

10 February 2025

*To: The independent board committee and the independent shareholders
of ZHONGTAI FUTURES Company Limited*

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the Financial Products Services Framework Agreement (the “**Transactions**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 10 February 2025 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

As disclosed in the Company’s announcement dated 10 May 2021 and the circular dated 28 May 2021, pursuant to the Former Financial Services Framework Agreement, Zhongtai Securities and/or its associates regularly provide various financial services to the Group in the ordinary and usual course of business of the Group. As the Former Financial Services Framework Agreement and its corresponding annual caps have expired on 31 December 2024, and the Group expects to continue to conduct certain continuing connected transactions in relation to purchase of financial products from Zhongtai Securities and/or its associates subsequent to 31 December 2024, the Company shall continue to comply with the requirements under Chapter 14A of the Listing Rules in relation to continuing connected transactions. After having invested time in discussing the relevant matters with Zhongtai Securities to reasonably estimate the future annual caps, the Company entered into the Financial Products Services Framework Agreement with Zhongtai Securities on 9 January 2025 (after trading hours) and proposed the annual caps for 2025, 2026 and 2027 under the Financial Products Services Framework Agreement.

With reference to the Board Letter, the Transactions constitute continuing connected transactions of the Company and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. ZHENG Jianping, Mr. CHEN Hua and Mr. LUO Xinhua has been established to advise the Independent Shareholders on (i) whether the terms of the Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the Transactions at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as the independent financial adviser to the independent board committee and independent shareholders of the Company in relation to the continuing connected transactions (details of which were set out in the Company's circular dated 25 May 2023).

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

Besides, apart from the advisory fee and expenses payable to us in connection with our aforesaid engagement and this engagement (as the Independent Financial Adviser), there was no arrangement whereby we shall receive any other fees or benefits from the Company.

Having considered the above, in particular (i) none of the circumstances as set out under the Rule 13.84 of the Listing Rules existed as at the Latest Practicable Date; and (ii) the aforesaid past engagement was only independent financial adviser engagement, we are of the view that we are independent to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and/or the Company's management (the "Management"). We have assumed that all information and representations that have been provided by the Directors and/or the Management, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and/or the Management in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers, the Directors and/or the Management, which have been provided to us. Our opinion is based on the Directors' and/or the Management's representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Financial Products Services Framework Agreement. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The 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 Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the 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 as contained in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Zhongtai Securities and each of their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the entering into of the Financial Products Services Framework Agreement. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Financial Products Services Framework Agreement, we have taken into consideration the following principal factors and reasons:

Information on the Company

With reference to the Board Letter, the Company is principally engaged in commodity futures brokerage, financial futures brokerage, futures investment consultancy and asset management.

Information on Zhongtai Securities

With reference to the Board Letter, Zhongtai Securities was incorporated in the PRC in May 2001 and holds approximately 63.10% equity interest in the issued share capital of the Company. It is principally engaged in securities brokerage, underwriting and sponsoring, investment consultancy, securities dealer, financing advice, margin financing, funds and financial products underwriting, fund custody, stock options market making, providing IB for futures companies and other businesses. The A shares of Zhongtai Securities are listed on the Shanghai Stock Exchange (stock code: 600918).

Reasons for and benefits of the Transactions

With reference to the Board Letter, Zhongtai Securities and/or its associates possess top-tier asset management capabilities within the industry, showcasing strong overall product performance. Investing in financial products issued by the above managers (including, but not limited to, asset management schemes and public fund products) not only helps in controlling overall investment risks but also enhances the investment returns of both the Group's self-owned funds and asset management schemes managed by the Company. In addition, the Company has invested in various financial products managed by Zhongtai Securities and/or its associates for certain consecutive years and thus has developed a better understanding of their investment strategy and performance, which could effectively foster the business cooperation between both parties and improve return on assets of the Group.

As confirmed by the Management, as the Transactions have been entered into in the ordinary and usual course of business of the Group and on a frequent basis, it would be costly and impractical to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders as required by the Listing Rules, if necessary. Accordingly, the Management are of the view that the Transactions will be beneficial to the Company and the Shareholders as a whole.

