If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or otherwise transferred all your shares in China Tonghai International Financial Limited, you should at once hand this circular to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

China Tonghai International Financial Limited
(Incorporated in Bermuda with limited liability)
(Stock Code: 952)

VERY SUBSTANTIAL DISPOSAL
IN RELATION TO
DISPOSAL OF SALE LOAN AND THE CALL OPTION; AND
NOTICE OF SPECIAL GENERAL MEETING

Financial Adviser to China Tonghai International Financial Limited

Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those set out in the section headed “Definitions” of this circular.

A letter from the Board is set out on pages 6 to 19 of this circular.

A notice convening the SGM to be held at Gloucester Room, 2/F, Mandarin Oriental, Hong Kong, 5 Connaught Road Central, Hong Kong on Friday, 21 May 2021 at 11:30 a.m. is set out on pages 50 to 53 of this circular.

Whether or not you are able to attend the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited, on Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof should you so desire. In the event that you attend the meeting after having deposited a form of proxy, your form of proxy shall be deemed to be reverted.

PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

Please see page i of this document for measures being taken to try to prevent and control the spread of the novel coronavirus at the SGM, including:

- compulsory temperature checks
- compulsory wearing of surgical face masks
- no refreshment will be served
- no distribution of corporate gift

Any person who does not comply with the above precautionary measures may be denied entry into the SGM venue. The Company reminds Shareholders that they may appoint the Chairman of the meeting as their proxy to vote on the relevant resolutions at the SGM as an alternative to attending the SGM in person.

27 April 2021
PRECAUTIONARY MEASURES FOR THE SGM

In view of the ongoing novel coronavirus (COVID-19) pandemic and recent requirements for prevention and control of its spread, the Company will implement the following preventive measures at the SGM to protect attending Shareholders of the Company, staff and other stakeholders from the risk of infection:

(i) compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee at the entrance of the SGM venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the SGM venue or be required to leave the SGM venue;

(ii) the Company will require all attendees to wear surgical face masks before they are permitted to attend, and during their attendance of the SGM at all times, and to maintain a safe distance between seats;

(iii) no refreshment will be served at the SGM;

(iv) no corporate gift will be distributed at the SGM; and

(v) each attendee may be asked whether (a) he/she travels outside of Hong Kong within the 14-day period immediately before the SGM; and (b) he/she is subject to any Hong Kong Government prescribed quarantine. Anyone who responds positively to any of these questions may be denied entry into the SGM venue or be required to leave the SGM venue.

Any person who does not comply with above requirements may be denied entry into the SGM venue or be required to leave the SGM venue. To the extent permitted under law, the Company reserves the right to deny entry into the SGM venue or require any person to leave the SGM venue in order to ensure the safety of other attendees at the SGM. In our case, denied entry to the SGM venue also means that person will not be allowed to attend the SGM.

In the interest of all stakeholders’ health and safety and in accordance with recent guidelines for prevention and control of the spread of novel coronavirus, the Company reminds all Shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising voting rights. As an alternative, the Shareholders may complete the proxy forms and appoint the chairman of the SGM as their proxy to vote on the relevant resolutions at the SGM instead of attending the SGM.

The proxy forms were despatched to the Shareholders together with this circular, and can otherwise be downloaded from the websites of the Company at www.tonghaifinancial.com or the Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk. If you are not a registered Shareholder (i.e. if your Shares are held via banks, brokers, custodians or Hong Kong Securities Clearing Company Limited), you should consult directly with your banks, brokers or custodians (as the case may be) to assist you in the appointment of proxy.

If you have any questions relating to the SGM, please contact the branch share registrar of the Company in Hong Kong and transfer office, Tricor Tengis Limited, via the following:

Address: Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong
Email: is-enquiries@hk.tricorglobal.com
Telephone: (852) 2980 1333
Fax: (852) 2810 8185
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In this circular, unless the context requires otherwise, the following terms shall have the following meanings:

“Agent” BOCI Leveraged & Structured Finance Limited, a company incorporated in Hong Kong with limited liability and the agent of the Original Lenders

“Amendment and Restatement Agreement” the amendment deed dated 29 July 2020 on the extension of the Loan Facility to the Maturity Date together with other amendments as defined in the Announcement

“Announcement” the announcement of the Company dated 29 July 2020

“Board” the Board of Directors

“Borrower” HGH and Huge Auto

“Buyer” Joyful Richness Holdings Limited, a company incorporated in the British Virgin Islands with limited liability

“Call Option” the irrevocable right to purchase from the Grantor and to require the Grantor to sell all (but not part) of the corresponding number of Option Shares together with all related rights

“Call Option Assignment Deed” the deed relating to the assignment of Call Option pursuant to which the Seller shall on Completion assign all its rights, title and duties, obligations and liabilities in the Deed of Call Option to the Buyer

“Call Option Period” as defined in the section headed “The Deed of the Call Option” in this circular

