) Investment operational supporting services relating to Hong Kong and overseas markets	Annual caps	29,206	69,728	113,337	90,108
	Historical transaction amounts	7,568	27,769	21,970	9,918
(iii) Corporate finance services	Annual caps	9,625	18,150	19,965	9,151
	Historical transaction amounts	–	–	–	–
Principal-to-principal trading of financial products	Annual caps (C)	1,180,404	6,039,250	10,078,500	6,732,083
	Historical transaction amounts (F)	376,358	1,175,376	5,447	2,646,224
Annual Caps under the 2022 SWHYG MOU (A+B+C)		1,312,562	6,307,643	10,452,095	6,986,654
Historical transaction amounts under the 2022 SWHYG MOU (D+E+F)		386,152	1,206,473	32,985	2,657,751

As shown in the above table, for the seven months ended 31 December 2022, the two years ended 31 December 2023 and 2024 and the five months ended 31 May 2025, the utilisation rates of the annual caps under the 2022 SWHYG MOU were low. In particular, no transaction amounts were recorded during the period from 1 June 2022 to 31 May 2025 for (i) provision by the SWHYG Group to the Group of (a) research supporting services; and (b) corporate finance services; and (ii) provision by the Group to the SWHYG Group of corporate finance services.

The low utilisation rates across services between the Group and the SWHYG Group from 2022 to 2024 can be attributable to macroeconomic challenges, shifting market dynamics and regulatory constraints. Macroeconomic challenges, including lingering effects from the COVID-19 pandemic,

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persistently high interest rates in Hong Kong and overseas markets during 2022 to 2024 as compared to previous years, weak real estate performance, and sluggish economic recovery, significantly dampened demand from clients for services across brokerage, corporate finance, and investment. In China's capital markets, declining indices (Shanghai Composite Index, Shenzhen Component Index, and ChiNext Index) between 2022 and 2023 and negative sentiment toward the property sector further eroded investor confidence, leading to reduced activity in brokerage, research, and corporate finance transactions. Concurrently, constrained financing conditions redirected clients' focus away from the PRC markets towards overseas alternatives like the U.S. and Japan, particularly for investments and research services.

The change of the business model of the SWHYG Group and shift in investor preferences led to substantial declines in service utilisation. For instance, one of the wholly-owned subsidiaries of the SWHYG Group's proprietary investment team, established in 2023, reduced reliance on the Group's asset management services for Hong Kong and overseas markets, contributing to underutilised annual caps in investment operational support services. Similarly, corporate finance referrals (e.g., initial public offerings, mergers and acquisition, and financial advisory services) stagnated as deal closures were reduced during 2022 to 2024 due to subdued capital markets in the PRC and Hong Kong. Regulatory constraints also played a role, limiting cross-border business activities and principal-to-principal trading volumes.

Transaction amounts for corporate finance, which are basically referral fees contingent upon deal closures, were nil during the period. Similarly, no QDII consulting services were provided to the SWHYG Group since 2024 because the SWHYG Group increasingly conducted transactions directly with external counterparties after it, being the issuer of QDII products, has accumulated sufficient experience over the years and therefore reduced its reliance on the Group. Meanwhile, principal-to-principal trading of financial products dwindled as the SWHYG Group increasingly engaged external counterparties.

3.2 Analysis on financial markets and the Group's business performance

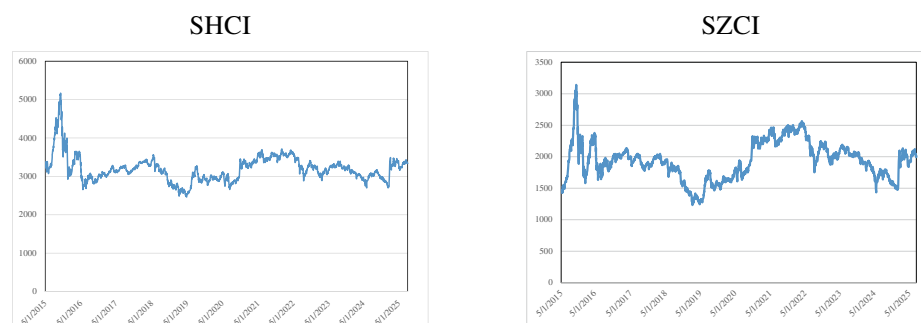
We have discussed with the management of the Group and were advised that they would not only consider the historical transaction amounts but also take into account, amongst others, the historical performance of the PRC and Hong Kong stock markets and the Group's business performance for a longer horizon. Set out below are (i) Shanghai Composite Index ("SHCI") and Shenzhen Composite Index ("SZCI") and their average daily trading volume in the past ten years; (ii) the Hang Seng Index ("HSI") and its average daily trading volume in the past ten years; and (iii) the Company's business performance for the three years ended 31 December 2024:

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3.2.1 financial markets

PRC financial markets

Graph 1: Shanghai Composite Index and Shenzhen Composite Index



	For the year ended 31 December									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
SHCI										
- Highest closing index	5,166	3,539	3,448	3,559	3,271	3,473	3,715	3,640	3,395	3,490
- Lowest closing index	2,927	2,656	3,053	2,483	2,464	2,660	3,358	2,886	2,899	2,702
Average daily trading volume (RMB billion)	42	18	18	15	22	27	33	31	29	41
SZCI										
- Highest closing index	3,141	2,309	2,047	1,961	1,783	2,333	2,562	2,530	2,191	2,134
- Lowest closing index	1,415	1,629	1,774	1,232	1,246	1,609	2,161	1,752	1,767	1,433
Average daily trading volume (RMB billion)	28	20	18	18	30	41	41	43	40	55