Having considered the above, we concur with the view of the Directors that the Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group.

PRINCIPAL TERMS OF THE TRANSACTIONS

Set out below are the key terms of the Transactions, details of which are set out under the section headed “1. Proposal on entering into the Financial Products Services Framework Agreement with Zhongtai Securities” of the Board Letter.

Date:	9 January 2025 (the “ Agreement Date ”)
Parties:	Zhongtai Securities and the Company
Principal terms:	The Group purchases financial products with Zhongtai Securities and/or its associates acting as the manager in the Group’s ordinary and usual course of business, and pays management fees, subscription fees and redemption fees (as the case may be, and collectively, the “ Product Management Fees ”) to Zhongtai Securities and/or its associates.

Pricing terms

- (i) Zhongtai Securities and/or its associates, acting as the manager of financial products, charge Product Management Fees as agreed in the contract. The Product Management Fees are calculated by multiplying the investment amount of the financial product by the management fee rate and the holding time. The average management fee rate is 1.2%;
- (ii) For publicly issued financial products, the management fee rate stipulated in the contract is equally applicable to all investors purchasing the product; and
- (iii) For privately placed financial products, the management fee rate charged by Zhongtai Securities and/or its associates as managers to the Group is equivalent to or no less favorable than the management fee rate charged by Zhongtai Securities and/or its associates to any other independent third party for similar financial products.

The consideration for these transactions shall be paid in cash by the Group with its internal resources.

For our due diligence purpose, we obtained (i) a summary list of all the individual agreements regarding the financial products purchased by the Group, in which Zhongtai Securities and/or its associates acted as the manager (the “**CP List**”); and (ii) a summary list of all the individual agreements regarding the relevant financial products purchased by the Group, in which independent third parties acted as the manager (the “**I3P List**”), for the period from 2022 to 2024 (the “**Sampling Period**”). We randomly selected two individual agreements from each of the CP List and the I3P List for each year of the Sampling Period (twelve individual agreements in total, six of which were selected from the CP List and six of which were selected from the I3P List, collectively, the “**Selected Individual Agreements**”). Upon our request, the Company also provided us with the executed agreements for the Selected Individual Agreements.

According to the aforesaid executed agreements, we noted that (i) among the six selected agreements from the CP List, four are publicly issued finance products and two are privately placed financial products; (ii) among the six selected agreements from the I3P List, four are publicly issued finance products and two are privately placed financial products; and (iii) all the executed agreements contain key terms of such financial products (including investment scope, investment strategy, risk profile, subscription and redemption, returns and distribution, management fees and other relevant fees with calculation formula, etc.).

As advised by the Management, as the investment scopes, investment strategies and risk exposures under different financial products vary, it would be inappropriate to compare management fees or other relevant fees under different financial products.

Hence, upon our further request, the Company provided us with the executed agreements of additional six individual agreements from the I3P List for each year of the Sampling Period (four are publicly issued finance products and two are privately placed financial products) (the “**Additional Individual Agreements**”), which are comparable to the aforementioned Selected Individual Agreements (i.e. agreements signed in the same year, with similar investment scopes and investment strategies) selected from the CP List. According to the aforesaid documents, we noted that the terms in relation to the Product Management Fees (i.e. management fees, subscription fees and redemption fees) of the Selected Individual Agreements selected from the CP List were no less favorable to the Group than those of the Addition Individual Agreements.

With reference to the Board Letter, the Company would strive to exercise adequate monitoring over the transaction amounts and annual caps of the Financial Products Services Framework Agreement with Zhongtai Securities to ensure that necessary measures and appropriate actions can be timely taken in order to comply with the requirements of the Listing Rules. The Company has adopted several internal management procedures (the “**IC Procedures**”) to ensure that the continuing connected transactions under the Financial Products Services Framework Agreement are fair and reasonable and on normal commercial terms. Details of the IC Procedures are set out under the section headed “(4) Internal Control Procedures and Corporate Governance Measures” of the Board Letter. We consider that the effective implementation of the IC Procedures would ensure the fair pricing under the Financial Products Services Framework Agreement.

Having considered above, we are of the view that the pricing terms of the Transactions are on normal commercial terms and are fair and reasonable.