“CGA” China Grand Automotive Group Limited, an exempted company incorporated in the Cayman Islands with limited liability

“CGA Mauritius” China Grand Automotive (Mauritius) Limited, a private company limited by shares incorporated under the laws of Mauritius

“China Tonghai Holdings” or “Seller” China Tonghai Capital (Holdings) Limited, a direct wholly-owned subsidiary of the Company, a company incorporated in Hong Kong with limited liability
DEFINITIONS

“China Tonghai Securities” China Tonghai Securities Limited (formerly known as Quam Securities Company Limited at the time of entering into the Original Facility Agreement), an indirect wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability and a corporation licensed to carry out Type 1 regulated activity (dealing in securities), Type 2 regulated activity (dealing in futures contracts), Type 4 regulated activity (advising on securities), Type 6 regulated activity (advising on corporate finance) and Type 9 regulated activity (asset management) under the SFO

“Company” China Tonghai International Financial Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (Stock code: 952)

“Completion” the completion of the Disposal between the Seller and the Buyer on Completion Date

“Completion Date” the completion date of the Disposal, being 30 June 2021, or an earlier date as mutually agreed by the Seller and the Buyer in writing

“Consideration” HK$261,018,141, being the total consideration payable by the Buyer to the Seller for the Disposal

“Deed of Call Option” the deed dated 29 July 2020 entered into among Mr. Huang, National Holdings, HGH, the Agent and the Seller and the other Lenders in respect of the Call Option

“Directors” the directors of the Company

“Disposal” the disposal of the Sale Loan and the Call Option pursuant to the terms and conditions of the SPA

“Exercise Price” as defined in the section headed “The Deed of the Call Option” in this circular

“Finance Documents” the Original Facility Agreement, Amended and Restatement Agreement, the Deed of Call Option and the security, mortgage, charge, pledge, guarantee in relation to the Loan Facility and any other amendments, supplements, accessions, waivers, or variation of such documents

“Grantees” China Tonghai Holdings and the other Original Lenders, as grantees of the Call Option

“Group” the Company and its subsidiaries
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DEFINITIONS

“Stock Exchange” the Stock Exchange of Hong Kong Limited

“Transfer Certificate” the transfer certificate pursuant to which the Seller shall on Completion, novates all of the Seller’s rights, obligations and entitlement under the Finance Documents to the Buyer

“%” per cent

For the purpose of this circular, the translation of RMB into HK$ is based on the appropriate exchange rate of RMB1.00 = HK$1.20. Such translation should not be construed as a representation that the amount in question has been, could have been or could be converted at any particular rate or at all.

For the purpose of this circular, unless otherwise specified or the context requires otherwise, “*” denotes an English translation of a Chinese name and is for identification purposes only. In the event of any inconsistency, the Chinese names shall prevail.
To the Shareholders,

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL IN RELATION TO DISPOSAL OF SALE LOAN AND THE CALL OPTION

INTRODUCTION

Reference is made to (i) the announcement of the Company dated 28 August 2017 in relation to the Original Facility Agreement entered into among China Tonghai Securities and other Lenders, the Guarantors and the Agent, pursuant to which China Tonghai Securities and other Lenders agreed to provide the Borrower a Loan Facility in an aggregate amount of HK$5,810 million in which the participation of China Tonghai Securities under the Loan Facility is HK$500 million; (ii) the Announcement and the
circular dated 23 September 2020 in relation to the Amendment and Restatement Agreement and the Deed of Call Option in respect of among others the extension of the repayment date of the Loan Facility to the Maturity Date; and (iii) the announcement of the Company dated 17 March 2021 relating to the Disposal.

China Tonghai Securities transferred by novation all of its rights and obligations under the Original Facility Agreement to the Seller on 29 March 2018. Each of China Tonghai Securities and the Seller is a wholly-owned subsidiary of the Company.

The purpose of this circular is to provide you with among other things (i) details of the Disposal; (ii) a notice of the SGM; and (iii) other information as required under the Listing Rules in relation to the Disposal.

BACKGROUND

THE SALE LOAN

The Borrower has not fully repaid the Loan Facility to the Seller and other Lenders on the Maturity Date. As at the Maturity Date, the aggregate amount owed by the Borrower to the Seller, under the Loan Facility, including the outstanding principal, accrued interest and default interest, was approximately HK$319.2 million which consists of the outstanding principal, accrued interest and default interest amounted to HK$251.9 million, HK$30.2 million and HK$37.1 million respectively.