Source: Bloomberg

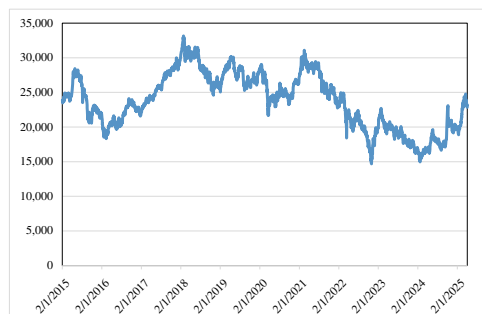
As shown in the above graphs and tables, both the SHCI and SZCI had reached their highs of 5,166 and 3,141 in 2015 with average daily turnover of RMB42 billion and RMB28 billion respectively. The PRC stock markets then reversed some of the gains in 2015 and had been hovering in the range of 2,500 to 3,500 (SHCI) and 1,200 to 2,300 (SZCI) in 2016 – 2019. During the same period, the average daily trading volume of the two markets also dropped substantially to RMB15-22 billion (SHCI) and RMB18-30 billion (SZCI). Starting from 2020, both the SHCI and SZCI edged up to reach their highs of 3,715 and 2,562 in 2021 coupled with the increase in average daily turnover of SHCI by 22%– 23% in 2020 – 2021 and SZCI by 37% in 2020 and continued the high level in 2021. From 2022 onwards, both markets exhibited a general decreasing trend, with the SHCI closing around 2,750 and the SZCI at around 1,500 on 23 September 2024. However, on 24 September 2024, the PRC regulatory authorities announced stimulus package designed to revitalise the economy, which included cut(s) in mortgage-debt servicing and provision of facilities for stock markets. Consequently,

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both indices rebounded, closed at 3,352 for the SHCI and 1,957 for SZCI, respectively, on 31 December 2024. The announcement of these stimulus policies also had a significant impact on trading activity, resulting in a notable surge in average daily trading volumes. The SHCI experienced an increase of 41.4%, while the SZCI saw a rise of 37.5% in 2024.

Hong Kong financial market

Graph 2: Hang Seng Index



	For the year ended 31 December									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
HSI										
- Highest closing index	28,443	24,100	30,003	33,154	30,157	29,056	31,085	24,966	22,689	23,100
- Lowest closing index	20,557	18,320	22,134	24,586	25,064	21,696	22,745	14,687	16,201	14,961
Average daily trading volume (HK\$ million)	1,950	1,733	1,822	2,069	1,728	2,140	2,310	2,366	3,058	3,830

Source: Bloomberg

As shown in the above graph and table, both HSI and its average daily turnover dropped to around 24,000 and HK\$1,733 million in 2016, and then bounced back to reach 33,154 and HK\$2,069 million in 2018. In 2019 – 2021, HSI moved in the range of 21,000 to 31,000, with its average daily trading volume decreasing by 16% to HK\$1,728 million in 2019 but then returning to HK\$2,310 million in 2021. From 2022 to 2024, the HSI oscillated between about 15,000 and 25,000 and hit its lowest of just below 15,000 in 2022 and 2024 and rebounded to almost 25,000 in 2022 and 23,000 in 2024. In late September 2024, the PRC regulatory authorities announced stimulus package designed to revitalise the economy in late-September 2024 as discussed above. Following this announcement, the HSI rebounded and closed at 20,060 at the year end of 2024. In addition, the average daily trading volume also registered an increase of 25.2% from 2023 to 2024.

We are given to understand after our discussion with the management of the Group that it is necessary to formulate a business plan to cater for the possible rallies of both the PRC and Hong Kong stock markets in the years ahead. As shown in the above graphs and tables, the average daily trading volume of SHCI shrank from RMB42 billion in 2015 to RMB15-18 billion in 2016 – 2018 and gradually picked up in 2019 – 2024 and returned to RMB41 billion.

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The average daily trading volume of SZCI showed similar trend in 2015 – 2024, but managed to surpass the previous high in 2022 to achieve RMB55 billion in 2024. Compared to the PRC stock markets, the average daily trading volume of Hong Kong stock market was relatively stable and overall exhibited a positive growth trend. While the Annual Caps are arrived at based on the business plans, the management of the Group is of the view that should the proposed caps be determined only based on the historical amounts of the transactions in 2022 – 2024, it would possibly be unduly burdensome for the Company to re-seek the approval for revised annual caps from the Shareholders and the Group might even fail to capture the business opportunities in the possible cyclical upturn and fast-changing financial market thereby adversely affecting the collaboration opportunities between the SWHYG Group and the Group.

3.2.2 The Group financial performance

We have also assessed the Group's business activities over the past years and a summary of the operating income of its different business segments as extracted from the 2023 Annual Report and the 2024 Annual Report for financial years ended 31 December 2022, 2023 and 2024 are set out as follows:

Table 1: A summary of operating segment revenue of the Group

Year	Corporate		Principal		Wealth		Institutional services and		Asset	
	finance	YoY change	investment	YoY change	management	YoY change	trading	YoY change	management	YoY change
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
2022	46,995	(53)%	(11,914)	n.a.	273,140	(26)%	99,440	(57)%	18,679	(35)%
2023	70,025	49%	101,428	n.a.	301,249	10%	127,136	28%	18,377	(2)%
2024	89,921	28%	(435,635)	n.a.	266,127	(12)%	124,226	(2)%	11,258	(39)%

The Group's operation can be broadly categorised into five segments, namely corporate finance, principal investment, wealth management, institutional services and trading and asset management.

In 2022, the income from corporate finance segment decreased by 53%, but rebounded by 49% in 2023 and 28% in 2024. The principal investment segment saw a notable recovery, rising from a negative HK\$11.9 million in 2022 to HK\$101.4 million in 2023. However, it faced a significant decline in 2024, dropping to negative HK\$435.6 million due to business valuation adjustment on investment projects. Wealth management revenue exhibited fluctuations, with a 10% increase in 2023 following a 26% decrease in 2022, but it decreased again by 12% in 2024. The institutional services and trading segment also experienced significant volatility, rising by 28% in 2023 after a 57% drop in 2022, followed by a decline again by 2% in 2024. Lastly, the asset management segment has consistently seen a decline in revenue over the years, with decreases of 35%, 2% and 39% from 2022 to 2024, respectively.

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3.3 Conclusion

Due to the volatility and unpredictability of the PRC and Hong Kong stock markets as well as the performance of the Group's business segments as discussed above, when determining the proposed Annual Caps for the transactions to be conducted between the Group and the SWHYG Group under the 2025 SWHYG MOU in the next three years, more weight shall be put on the business plan of the Group which has catered for, amongst others, any possible market upturn by making reference to, amongst others, the historical maximum transaction amounts, recent government policies on financial markets with an aim to ride on the possible cyclical upturn of the markets in the near future, rather than the historical transaction amounts in recent years.