Proposed annual caps

Set out below are (i) the maximum daily amount invested by the Group for purchase of financial products from Zhongtai Securities and/or its associates and the Product Management Fees for the three years ended 31 December 2024 with the respective existing annual caps; and (ii) the maximum daily amount to be invested by the Group for purchase of financial products from Zhongtai Securities and/or its associates (the “Investment Amounts Cap(s)”), and the maximum aggregate annual amount of Product Management Fees to be paid (the “Management Fees Cap(s)”) for the three years ending 31 December 2027:

	For the year ended 31 December 2022 RMB'000	For the year ended 31 December 2023 RMB'000	For the year ended 31 December 2024 ("FY2024") RMB'000
Historical amounts	160,000	90,000	155,430 (Note)
Existing Investment Amounts Caps	234,000	242,000	250,000
Utilisation rate	68%	37%	62%
	For the year ending 31 December 2025 ("FY2025") RMB'000	For the year ending 31 December 2026 ("FY2026") RMB'000	For the year ending 31 December 2027 ("FY2027") RMB'000
Investment Amounts Caps	330,000	350,000	370,000
	For the year ended 31 December 2022 RMB'000	For the year ended 31 December 2023 RMB'000	For the year ended 31 December 2024 RMB'000
Historical amounts	670	787.2	493.2 (Note)
Existing Management Fees Caps	3,510	3,630	3,750
Utilisation rate	19%	22%	13%

	For the year ending 31 December 2025 RMB'000	For the year ending 31 December 2026 RMB'000	For the year ending 31 December 2027 RMB'000
Management Fees Caps	3,960	4,200	4,440

Note: The figure was unaudited.

Details of the basis of the proposed annual caps above are set out in the Board Letter.

Investment Amounts Cap(s)

We noted that the historical utilisation rate of exiting Investment Amounts Caps for the three years ended 31 December 2024 were approximately 68%, 37% and 62% respectively.

After discussing with the Management, we understood that the Investment Amounts Cap for FY2025 comprised three parts, (i) the estimated maximum daily amount to be invested by the Group (other than Zhongtai Huirong) for purchase of financial products from Zhongtai Securities and/or its associates, based on the Group's historical purchase of financial products from all relevant providers, of approximately RMB180 million (the "Estimated Amount I"); (ii) the estimated maximum daily investment amount for new type of financial products ("New Financial Products") from Zhongtai Securities of approximately RMB100 million (the "Estimated Amount II"); and (iii) the estimated maximum daily amount to be invested by Zhongtai Huirong of approximately RMB50 million (the "Estimated Amount III").

We noted that the Estimated Amount I for FY2025 represented an implied increase rate of approximately 15.8% as compared to the historical maximum daily amount invested by the Group for the purchase of financial products from Zhongtai Securities and/or its associates for FY2024. As advised by the Management, such implied increase rate was made with the consideration of the Group's historical investment amount as at the end of each period from 2021 to 2024. According to the historical figures, the Group recorded a compounded annual growth rate ("CAGR") of approximately 23% in the Group's investment amount as at the end of each period from 2021 to 2024. Given that the aforesaid, we consider that the Estimated Amount I is justifiable.

In respect of the Estimated Amount II, the Management advised us that the New Financial Products were approved and were included in the Group's investment product list in November 2024. Currently, the Group purchased such two New Financial Products from independent third parties with maximum principal amount of RMB100 million. For our due diligence purpose, we obtained relevant investment scheme of the New Financial Products. Given that the Estimated Amount II is the same as the maximum principal amount of the New Financial Products, we consider that the Estimated Amount II is justifiable.