AMENDMENT AND RESTATEMENT AGREEMENT

Set out below are the principal terms of the Amendment and Restatement Agreement:

**Date**

29 July 2020

**Maturity Date**

2 September 2020

**Interest rate**

12% per annum on and after 3 September 2019

**Default interest**

(i) Interest rate will be increased to 18% per annum; and

(ii) Any unpaid default interest arising from the unpaid amount will be compounded with the unpaid amount at the end of each month and will remain immediately due and payable.
On 29 July 2020, the Lenders agreed to waive a default interest of HK$430.7 million which represented 50% of the outstanding default interest payable from 19 October 2018 to 2 September 2019 which was triggered by the failure to maintain LTV Ratio under the Original Facility Agreement. The waiver of 50% default interest was determined as part of the overall negotiations between the Borrower and the Lenders during the Negotiation Period. The Seller’s entitlement of the remaining 50% of the outstanding default interest from 19 October 2018 to 2 September 2019 is HK$37.1 million as at the Maturity Date.

Events of Default:

The events of default should include, but not limited to:

(i) Non-payment: a default occurs if any Obligors do not pay on due date any amount payable unless the failure is caused by administrative or technical error and disruption events such as material disruption to the payment or communication systems, and the occurrence of any other events results in a disruption to the treasury or payments operation etc. and that such default is not remedied within five days from the due date thereof;

(ii) Cross default: (a) any financial indebtedness of any Obligors or PRC Listco is not paid when due nor within any originally applicable grace period; or (b) any financial indebtedness of any Obligors or PRC Listco is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described); or (c) any commitment for any financial indebtedness of any Obligors or PRC Listco is cancelled or suspended by a creditor of any Obligors or PRC Listco as a result of an event of default (however described); or (d) any creditor of any Obligors or PRC Listco becomes entitled to declare any financial indebtedness of any Obligors or PRC Listco due and payable prior to its specified maturity as a result of an event of default (however described); or (e) no event of default will occur if the aggregate amount of financial indebtedness or commitment for financial indebtedness falling within paragraphs (a) to (d) above is less than HK$3,000,000 (or its equivalent in any other currency or currencies);

(iii) Insolvency: any Obligors or PRC Listco is or is presumed or deemed to be unable or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties or the value of the assets of any Obligors or PRC Listco is less than its liabilities;

(iv) Insolvency proceedings: (a) any corporate action, legal proceedings or other procedure or step is taken in relation to the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, bankruptcy, administration, provisional supervision or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of any Obligors or PRC Listco; or (b) a composition or arrangement with any creditor of any Obligors or PRC Listco, or an assignment for the benefit of
creditors generally of any Obligors or PRC Listco or a class of such creditors; or (c) the appointment of a liquidator, receiver, administrator, administrative receiver, compulsory manager, provisional supervisor, manager of the estate or business, nominee in relation to any voluntary arrangement or other similar officer in respect of any Obligors or PRC Listco or any of their respective assets; or (d) enforcement of any security over any assets of any Obligors or PRC Listco.

If an event of default occurs, the commitments would be cancelled, and the outstanding liabilities should be immediately due and payable together with exercise any or all of its rights, remedies, powers or discretions under the Amendment and Restatement Agreement.

Securities:

(i) share mortgage over all issued shares in CGA by Huge Auto;
(ii) share mortgage over all issued shares in Huge Auto by HGH;
(iii) share mortgage over all issued shares in HGH by National Holdings;
(iv) share mortgage over all issued shares in National Holdings by Mr. Huang;
(v) share mortgage over all issued shares in CGA Mauritius by CGA;
(vi) charge over a Hong Kong bank account of CGA Mauritius;
(vii) cash pledge and charge over a PRC bank account of CGA Mauritius; and
(viii) share pledge over 1,621,932,099 shares in the PRC Listco held by CGA Mauritius

Guarantee:

The Guarantors jointly and severally guarantee the performance by the Borrowers of their obligations under the Finance Documents.

THE DEED OF THE CALL OPTION

Set out below are the principal terms of the Deed of Call Option:

Date

29 July 2020

Parties

(i) China Tonghai Holdings, as a one of the Grantee;
(ii) Other Lenders, as Grantees;
(iii) Huge Auto, as the Grantor;
(iv) HGH; and
(v) BOCI Leveraged & Structured Finance Limited, as the Agent.

Option Shares

The Option Shares represent 100% of the issued share capital of CGA. CGA holds 100% equity interest in CGA Mauritius, which hold 1,621,932,099 shares of the PRC Listco, representing approximately 19.88% of the total issued shares of PRC Listco as at the Maturity Date. Based on the average closing price for the five business days immediately preceding the date of this circular, the market value of the shares of the PRC Listco held by CGA Mauritius was approximately RMB5,170,719,532.

Option period

The Grantees shall have the right to exercise the Call Option within two years after the Deed of Call Option becoming effective (the “Call Option Period”), provided that the Borrower fails to irrevocably pay all outstanding amount owed by the Borrower under the Amendment and Restatement Agreement on the Maturity Date in full.