3.4 Annual Caps

Set out below is a summary of the Annual Caps in respect of the proposed Continuing Connected Transactions for the four months ending 31 December 2025, each of the two years ending 31 December 2027, and the five months ending 31 May 2028:

	Four months ending 31 December 2025 HK\$'000	Year ending 31 December 2026 HK\$'000	Year ending 31 December 2027 HK\$'000	Five months ending 31 May 2028 HK\$'000
Annual Caps for services relating to SWHYG Transactions comprising:				
Services provided by the SWHYG Group to the Group (A)	32,686	104,231	111,104	49,495
Brokerage services relating to the PRC capital markets	1,627	5,638	6,524	3,151
Investment operational supporting services	6,617	22,720	26,054	12,472
Research supporting services	8,000	24,000	24,000	10,000
Corporate finance services	16,442	51,873	54,526	23,872

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	Four months ending 31 December 2025 <i>HK\$'000</i>	Year ending 31 December 2026 <i>HK\$'000</i>	Year ending 31 December 2027 <i>HK\$'000</i>	Five months ending 31 May 2028 <i>HK\$'000</i>
Services provided by the Group to the SWHYG Group (B)	24,769	87,687	101,601	57,104
Brokerage services relating to Hong Kong and overseas capital markets	1,333	4,800	5,760	6,912
Investment operational supporting services relating to Hong Kong and overseas markets	13,545	51,413	66,167	36,228
Corporate finance services	9,891	31,474	29,674	13,964
Principal-to-principal trading of financial products (C)	6,003,333	20,020,000	24,040,000	11,700,000
Annual Caps (A+B+C)	6,060,788	20,211,918	24,252,705	11,806,599

We have discussed with the management of the Group and were advised that the Annual Caps for each category of the services under the 2025 SWHYG MOU have been determined based on the factors discussed below:

Provision of services by the SWHYG Group to the Group

(a) Brokerage services relating to the PRC capital markets

As stated in the letter from the Board, the brokerage services relating to the PRC capital market provided by the SWHYG Group to the Group mainly represents the brokerage services for securities trading related to the B-share, the Offshore Investors Schemes (including but not limited to QFI, Bond Connect, Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect and Cross-boundary WMC), and other anticipated securities trading services. As advised by the management of the Group, the brokerage service fees relating to the PRC capital markets payable to the SWHYG Group are expected to account for approximately 8.5% of non-Hong Kong securities brokerage commission income of the Group after taking into account (i) the historical

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relationship between the brokerage service fees relating to the PRC capital markets and the non-Hong Kong securities brokerage commission income of the Group over the past 3 years; (ii) 2025 strategic plan of the Group which aims to deepen the cross-border cooperation between the Group and the SWHYG Group; and (iii) the Group's internal 2025 key performance indicator set for securities brokerage business. In addition, the management of the Group expects that the Group will benefit from the increase in demand arising from the global capital reassessment of the value of PRC assets and northbound trading in the coming years.

According to the annual market statistics report released by Hong Kong Exchanges and Clearing Limited, the northbound trading increased by 7.9% from RMB23.3 trillion in 2022 to RMB25.1 trillion in 2023, and then further increased by 39.2% to RMB35.0 trillion in 2024, representing a compound average growth rate of 22.6% from 2022 to 2024. Furthermore, we have obtained and reviewed the monthly management reports of the Group from January 2024 to March 2025 and noted that the brokerage services relating to the PRC capital markets increased by 22% in the first quarter of 2025 compared to the last quarter of 2024, indicating a growing demand for these services. Based on the Annual Caps projection provided by the Company, the Annual Caps in respect of these services are determined with reference to (i) the historical non-Hong Kong securities brokerage commission income of the Group for the three years ended 31 December 2024; and (ii) a projected annual growth rate of 15%. Given the projected growth rate is lower than the compound annual growth rate of northbound trading and the recent rising demand for the brokerage services for the PRC capital markets as discussed above, we consider the adoption of projected growth rate of 15% to be prudent and reasonable.

(b) Investment operational supporting services

As stated in the letter from the Board, the supporting services provided by the SWHYG Group to the Group in support of the Group's PRC and overseas market development and operations, so as to promote the Group's investment operations, the scope of which includes, but not limited to, the new products services launched or to be launched, such as the QFI, Mainland-Hong Kong Mutual Recognition of Fund Programs, domestic commodity futures, domestic bonds (Bond Connect), Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect and Cross-boundary WMC. When these new products are launched, the SWHYG Group can assist the Group in aspects such as client referrals, business and market consultations, and staff training, and assist the Group in providing support services for business market consultations. As advised by the management of the Group, the investment operational supporting services relating to the PRC markets provided by the SWHYG Group helps promote the Group's image and expand the Group's customer base in Hong Kong, which in return also requires more investment operational supporting services relating to the PRC markets provided by the SWHYG Group. In addition, the management of the Group is of the view that amid the global capital reassessment of the value of PRC assets, coupled with the increasing number of PRC companies listed in both Hong Kong and Mainland China, as well as the growing interest of the Group's clients in investing in

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the PRC-related securities, the demand for professional advisory services covering both Hong Kong and Mainland China is expected to surge significantly, representing a critical business opportunity for the Group to capture clients' demand for investments in the PRC market. Based on the Annual Caps projection provided by the Company, the Annual Caps in respect of the investment operational supporting services relating to the PRC markets to be provided by the SWHYG Group are determined with reference to (i) the historical Hong Kong securities brokerage commission income of the Group for the three years ended 31 December 2024 and an annual growth rate of 15%, which is the same as that for the brokerage services relating to the PRC capital markets to be provided by the SWHYG Group to the Group above; (ii) the investment operational supporting service fees relating to the PRC markets payable to the SWYHG Group accounting for 15% of historical Hong Kong securities brokerage commission income of the Group after taking into account (a) the historical relationship between the investment operational supporting service fees relating to the PRC markets and the Hong Kong securities brokerage commission income of the Group; (b) 2025 strategic plan of the Group which aims to deepen the cross-border cooperation between the Group and the SWHYG Group; and (c) the Group's demand for investment operational supporting services relating to the PRC markets with reference to the Group's internal 2025 key performance indicators set for securities brokerage business.