In respect of the Estimated Amount III, the Management advised that such amount was determined by the management of Zhongtai Huirong according to its net asset value and certain internal investment requirement and restriction. After discussing with the management of Zhongtai Huirong, we were advised (i) the unaudited net asset value of Zhongtai Huirong as at 31 December 2024; (ii) that there is a maximum investment amount to purchase securities-related financial products, being certain percentage ratios (i.e. the maximum investment amount for each financial year is 20% of its net asset value as at the end of last financial year; and no more than half of the maximum investment amount will be invested to purchase securities-related financial products from Zhongtai Securities and/or its associates in 2025) to Zhongtai Huirong's latest net asset value; (iii) that the investment amount of Zhongtai Huirong was nil in 2024; and (iv) that Zhongtai Huirong planned to make investments in the future since the investment and trading department of Zhongtai Huirong was established in February 2024. Upon our request, we obtained a document showing the internal investment requirement and restriction of Zhongtai Huirong. Based on Zhongtai Huirong's unaudited net asset value as at 31 December 2024 and the aforesaid percentage ratios, the maximum investment amount on the financial products (securities related) which we calculated was close to the aforesaid maximum investment amount on the financial products (securities related) of Zhongtai Huirong. Accordingly, we consider that the Estimated Amount III is justifiable.

Based on the above and that the Investment Amounts Cap for FY2025 being the summation of the Estimated Amount I, the Estimated Amount II and the Estimated Amount III, we are of the view that the Investment Amounts Cap for FY2025 is fair and reasonable.

We further noted that the Investment Amounts Caps for FY2026 and FY2027 represented increases of approximately 6.1% and approximately 5.7% as compared to those for FY2025 and FY2026 respectively. Having considered that the Group recorded a CAGR of approximately 23% in investment amount as at the end of each period from 2021 to 2024, we are of the view that the increases in Investment Amounts Caps for FY2026 and FY2027 (which was determined on a prudence basis as advised by the Management) to be acceptable. As such, we consider the Investment Amounts Caps for FY2026 and FY2027 to be fair and reasonable.

Management Fees Caps

We further noted that the Management Fees Caps for the three years ending 31 December 2027 represented 1.2% of the Investment Amounts Caps for the corresponding periods. As advised by the Management, the Group intended to purchase financial products from Zhongtai Securities for the three years ending 31 December 2027 and the underlying assets of most financial products to be purchased from Zhongtai Securities were expected to be securities related assets. Therefore, we searched for management fee of open-end funds with underlying assets being stocks (開放式普通股票型基金) as at the Agreement Date through Wind Financial Terminal^(Note). Having considered that (i) the underlying assets of most financial products to be purchased from Zhongtai Securities were expected to be securities related assets; and (ii) the aforesaid open-end funds which we extracted from Wind Financial Terminal are exhaustive and the aforesaid open-end funds may cover products (the underlying assets of which are securities) with a variety of investment scopes, investment strategies and risk exposures, we are of the view that the average management fees of the aforesaid open-end funds are representative. Based on the information we obtained from Wind Financial Terminal, the average management fee of open-end funds with underlying assets being stocks (開放式普通股票型基金) was approximately 1.19% per annum as at the Agreement Date. Accordingly, we consider the Management Fees Caps for the three years ending 31 December 2027, being 1.2% of the Investment Amounts Caps for the corresponding periods, are fair and reasonable.

Shareholders should note that as the Investment Amounts Caps and the Management Fees Caps for the three years ending 31 December 2027 are relating to future events and was estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2027, and they do not represent forecasts of revenue/cost to be incurred from the Transactions. Consequently, we express no opinion as to how closely the actual revenue/cost to be incurred from the Transactions will correspond with the Investment Amounts Caps and the Management Fees Caps for the three years ending 31 December 2027.

Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of transactions contemplated under the Financial Products Services Framework Agreement must be restricted by their respective proposed annual cap for the period concerned under the Financial Products Services Framework Agreement; (ii) the terms of Transactions must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Transactions must be included in the Company's subsequent published annual reports.

Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Transactions (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iii) have exceeded the annual caps.

Note: According to the website of Wind, Wind Financial Terminal is a financial software which provides global financial data, information and insights on all asset classes such as equity, bond, futures, foreign exchange, fund, index, option, commodities, as well as commercial data in macro-economics, industry sectors and corporate operations.


In the event that the total amounts of Transactions are anticipated to exceed the annual caps, or that there are any proposed material amendment to the terms of the Transactions, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Transactions and thus the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Transactions are on normal commercial terms and are fair and reasonable; and (ii) the Transactions are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Transactions and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited



Graham Lam
Managing Director

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

* *For identification purpose only*