Exercise price

On the exercise of the Call Option by the Grantees, the Grantees shall be bound to purchase and the Grantor shall become bound to transfer the Option Shares then held by the Grantor to the Grantees, at a consideration (the “Exercise Price”) payable by each Grantee, equal to the corresponding Participation Percentage of the aggregate amount of outstanding amounts owed by the Borrower and the Obligors payable to such Grantee and the Agent.

Following the exercise of the Call Option, the Exercise Price payable by such Grantee under the Call Option shall be set off automatically against the corresponding Participation Percentage of the total outstanding amount of the Loan Facility owed by the Borrower and the Obligors payable to such Grantee and the Agent, and no further amount is payable by the Grantee to the Grantor as the Exercise Price of the Call Option.

For any transfer of the Option Shares to each of the Grantees pursuant to the Call Option, any declared but unpaid dividends to which the Grantor is otherwise entitled in respect of the Option Shares subject to the Call Option shall be transferred with the Option Shares, and no additional consideration is payable by any Grantee for such declared but unpaid dividends on or after completion of the transfer of the Option Shares.
Exercise of the Call Option

Under the Deed of Call Option, the exercise of the Call Option must be in full but not in part by all the Grantees and the exercise of the Call Option is on joint but not singly basis. In particular, a majority consent of 80% among the Lenders is a condition for the Seller to exercise the Call Option. Apart from the above mentioned condition, there is no other condition required for the Seller to exercise the Call Option.

Lapse of the Call Option

The Call Option may only be exercised once and the Call Option not exercised shall lapse and cease to have any further effect on the expiration of the Call Option Period.

CREDIT ASSESSMENT

Our Group has performed an internal assessment to assess credit and risk management of the extension of the Loan and the exercise of the Call Option. Our Group has closely monitored the PRC Listco including the news, LTV Ratio and the share price performance. As a normal process for credit assessment and risk management of extension of the Loan, an internal committee consisted of four senior management members of the Group and a member from the risk department, has considered the relevant information including, among other things, the background of the Borrower, its repayment history including several payments made during the Negotiation Period which reduced the principal amount and hence lowered the respective risk associated to the Sale Loan and the value of the shares of the PRC Listco indirectly held by the Grantor which covers the Sale Loan.

Assuming the Call Option is exercised by the Grantees, the maximum of 1,621,932,099 shares of CGA (which indirectly hold 1,621,932,099 shares of PRC Listco) held by the Grantor will be transferred to the Lenders, of which 139,581,075 shares of CGA will be allocated to the Group based on the Participation Percentage. Base on the average closing price for the five business days immediately preceding the Latest Practicable Date, the value of the Options Shares represents RMB444,984,467, equivalent to approximately HK$533,981,360.

The Loan attributable to the Seller represents the Participation Percentage of approximately 8.61% of the total outstanding principal amount to all Lenders on the Maturity Date. Since the Seller is a minority lender, its decision to vote for or against the exercise of the Call Option has no casting effect and not influential to the final decision of the Lenders. The position of the Seller under the Call Option is passive and the right to exercise is not at the Seller’s sole discretion.

After the Maturity Date, the Seller had several rounds of discussions with the Borrower and other Lenders and no agreement was reached in relation to the restructuring or the Loan Facility or a repayment plan. In this regard, the Seller together with the Lenders agreed that the Loan Facility will not be extended. In addition, the Lenders are unable to obtain a majority consent of 80% among themselves to vote for the exercise of the Call Option. Therefore, the Group cannot recover the Sale Loan through exercising the Call
Option and hence the sale of the Option Shares and therefore faces uncertainty of repayment. In view of the foregoing, the Group considered the sale of the Sale Loan is the best option.

THE DISPOSAL

On 17 March 2021 (after trading hours), the Seller and the Buyer entered into a conditional SPA, pursuant to which the Seller has conditionally agreed to sell and the Buyer has conditionally agreed to buy the Sale Loan and the Call Option for a consideration of approximately HK$261 million.

THE SPA

The principal terms of the SPA are set out below:

Date: 17 March 2021

Parties: (i) China Tonghai Capital (Holdings) Limited, as the Seller; and

(ii) Joyful Richness Holdings Limited, as the Buyer.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Buyer and its ultimate beneficial owner is a third party independent of the Company and its connected persons.

Subject matter: The Seller has conditionally agreed to sell and the Buyer has conditionally agree to buy the Sale Loan and the Call Option

Payment terms: The Consideration of approximately HK$261 million shall be settled by cash by the Buyer in the following manner:

(a) a deposit (being an amount equal to HK$10 million) shall be paid to the Seller by the Buyer on the date of signing of the SPA; and

(b) the remaining balance of the Consideration of approximately HK$251 million shall be paid to the Seller upon Completion.

The HK$10 million deposit has been paid by the Buyer to the Seller.
Consideration: The Consideration represent (a) approximately HK$252 million, being the Loan at par and (b) approximately HK$9 million, being the Seller’s entitlement of accrued interest at discount.