(c) Research supporting services

As stated in the letter from the Board, the research supporting services provided by the SWHYG Group to the Group based on the business needs of the Group, to support the Group's securities, futures, and corporate finance business, include economic analysis, investment strategy research, industry research, Hong Kong and PRC listed company research, and research services for fixed income products, derivative and other securities, as well as provision of customised investigations and argumentation research services as requested by the Group. As advised by the management of the Group, a substantial portion of its current customers who require securities brokerage services from the Group rely on the research supporting services provided by the SWHYG Group. Based on the Annual Caps projection provided by the Company, the Annual Caps for the research supporting services provided by the SWHYG Group to the Group were determined with reference to (i) the historical Hong Kong securities brokerage commission income of the Group for the three years ended 31 December 2024, assuming the research supporting service fees paid to the SWHYG Group accounting for 30% of Hong Kong securities brokerage commission of the Group after taking into account (a) a prescribed sharing ratio of approximately 30% on the 3-year average of related Hong Kong securities commission income (including futures and options) which is in accordance with the internal pricing policy of the Group; (b) 2025 strategic plan of the Group which aims to deepen the cross-border cooperation between the Group and the SWHYG Group; and (c) the Group's demand for research supporting services relating to the PRC markets with reference to the Group's internal 2025 key performance indicators set for securities brokerage business.

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(d) Corporate finance services

As stated in the letter from the Board, corporate finance services provided by the SWHYG Group to the Group include, but not limited to, corporate finance projects, merger and acquisition transactions and financial advisory services. As advised by the management of the Group, provision of corporate finance services by the SWHYG Group is positively correlated with the SWHYG Group's corporate finance income. Based on the Annual Caps projection provided by the Company, the Annual Caps for the provision of corporate finance services by the SWHYG Group to the Group were determined with reference to (i) the historical corporate finance income of the SWHYG Group for the year ended 31 December 2023 and the estimated 1% of such income coming from the supporting corporate finance services provided to the Group after taking into account (a) the historical corporate finance services fees paid to the SWHYG Group; (b) 2025 strategic plan of the Group which aims to deepen the cross-border cooperation between the Group and the SWHYG Group; and (c) the Group's demand for corporate finance services with reference to the Group's internal 2025 key performance indicator set for corporate finance business and a projected annual growth rate of 5%; (ii) the Group's potential demand for research reports for IPO and placing projects with reference to the number of projects completed in 2024 and a projected growth of one project per annum; and (iii) the Group's potential demand for the debt capital market projects, also based on the number of projects completed in 2024 and a projected growth rate of 5%. We have discussed the projection with the management of the Group and are advised that the annual growth rate of 5% for corporate finance income and debt capital market projects was determined with reference to the increase in (i) such income of the Company by 4.2% to HK\$22.0 million and (ii) number of projects by 5.7% to 37 for the first quarter of 2025 as compared to the same period in 2024. We have obtained and reviewed the monthly management accounts of the Group and lists of debt capital market projects from January 2024 to March 2025 and noted that the growth rates as aforementioned agree to the information that we have reviewed. On this basis, we consider the adopted growth rate to be appropriate and reasonable.

Provision of services by the Group to the SWHYG Group

(a) Brokerage services relating to Hong Kong and overseas capital markets

As stated in the letter from the Board, regarding brokerage services in the Hong Kong and overseas capital markets, the Group provides the SWHYG Group with brokerage services across various investment products available for the SWHYG Group to participate in Hong Kong and overseas, as well as client referral services. The Group's services provided to the SWHYG Group under this category include, but not limited to, (i) brokerage and related services arising from Hong Kong and overseas investment products such as stocks, futures, options, bonds, etc.; and (ii) additional brokerage services with respect to overseas investment products, including but not limited to, QDII, QDII 2, RQDII, Bond Connect, Shanghai-Hong Kong Stock Connect, Shenzhen-Hong Kong Stock Connect and Cross-boundary WMC, after the Group is one of the designated service providers of the SWHYG Group. We have obtained and

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reviewed the monthly management accounts of the Group from January 2024 to March 2025 and noted that the brokerage services relating to the Hong Kong capital markets increased by 25% in the first quarter of 2025 as compared to the last quarter of 2024, indicating a growing demand for these services. As advised by the management of the Group, no brokerage services with respect to overseas capital markets were provided to the SWHYG Group in the past three years. Therefore, no review is conducted. Based on the Annual Caps projection provided by the Company, the Annual Caps for the brokerage services relating to Hong Kong and overseas capital markets provided by the Group to the SWHYG Group are determined with reference to (i) the historical Hong Kong securities brokerage income of the Group for the three years ended 31 December 2024 and an estimated 5% of such income related to the provision of Hong Kong securities brokerage services to the SWHYG Group after taking into account (a) the historical brokerage services fees relating to Hong Kong and overseas capital markets paid by the SWHYG Group to the Group; (b) 2025 strategic plan of the Group which aims to deepen the cross-border cooperation between the Group and the SWHYG Group; and (c) the Group's internal 2025 key performance indicator set for securities brokerage business; and (ii) an annual growth rate of 20%, reflecting the rising demand for the brokerage services for the Hong Kong capital markets as discussed above. Given the projected growth rate is lower than actual quarter-on-quarter growth rate of brokerage services relating to the Hong Kong capital markets, we consider the adoption of annual growth rate to be prudent and reasonable.

(b) Investment operational supporting services relating to Hong Kong and overseas markets

As stated in the letter from the Board, provision of investment operational supporting services relating to Hong Kong and overseas markets by the Group to the SWHYG Group in support of the SWHYG Group's market development and operations include, but not limited to, products or arrangements launched or to be launched in the future, such as QDII, QDII 2, RQDII, QFI, Mainland-Hong Kong Mutual Recognition of Fund Programs, overseas commodity futures, offshore bond issuance (Bond Connect), Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect. As advised by the management of the Group, (i) the advisory service fee income derives from such investment operational supporting services provided to the SWHYG Group's International Business Division after taking into account (a) the historical staff costs incurred in connection with provision of the supporting services for the year ended 31 December 2024 with an estimated growth rate of 20%, which aligns that for the brokerage services relating to the Hong Kong and overseas capital markets to be provided by the Group to the SWHYG Group above; (b) 2025 strategic plan of the Group which aims to deepen the cross-border cooperation between the Group and the SWHYG Group; and (c) the Group's internal 2025 key performance indicators set for wealth management business and securities brokerage business; (ii) the expected increase of 20% in investment operational supporting services relating to Hong Kong and overseas markets for asset management business provided to the SWHYG Group in the next three years, after considering the increase in management fee income; and (iii) the Group's outsourcing service income is expected to grow at a rate of 50%, after taking into account (a) 2025 strategic plan of the Group which aims to deepen the cross-

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border cooperation between the Group and the SWHYG Group; and (b) the Group's internal 2025 key performance indicators set for wealth management business and securities brokerage business. We have obtained and reviewed the monthly management reports of the Group from January 2024 to March 2025 and noted that the management fee income increased by 19% for the second half of 2024 as compared to the first half of 2024. On this basis, we consider the adoption of 20% annual increase in investment operational supporting services to be reasonable. We have discussed with and are advised by the management of the Group that the Group plans to strengthen their expertise by recruitment in order to meet the SWHYG Group's business needs. We have also reviewed the budget of the Group for the year ending 31 December 2025 and noted that the outsourcing service income is expected to increase by 50% as compared to the actual amount for the year ended 31 December 2024.

(c) Corporate finance services

As stated in the letter from the Board, corporate finance services provided by the Group to the SWHYG Group include, but not limited to, corporate finance projects, merger and acquisition transactions, and financial advisory services. As advised by the management of the Group, 30% of the corporate finance income of the Group is estimated to derive from the provision of corporate finance services to the SWHYG Group after taking into account (a) 2025 strategic plan of the Group which aims to deepen the cross-border cooperation between the Group and the SWHYG Group; and (b) the Group's internal 2025 key performance indicator set for corporate finance business. In addition, the management of the Group advised that the Group is expected to participate in one of the wholly-owned subsidiaries of the SWHYG Group's offshore bond issuance as an underwriter in 2026 and 2028, respectively, providing rating advisory, roadshow coordination, marketing, pricing and bookrunning services for the renewal of the two existing bonds upon their expiries. Based on the Annual Caps projection provided by the Company, the Annual Caps for the corporate finance services provided by the Group to the SWHYG Group are determined with reference to (i) the historical corporate finance income of the Group for the year ended 31 December 2024 and the expected portion of such income coming from provision of corporate finance services to the SWHYG Group; (ii) a projected annual growth rate of 10% given the Group's strategic plan and the Group's internal 2025 key performance indicator set for corporate finance business as discussed above; and (iii) the expected commission to be received for the potential participation in the SWHYG Group's offshore bond issuance as an underwriter. We have reviewed the 2024 Annual Report and noted that the corporate finance income of the Group increased by 28.4% to HK\$89.9 million for the year ended 31 December 2024. In addition, we have reviewed the monthly management accounts of the Group from January 2024 to March 2025 and noted that the corporate finance income increased by 4.2% in the first quarter of 2025 compared to the same period in 2024. Given that the projected growth rate of 10% is determined after balancing the annual growth rate of 28.4% and the quarterly growth rate of 4.2%, we consider it to be reasonable.

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Principal-to-principal trading of financial products

As stated in the letter from the Board, the principal-to-principal transactions between the SWHYG Group and the Group include, but not limited to, derivative transactions (including, but not limited to, total return swaps, swaps, options, futures, forwards, etc.) traded by linking diversified underlying assets, such as debt securities, stocks, bonds, private debts, private equity, commodities, funds, indices, interest rates, foreign exchange on the primary and secondary stock and debt securities markets; trading of structured products (including but not limited to total return swaps, bond-linked notes, interest rate-linked notes, fund-linked notes, equity-linked notes) as well as customised investment products trading and related services, in particular debt securities trading. As advised by the management of the Group, among those financial products, the debt securities trading and the total return swaps contribute the majority of the principal-to-principal trading amounts. For debt securities trading, newly issued bonds on the primary market are priced on their face value and bonds traded on the secondary market are agreed prices after arm's length negotiation. Acting as principal to the back-to-back transactions, the return arising from the underlying investment attributable to the client of the SWHYG Group and the related hedging profit/loss of the Group will be booked in a net basis (i.e. being offset) in the income statement of the Group, and the total return swap payable and the respective underlying assets are booked on balance sheet of the Group at the exchanged/settled amounts. Based on the Annual Caps projection provided by the Company, the Annual Caps for the principal-to-principal trading of financial products are determined with reference to estimated demand from the Group's customers for cross-border financial services as the management of the Group expected the transaction volumes to increase significantly over the next three years in view of recent increase in average daily trading value of stocks listed on the Main Board of Stock Exchange, from HK\$99.3 trillion to HK\$121.5 trillion for the first three quarters of 2024, to HK\$186.8 trillion in the fourth quarter of 2024, and further to HK\$242.7 trillion in the first quarter of 2025, and anticipating a further pickup following the resolution of US election-related uncertainties and the commencement of the expected interest rate cut cycle.

3.4 Our conclusion

We have interviewed the management of the Group and obtained the Annual Caps projection prepared by the Company and other factors considered to arrive at the Annual Caps. In summary, we noted that the Group has taken into consideration the following major factors when determining the Annual Caps for the transactions contemplated under the 2025 SWHYG MOU:

- (i) historical transaction amounts or historical growth rates of the services in 2022 – 2025;
- (ii) historical PRC and Hong Kong stock markets performance and their volatility;
- (iii) fluctuations of the operating performance of the Group's business segments in 2022 – 2024;

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- (iv) 2025 strategic plan of the Group which aims to deepen the cross-border cooperation between the Group and the SWHYG Group, by focusing on high-quality development and leveraging the offshore platform's professional strengths. The 2025 strategic plan prioritises aligning with national strategies, integrating into the Greater Bay Area and Belt and Road Initiative, and enhancing cross-border business synergy. Key objectives include optimising the business structure, upgrading products and services, and strengthening financial service capabilities. In addition, the 2025 strategic plan accelerates the adoption of financial technologies to drive digital transformation, enhance business and management quality while fostering sustainable, high-level development; and
- (v) the Group's internal 2025 key performance indicators set for each business segment of the Group, including but not limited to targets for market share in Hong Kong securities brokerage, assets under management, and corporate finance industry rankings based on underwriting amounts or the number of deals completed.