In arriving at the Consideration, the Buyer and the Seller agreed to exclude the accrued interest pursuant to the Original Facility Agreement in determining the Consideration as the Borrower had fully settled the accrued interest pursuant to the Original Facility Agreement.

The Seller had considered its rights and entitlement of the remaining 50% of the outstanding default interest recognized for the period 19 October 2018 to 2 September 2019 of approximately HK$37.1 million after the waiver of 50% default interest from 19 October 2018 to 2 September 2019 under the Original Facility Agreement. In view of the uncertainty in recoverability of the aforesaid default interest, the Buyer and the Seller agreed to exclude the remaining 50% of the default interests of approximately HK$37.1 million in determining the Consideration.

The Seller had also considered its rights and entitlement of the outstanding accrued interest of approximately HK$30.1 million pursuant to the Amendment and Restatement Agreement. In view of the uncertainty in recoverability of the outstanding accrued interest, the Seller had applied 70% discount on the outstanding accrued interest to arrive the Consideration.

The Seller had also considered its rights and entitlement of default interest from the Maturity Date to and including the Completion Date. In view of the uncertainty in recoverability of the aforesaid default interest, the Buyer and the Seller also agreed to exclude the default interest from the Maturity Date to and including the Completion Date in determining the Consideration.
The Consideration was determined based on normal business and commercial and normal terms and was arrived after arm’s length negotiation between the Seller and Buyer and has taken into consideration the carrying value of the Sale Loan, the historical repayment record and the credit profile of the Borrower. The Seller has also made reference to the terms and conditions of some other Lender’s disposal of their portion of the Loan Facility, including but not limited to the basis of determining consideration, such as the exclusion of 50% of the default interest for the period 19 October 2018 to 2 September 2019 and the default interest from the Maturity Date to and including the Completion Date, and approximately 70% discount on the outstanding accrued interest of approximately HK$30.1 million, which were the same as of the Disposal. The Board had considered the fact that there was uncertainty in recoverability of the default interest and the outstanding accrued interest, no other potential buyers provided a better offer than that of the Buyer and the Disposal allows the Group to recover the outstanding principal amount and part of the accrued interest in one go. In addition, certain terms of the Disposal is the same as the terms of the disposals of other Lenders in relation to their portion of the Loan Facility. As such, the Board considers that the terms of the Disposal are fair and reasonable and are on normal commercial terms, and the Disposal is fair and reasonable and in the interest of the Company and shareholders as a whole. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Buyer was not involved in the sale of other Lender’s disposal of their portion of the Loan.

Long Stop Date: 30 June 2021 (or any other date as agreed by the parties in writing)
Conditions Precedent: Completion is conditional upon the fulfillment of the following conditions precedent, (i) the passing of a resolution of the Shareholders at SGM approving the Disposal and the transaction contemplated therein; and (ii) the representations and warranties of the Seller and the Buyer being true, accurate and complete in all respects when made and remaining true, accurate and complete and not misleading as at the Completion Date. The Seller is required to notify the Buyer by notice in writing upon the conditions precedent being fulfilled and the SPA therefore becoming unconditional and the parties shall proceed to Completion. If the conditions precedent are not fulfilled on or before the Long Stop Date then (a) the SPA shall forthwith terminate and Seller and the Buyer should be released from all obligations under the SPA; and (b) the Seller shall refund the HK$10 million deposit without interest to the Buyer if the conditions precedent (i) is not fulfilled on or before the Long Stop Date.

Completion: Completion shall take place on the Completion Date after fulfillment of the last of the conditions precedent set out in the SPA or such other earlier date and time as the Seller and the Buyer may agree in writing. On the Completion Date, the Seller among others shall deliver the signed Transfer Certificate and the signed Call Option Assignment Deed together with its signed notices to the Buyer and the Buyer shall pay the Consideration (less the HK$10 million deposit) to the Seller in such manner as the Seller shall notify the Buyer in advance.

Upon Completion, the Sale Loan shall be transferred to the Buyer.

FINANCIAL EFFECTS OF THE DISPOSAL

Impact on financial performance

The Sale Loan has contributed interest income of HK$26.3 million and HK$52.4 million pursuant to the Original Facility Agreement for the year ended 31 December 2018 and 2019 respectively, totalling HK$78.7 million.

As at the Maturity Date, the Borrower had fully settled the accrued interest pursuant to the Original Facility Agreement. As at the Maturity Date, the outstanding 50% default interest pursuant to the Original Facility Agreement was approximately HK$37.1 million, of which the Seller had recognised and the Borrower did not repay.
The Sale Loan has contributed interest income of HK$13.4 million and HK$23.2 million pursuant to the Amendment and Restatement Agreement for the year ended 31 December 2019 and 2020 respectively, totalling HK$36.6 million.