As discussed above, the Company applied different growth rates across its various services in determining the Annual Caps, which, in our view, is reasonable as they pertain to the specific circumstances of each service. The projected growth rates for the Annual Caps are also linked to the Group's 2025 strategic plan and internal key performance indicators, reflecting the Group's strategic focus on deepening cross-border collaboration, enhancing service quality, and capitalising on market opportunities in the PRC and Hong Kong. By aligning the Annual Caps with the strategic plan's emphasis on cross-border synergy and the key performance indicators' targets for market share and deal activity, the Group ensures that the Annual Caps are forward-looking and sufficient to support anticipated business growth, rather than being constrained by historical underutilisation. This approach enables the Group to pursue its strategic objectives while maintaining flexibility to navigate volatile financial markets.

As stated in the Letter from the Board, despite the high revenue ratio of the annual cap arising from services provided by the Group to the SWHYG Group as compared to the Group's revenue for the year ended 31 December 2024, the Directors are of the view that there is no material reliance on the SWHYG Group based on the reasons set out in the Letter from the Board. In particular, as stated in the Letter from the Board, the revenue of the Group for the year ended 31 December 2024 included an unrealised loss from a consolidated investment fund from investment business of HK\$436.5 million due to a business valuation adjustment. We have reviewed the 2024 Annual Report and noted that such unrealised loss reduced the revenue of the Group for the year ended 31 December 2024 to HK\$55.9 million. If such unrealised loss is excluded, the highest proposed annual cap for the services to the SWHYG Group represents 21% of the adjusted revenue, indicating that the contribution from the SWHYG Group is not unreasonable. Furthermore, the historical revenue of the Group from 2020 to 2024 were HK\$835.3 million, HK\$730.3 million, HK\$426.3 million, HK\$618.2 million and HK\$55.9 million, respectively, representing year-on-year changes of -12.6%, -41.6%, 45.0% and -91.0%. Such significant volatility suggests that the 2024 revenue, which was exceptionally low and was heavily impacted by the valuation adjustment, shall not be used to consider as to whether the Group has any material reliance on the SWHYG Group. Given the highest proposed annual cap for the services to the SWHYG Group representing 12% – 24% of the Group's revenue in 2020 – 2023, we concur with the Directors' view that there is no material reliance on the SWHYG Group.

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Given (i) the volatility and unpredictability of the financial markets and the performance of the Group's business segments; and (ii) the potential business opportunities to be brought by strategic cooperation relationship between the Group and the SWHYG Group and its associates, we consider the Annual Caps based on the factors discussed above to be fair and reasonable.

4. Internal Control

As stated in the letter from the Board, in order to ensure the pricing of each type of transactions is on normal commercial terms, the Company has established a series of internal control procedures, including: (1) on an annual basis or more regularly as necessary, upon any material change in market condition or requests by the Audit Committee, such as change of the Listing Rules or upon reaching the annual caps, the responsible business department of the Group will procure other quotations from independent brokers and service providers in the market and/or the rates charged to independent third party clients of the Group for similar transaction values for comparisons of the brokerage rates charged, the supporting service fees, the corporate finance service fees, the asset management service fees and the price of the primary debt, secondary debt and structured products involved in the principal-to-principal transactions, to act as the basis to review the services and products sourced from the SWHYG Group and/or the services and products provided to the SWHYG Group. If no comparable transaction is available, the Group will conduct review based on the nature and the scope of work performed. Before the Group enters into any of the transactions, the responsible business department must ensure that (i) the price of the transaction is the same as, or within the price range of, comparable transactions carried out by independent third parties in the market and/or comparable transactions carried out with independent third party clients of the Group (where such transactions are available as references; for tailor-made structured products which will be priced on cost-plus basis, the responsible business department of the Group will review the premium in the similar products offered to the independent third parties as reference) or the pricing policy; and (ii) if there is any change to the Group's pricing policy or mechanism, that the revised pricing policy or mechanism is in line with market practice; (2) as to the brokerage services, according to the Group's internal policy, on an annual basis or more regularly as necessary, the business department of the Group will compare the brokerage rates charged against at least five other independent third party customers which had transacted with the Group for similar transaction values for comparisons of the brokerage rates; (3) as to the investment operational supporting services, according to the Group's internal policy, the reasonableness of the estimated man-days/man-hours will be verified by the business department of the Group by reference to the Group's relevant department's judgement of time required for work of similar nature. The Group will also cross check the time-cost rates of the SWHYG Group against the salary rates of the Group's relevant staff to ascertain their reasonableness; (4) as to the corporate finance services and research services, according to the Group's internal policy, the responsible business department of the Group will conduct review on an annual basis or more regularly if required to compare the percentage of fee charged with reference to the scope of work performed; (5) as to the total return swaps transactions, the transaction amount will be fully based on the gain and/or loss realised by the clients of the SWHYG Group and the Group only transfers/collects the amount to/from the SWHYG Group on dollar to dollar basis. The responsible business department will monitor the transactions regularly and ensure the transactions are in line with this principle. Therefore, the Directors consider that the Group has no (or minimal, if any) risk exposure in the total return swaps transactions; (6) the reasonableness of the estimated man-days/man-hours for provision of supporting services will be verified by the Group's independent departments (e.g. internal audit department, finance department); (7) the Company's auditors and independent non-executive Directors will conduct an annual review in respect of the Continuing Connected Transactions of the Group throughout the preceding financial year pursuant to Rules 14A.56 and

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14A.55 of the Listing Rules; and (8) the finance department of the Group will also collect statistics of each of the renewed Continuing Connected Transactions on a yearly basis to ensure the annual caps approved by the Independent Shareholders are not exceeded.