As at the Maturity Date, the accrued interest pursuant to the Amendment and Restatement Agreement was approximately HK$36.6 million, the Borrower has repaid HK$6.4 million and the outstanding accrued interest was approximately HK$30.2 million. After the Maturity Date, in view of the uncertainty in recoverability of the default interest, the Seller did not recognise the default interest pursuant to the Amendment and Restatement Agreement.

The Group had recognised a net loss of HK$35.0 million for the Sale Loan for the year ended 31 December 2020, representing the interest income of HK$23.2 million netted of the impairment loss for expected credit losses of approximately HK$58.2 million.

Upon the Completion of the Disposal, it is expected that the Sale Loan will not cause any material impact on the earnings of the Group as there is no difference between the Consideration and the carrying amount of the Sale Loan as at 31 December 2020. The reporting accountants of the Company have performed certain factual finding procedures in accordance with the Hong Kong Standard on Related Services 4400, Engagements to Perform Agreed-upon Procedures Regarding Financial Information, issued by the Hong Kong Institute of Certified Public Accountants, for financial effect on earnings on the Disposal recorded in the consolidated financial statements of the Group for the year ended 31 December 2020, 2019 and 2018.

**Impact on financial position**

The Sale Loan was accounted for as an asset with carrying amount of approximately HK$261 million as at 31 December 2020.

Upon the Completion of the Disposal, it is expected the Sale Loan will not cause any material impact on the total assets and total liabilities of the Group.

**USE OF PROCEEDS**

The Disposal provides for a one-off repayment of the outstanding principal amount and accrued interest of the Seller’s participation under the Loan Facility, which allows the Group to use the proceeds from the Disposal as general working capital and future investment opportunities of the Group. Save for the aforesaid, the Group has no specific designated purpose for the use of the proceeds obtained from the Disposal as at the Latest Practicable Date.

Hence, the Board has approved the Disposal and the transaction contemplated thereunder after considering all the circumstances, including the timing of payment and recoverable amount. The Board considers that the above analysis and the decision made is beneficial to the Company and its shareholders as a whole.
INFORMATION ON THE GROUP AND THE SELLER

The Group is principally engaged in (i) corporate finance advisory and general advisory services; (ii) fund management, discretionary portfolio management and portfolio management advisory services; (iii) discretionary and non-discretionary dealing services for securities, futures and options, securities placing and underwriting services, margin financing, insurance broking and wealth management services; (iv) money lending services; (v) financial media services; and (vi) investing and trading of various investment products.

The Seller is a direct wholly-owned subsidiary of the Company, a company incorporated in Hong Kong with limited liability. It is principally engaged in investment holding and import/export trading liaison in Hong Kong.

INFORMATION ON THE BUYER

The Buyer is Joyful Richness Holdings Limited. Joyful Richness Holdings Limited is a company incorporated in the British Virgin Islands with limited liability which principally engages in investment holding, the shares of which are wholly-owned by Mr. Zhu Junjie, who has been primarily engaged in real estate investment, construction projects, finance investment and commercial trade in the PRC for several years.

Mr. Zhu Junjie was first introduced by the Agent and to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Buyer and its ultimate beneficial owner is an Independent Third Party and do not have any relationships with (i) the Borrower and its ultimate beneficial owner; (ii) any other creditors, debtors, business partners of the Company and its connected persons; and (iii) the Group and connected person of the Company.

INFORMATION OF THE BORROWER

The Borrower is HGH and Huge Auto. HGH is a company incorporated in Hong Kong with limited liability whose principal business is investment holding, the shares of which are wholly-owned by National Holdings. Huge Auto is a company incorporated in the British Virgin Islands with limited liability whose principal business is investment holding, the shares of which are wholly-owned by HGH. The ultimate beneficial owner of the Borrower is Mr. Huang who is also the second largest shareholder of the PRC Listco. The Borrower was introduced by VMI Capital Group, an independent referral agent. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, save for the Sale Loan, the Company did not grant loans to the Borrower and its ultimate beneficial owner. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, save as disclosed in the above, the Borrower and its ultimate beneficial owner is Independent Third Party and do not have any relationships with (i) any other creditors, debtors, business partners of the Company and its connected persons; and (ii) the Group and connected persons of the Company.
REASONS FOR AND BENEFITS OF THE DISPOSAL

Despite the Borrower entered into the Amendment and Restatement Agreement with the Sellers and other Lenders on 29 July 2020, the Borrower has failed to fulfill its repayment obligations since the Maturity Date. The Seller has several rounds of discussions with the Borrower and other Lenders and no agreement was reached in relation to the restructuring or extension of the Loan Facility or a repayment plan. The Group has considered other exit options and among others, the exercise of the Call Option. In November 2020, the Seller had voted for the exercise of the Call Option. However, the Lenders are unable to obtain a majority consent of 80% as some Lenders considered that it will take more than a year to transfer the Option Shares to them and is not a feasible option to sell the Option Shares in the market within a short period of time. The Group considered the Disposal is the best option to the Group. The Group had approached other potential buyers for the Disposal including an investment bank, a private company and other Lenders, however none of them provides a better offer than that of the Buyer. The Disposal, which is to be sold to a party not originally involved in the Loan Facility though selling at a discount, provides for a one-off repayment of the outstanding principal amount and accrued interest of the Seller’s participation under the Loan Facility, which allows the Group to use the proceeds from the Disposal as general working capital and future investment opportunities of the Group.

In view of the above, the Directors consider that the terms and conditions of the Disposal (including the Consideration) are on normal commercial terms and such terms are fair and reasonable and are in the interest of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined under the Listing Rules) set out in Rule 14.07 of the Listing Rules in respect of the Disposal exceed 75%, the Disposal constitutes a very substantial disposal for the Company and is subject to reporting, announcement, circular, and Shareholders’ approval requirement under Chapter 14 of the Listing Rules.

Any Shareholder with a material interest in the Disposal and the close associates will abstain from voting on the resolution to be proposed at the SGM. As at the Latest Practicable Date, no Shareholder has a material interest in the Disposal and accordingly, none of the Shareholders and their respective close associates is required to abstain from voting in respect of the ordinary resolution to approve the Disposal at the SGM.
THE SGM AND PROXY ARRANGEMENT

A notice convening the SGM at which an ordinary resolution will be proposed for Shareholders to consider, and if thought fit, to approve the Disposal and the transactions contemplated thereunder to be held at Gloucester Room, 2/F, Mandarin Oriental, Hong Kong, 5 Connaught Road Central, Hong Kong on Friday, 21 May 2021 at 11:30 a.m. is set out on pages 50 to 53 of this circular. A form of proxy for use at the SGM and at any adjournment thereof is enclosed with this circular. Whether or not you are able to attend the SGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment should you so wish.

Pursuant to Rule 13.39(4) of the Listing Rules, the resolution will be voted on by way of poll at the SGM and the Company will announce the results of the poll in the matter prescribed under Rule 13.39(5) of the Listing Rules.

Record Date

The Board has fixed 4:30 p.m. on Friday, 14 May 2021 as the record time and date for ascertaining Shareholders’ entitlement to attend and vote at the SGM. All transfers of Shares accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Friday, 14 May 2021.

RECOMMENDATIONS

Having considered the reasons set out herein, the Directors are of the opinion that the terms of the SPA are fair and reasonable and that the Disposal is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions to be proposed at the SGM in respect of the Disposal.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By order of the Board
China Tonghai International Financial Limited
HAN Xiaosheng
Chairman
1. FINANCIAL INFORMATION

The audited consolidated financial statements of the Group for each of the financial years ended 31 December 2018, 2019 and 2020 are disclosed in the annual reports of the Company for the financial years ended 31 December 2018 (pages 65 to 178), 31 December 2019 (pages 85 to 206) and 31 December 2020 (pages 89 to 206) The aforementioned financial information of the Group has been published on both the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.tonghaifinancial.com). Please refer to the hyperlinks as stated below:

2018 annual report (for the year ended 31 December 2018):

2019 annual report (for the year ended 31 December 2019):

2020 annual report (for the year ended 31 December 2020):

2. INDEBTEDNESS

At the close of business on 28 February 2021, being the Latest Practicable Date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the indebtedness of the Group was as follows:

Borrowings

Obligations under repurchase agreements, bank loans, notes payable and lease liabilities totaling approximately HK$2,315,435,000, comprising:

(a) Unguaranteed obligations under repurchase agreements of approximately HK$2,002,000, which were secured by corporate bonds of US$621,000.

(b) Bank loans, which were:

\[
\begin{array}{l}
\text{Secured and guaranteed by the Company*} \\
\text{Secured and guaranteed by the ultimate controlling Shareholder**} \\
\text{Secured and unguaranteed***} \\
\text{Unsecured and unguaranteed} \\
\hline
1,017,619 \\
480,921 \\
270,000 \\
100,292 \\
\hline
1,868,832
\end{array}
\]

[HK$'000]
These bank loans were secured by marketable securities as at 28 February 2021 and the Company’s guarantee. The marketable securities include securities collaterals provided by the margin clients to the Group.

These bank loans were secured by corporate bonds, listed equity securities and bank deposits held by the Group as at 28 February 2021, certain Shares held by the immediate controlling Shareholder and certain fellow subsidiary’s listed Shares held by its immediate controlling shareholder. These bank loans were also guaranteed by the ultimate controlling Shareholder and a wholly-owned subsidiary of the Company.

These bank loans were secured by bank deposits held by the Group as at 28 February 2021.

(c) Unsecured and unguaranteed notes payable of approximately HK$370,883,000.

(d) Lease liabilities of approximately HK$73,718,000.

Contingent liabilities

As at 28 February 2021, the Group had contingent liabilities in respect of a counterclaim by the defendant in a High Court case in respect of a service fee paid by the defendant of HK$0.9 million.