Given (i) our assessment on the pricing mechanism as discussed in the section headed “2.2.1 Pricing mechanism”; and (ii) the internal control measures being similar to those adopted by other Hong Kong listed companies for monitoring continuing connected transactions, we are of the view that the Company has adequate internal control measures in place to ensure the Continuing Connected Transactions are conducted in accordance with the pricing policies under the 2025 SWHYG MOU.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that (i) the entering into of the 2025 SWHYG MOU is in the ordinary and usual course of business of the Group and in the interests of the Company and Shareholders as a whole; and (ii) the terms of the 2025 SWHYG MOU are on normal commercial terms and fair and reasonable as far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to recommend, and we ourselves also recommend, the Independent Shareholders, to vote in favor of the ordinary resolution to be proposed at the EGM in relation to the transactions contemplated under the 2025 SWHYG MOU.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Jenny Leung
Director

Ms. Jenny Leung is a licensed person and responsible officer of Somerley Capital Limited registered with the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

The following is the text of a letter of advice from, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions as contemplated under the 2025 SWHYG MOU and the Annual Caps related thereto, which has been prepared for the purpose of incorporation in this circular.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY

As at the Latest Practicable Date, none of the Directors and the chief executive of the Company was taken to or deemed to have any interests or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

3. DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at the Latest Practicable Date, so far as any Directors are aware of based on the disclosure of interest filings notified to the Company or revealed from public records, persons (other than the Directors or chief executive of the Company) who were taken or deemed to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register (the “**Section 336 Register**”) maintained by the Company pursuant to section 336 of the SFO, were as follows:

Name of Shareholders	Capacity and nature of interests	Long positions in Shares and underlying Shares	Shareholding percentage (%) (Note 1)
Central Huijin Investment Ltd.	Through controlled corporation	1,013,131,792 (Notes 2, 3 and 4)	64.90
Shenwan Hongyuan (International) Holdings Limited (“ SWHY International ”)	Directly beneficially owned	1,013,131,792 (Note 2)	64.90
Shenwan Hongyuan Securities Co., Ltd. (“ SWHYSC ”)	Through controlled corporation	1,013,131,792 (Notes 2 and 3)	64.90
SWHYG	Through controlled corporation	1,013,131,792 (Notes 2 and 3)	64.90
SIIC Finance Company Limited	Directly beneficially owned	80,280,188 (Note 5)	5.14
Shanghai Industrial Investment (Holdings) Company Limited	Through controlled corporation	80,280,188 (Notes 5, 6 and 7)	5.14
SF Finance (BVI) Company Limited	Through controlled corporation	80,280,188 (Notes 5, 6 and 7)	5.14

Notes:

1. The percentages are calculated based on the total number of 1,561,138,689 issued Shares as at the Latest Practicable Date.
2. SWHY International held directly 1,013,131,792 Shares of the Company.

3. By virtue of the relationship among SWHY International, SWHYSC and SWHYG as set out in Note 2 above, SWHYSC and SWHYG are also deemed to be interested in the same parcel of 1,013,131,792 Shares held by SWHY International under the SFO.
4. SWHYG is held as to 51.17% by Central Huijin Investment Ltd. Hence, Central Huijin Investment Ltd. is also deemed to be interested in the same parcel of 1,013,131,792 Shares held by SWHY International under the SFO.
5. SIIC Finance Company Limited held directly 80,280,188 Shares of the Company.
6. SIIC Finance Company Limited is wholly-owned by SF Finance (BVI) Company Limited which in turn a wholly-owned subsidiary of Shanghai Industrial Investment (Holdings) Company Limited.
7. By virtue of the relationship among SIIC Finance Company Limited, Shanghai Industrial Investment (Holdings) Company Limited and SF Finance (BVI) Company Limited as set out in Notes 5 and 6 above, Shanghai Industrial Investment (Holdings) Company Limited and SF Finance (BVI) Company Limited are also deemed to be interested in the same parcel of 80,280,188 Shares held by SIIC Finance Company Limited under the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any persons who had interests or short positions in the Shares or underlying Shares which were disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or recorded in the Section 336 Register.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contracts with any member of the Group (which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation)).

5. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, the following Directors were considered to have interests in the businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group:

Name of Director	Name of entity	Nature of interest of the Director in the entity	Description of business of the entity
Ms. Wu Meng	Shenwan Hongyuan Securities Co., Ltd.	Member of the Executive Committee General Manager of the International Business Division	Securities business
	Shenwan Hongyuan (International) Holdings Limited	Chairman and General Manager	Investment holding company and through its wholly-owned subsidiary, Shenwan Hongyuan Singapore Private Limited, engages in securities brokerage business and fund management
Mr. Tan Weijun	Shenwan Hongyuan Securities Co., Ltd.	Chief Advisor of Risk Management Division	Securities business
	Shenwan Hongyuan Securities Asset Management Co., Ltd.	Supervisor	Securities business
	Shenwan Hongyuan (International) Holdings Limited	Director	Investment holding company and through its wholly-owned subsidiary, Shenwan Hongyuan Singapore Private Limited, engages in securities brokerage business and fund management
Mr. Liang Jun	Shenwan Hongyuan (International) Holdings Limited	Deputy General Manager	Investment holding company and through its wholly-owned subsidiary, Shenwan Hongyuan Singapore Private Limited, engages in securities brokerage business and fund management

Name of Director	Name of entity	Nature of interest of the Director in the entity	Description of business of the entity
Mr. Hu Jing	Shenwan Hongyuan (International) Holdings Limited	Chief Risk Officer	Investment holding company and through its wholly-owned subsidiary, Shenwan Hongyuan Singapore Private Limited, engages in securities brokerage business and fund management
Mr. Zhang Lei	SIIC Asset Management Company Limited	Director and Responsible Officer	Provision of asset management services
Ms. Zhang Ying	Shenwan Hongyuan Group Co., Ltd.	Non-executive Director	Investment holding company and through its wholly-owned subsidiaries, engages in securities and futures business and fund management
	Shenwan Hongyuan Securities Co., Ltd.	Director	Securities business
	Hongyuan Futures Co. Ltd.	Director	Futures brokerage business

6. DIRECTORS' INTERESTS IN ASSETS OF THE GROUP

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 December 2024, being the date to which the latest published audited financial statements of the Group were made up, acquired by or disposed of by or leased to any member of the Group, or were proposed to be acquired by or disposed of by or leased to any member of the Group.

7. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENTS OF THE GROUP

Save as disclosed, as at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2024, being the date to which the latest published audited financial statements of the Group were made up.

9. EXPERT AND CONSENT

The following is the qualification of the expert who has given its opinion or advice which is contained in this circular:

Name	Qualification
Somerley Capital Limited	a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, the above expert did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate other persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the above expert did not have any direct or indirect interest in any assets which have been acquired by, disposed of by or leased to any member of the Group, or which are proposed to be acquired by, disposed of by or leased to any member of the Group since 31 December 2024 (being the date to which the latest published audited financial statements of the Group were made up).

The letter of advice from Somerley Capital is given as of the date of this circular for incorporation herein.

10. CORPORATE INFORMATION OF THE GROUP

- (a) The Company Secretary of the Company is Ms. Lin Sio Ngo, a manager of SWCS Corporate Services Group (Hong Kong) Limited, mainly responsible for assisting listed companies in professional company secretarial work. The main contact person at the Company for Ms. Lin is Mr. Liang Jun, Executive Director and the Chief Executive Officer of the Company.
- (b) The Share Registrar of the Company is Tricor Tengis Limited at 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong.
- (c) The address of registered office of the Company is Level 6, Three Pacific Place, 1 Queen's Road East, Hong Kong.

11. MISCELLANEOUS

The English text of this circular and the accompanying proxy form shall prevail over the Chinese text thereof in the case of inconsistency.

12. DOCUMENTS AVAILABLE FOR DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.swhyhk.com>) for a period of 14 days from the date of this circular (both days inclusive):

- (a) the 2025 SWHYG MOU;
- (b) the articles of association of the Company;
- (c) the written consent of expert mentioned in the “Expert and Consent” section of this Appendix;
- (d) 2023 and 2024 annual reports of the Company;
- (e) 2023 and 2024 interim reports of the Company;
- (f) the “Letter from the Board”, the text of which is set out on pages 5 to 30 of this circular;
- (g) the “Letter from the Independent Board Committee”, the text of which is set out on pages 31 and 32 of this circular;
- (h) the “Letter from the Independent Financial Adviser”, the text of which is set out on pages 33 to 58 of this circular; and
- (i) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



SHENWAN HONGYUAN (H.K.) LIMITED

申萬宏源(香港)有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 218)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Shenwan Hongyuan (H.K.) Limited (the “**Company**”) will be held at Level 6, Three Pacific Place, 1 Queen’s Road East, Hong Kong, on Monday, 1 September 2025 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT:**

- (a) the memorandum of understanding (the “**2025 SWHYG MOU**”) entered into between Shenwan Hongyuan Group Co., Ltd. and the Company (a copy of which has been produced to the meeting marked “A” and initialled by the chairman of the meeting for identification purpose) in relation to the continuing connected transactions (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”)) and all the transactions contemplated thereunder as well as the annual caps for the transactions contemplated under the 2025 SWHYG MOU for the four months ending 31 December 2025, each of the two years ending 31 December 2027, and the five months ending 31 May 2028 as more particularly set out in the circular of the Company dated 12 August 2025 be and are hereby approved; and
- (b) the directors (the “**Directors**” and each a “**Director**”) of the Company be and are hereby generally and unconditionally authorised to do all such acts or things and execute and deliver all such documents, instruments and agreements which they consider necessary, desirable or expedient to give effect to the transactions contemplated under the 2025 SWHYG MOU, and to agree to such variation, amendments or waiver of matters relating thereto as are, in the opinion of the Directors, in the interests of the Company and in accordance with the Listing Rules (if applicable).”

By order of the Board

Shenwan Hongyuan (H.K.) Limited

Liang Jun

Executive Director and Chief Executive Officer

Hong Kong, 12 August 2025

NOTICE OF EXTRAORDINARY GENERAL MEETING

As at the date of this notice, the Board of the Company comprises nine Directors, of which Ms. Wu Meng, Mr. Tan Weijun, Mr. Liang Jun and Mr. Hu Jing are Executive Directors; Mr. Zhang Lei and Ms. Zhang Ying are Non-executive Directors; Mr. Kwok Lam Kwong Larry, Mr. Liu Chijin and Ms. Chiu Lai Kuen Susanna are Independent Non-executive Directors.

Notes:

1. The register of members of the Company will be closed from Wednesday, 27 August 2025 to Monday, 1 September 2025, both days inclusive, during which period no transfers of Shares will be registered. The record date for determining the eligibility of the Shareholders to attend and vote at the EGM will be 1 September 2025. In order to qualify for attending and voting at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration by no later than 4:30 p.m. on Tuesday, 26 August 2025.
2. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote on his/her/its behalf and such proxy need not be a member of the Company.
3. When there are joint holders of any share, any one of such joint holders may vote at the EGM, either personally or by proxy, in respect of such share(s) as if he/she/it was solely entitled thereto; but if more than one of such joint holders are present at the EGM, either personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company shall alone be entitled to vote in respect of thereof.
4. In order to be valid, a proxy form together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of attorney or authority, must be deposited at the Company's Share Registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 48 hours excluding Sunday before the time appointed for holding of the EGM (i.e. 10:00 a.m. on Friday, 29 August 2025) or any adjournment thereof (as the case may be).
5. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. Pursuant to the Listing Rules, any vote of Shareholders at a general meeting must be taken by poll. An explanation of the detailed procedures of conducting a poll will be provided to Shareholders at the commencement of the EGM, to ensure that Shareholders are familiar with such procedures.
7. In case the general meeting is anticipated to be affected by black rainstorm or tropical cyclone with warning signal No. 8 or above, please refer to the website of Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk> and the Company's website at <http://www.swhyhk.com> for announcement on bad weather arrangement for the general meeting.