Disclaimers

Save as aforesaid, and apart from intra-group liabilities and normal accounts payable, the Group did not have any outstanding bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance leases, hire purchases commitments (whether guaranteed, unguaranteed, secured or unsecured), guarantees or other material contingent liabilities at the close of business on 28 February 2021.

To the best knowledge of the Directors, having made all reasonable enquiries, there have been no material changes in indebtedness or contingent liabilities of the Group since 28 February 2021 and up to Latest Practicable Date.

3. WORKING CAPITAL

After taking into account the effect of the Disposal of the Sale Loan, the present financial resources and the borrowings, the Directors are of the opinion that the working capital available to the Group is sufficient for the Group’s requirements for at least twelve months from the date of this circular.
4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

It is expected that the Group will continue to face various complex and challenging macro-economic circumstances in 2021, including but not limited to prolonged global novel coronavirus pandemic, growing tension between the Sino-U.S. relations, volatility of the capital markets in different countries, rising unemployment rates in Hong Kong. As mentioned in the annual report of the Company for the year ended 31 December 2020, the Group had collected the government subsidies from the Hong Kong Government in 2020 for the payment of staff salaries.

Looking forward to 2021, the Group will continue to impose cost control measures to curb unnecessary expenses in order to mitigate the pressure from possible decrease in revenue. In light of the considerable uncertainties for the current situation, the Group will, from time to time, review our investment portfolios and business segments, to ensure a smooth transition in the severe environment.

The Group will explore new securities customers and to increase the number of corporate financing and financial advisory projects, as well as launching new product platforms (such as Quamnet Derivative investment platform) and seeking to broaden assets management products.

5. MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the financial or trading position or outlook of the Group since 31 December 2020, the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

6. MANAGEMENT DISCUSSION AND ANALYSIS

There will be no change to the principal business of the Group as a result of the Disposal. Set out below is the management discussion and analysis on the Group, in which information about the Group’s financial position as at 31 December 2020 and financial performance for the year ended 31 December 2020 are extracted by the Directors from the annual report of the Company for the year ended 31 December 2020.

Business review

The Group recorded revenue of HK$1,105 million for 2020, as compared to HK$779 million for 2019, representing a year-on-year increase of 42%. Excluding the income from investment and other business of HK$212 million in 2020 (2019: loss of HK$66 million), the remaining revenue amounts to HK$893 million, which is roughly 6% more than HK$845 million in 2019. Net profit for 2020 is around HK$103 million, as compared to HK$5 million for 2019, representing a year-on-year increase of around 20 times.
Segment information

As the revenue from investments and other businesses were affected by market volatility, we have presented the following analysis of revenue by businesses by way of deducting the revenue from investments and other businesses from the total revenue. We wish such presentation would help our readers to better understand the proportion of our recurring revenue:

<table>
<thead>
<tr>
<th></th>
<th>2020 HK$ million</th>
<th>2020 Proportion</th>
<th>2019 HK$ million</th>
<th>2019 Proportion</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate finance business</td>
<td>14</td>
<td>1%</td>
<td>45</td>
<td>5%</td>
<td>(69%)</td>
</tr>
<tr>
<td>Asset management business</td>
<td>42</td>
<td>5%</td>
<td>23</td>
<td>3%</td>
<td>83%</td>
</tr>
<tr>
<td>Brokerage business</td>
<td>170</td>
<td>19%</td>
<td>166</td>
<td>20%</td>
<td>2%</td>
</tr>
<tr>
<td>Interest income business</td>
<td>667</td>
<td>75%</td>
<td>611</td>
<td>72%</td>
<td>9%</td>
</tr>
<tr>
<td><strong>Total income excluding investments and other business</strong></td>
<td><strong>893</strong></td>
<td><strong>100%</strong></td>
<td><strong>845</strong></td>
<td><strong>100%</strong></td>
<td><strong>6%</strong></td>
</tr>
</tbody>
</table>

From the above table, the rising proportions included interest income business and asset management business, which has increased from 72% in 2019 to 75% in 2020 and from 3% in 2019 to 5% in 2020, respectively; while the falling proportions included revenue from corporate finance business and brokerage business, which has decreased from 5% in 2019 to 1% in 2020 and from 20% in 2019 to 19% in 2020, respectively.

**Corporate Finance Business**

The Group’s corporate finance business comprises sponsorship for listing, financial advisory, financing consultation service, equity capital market and debt capital market. It consists of revenue booked in China Tonghai Capital Limited and some commission income from placing and underwriting booked under China Tonghai Securities. In 2020, total income from corporate finance business recorded HK$14 million, a drop of roughly 69% as compared to HK$45 million in 2019. In 2020, commission-based income (from placing, underwriting and sub-underwriting deals) amounted to HK$7.8 million, representing a year-on-year drop of 71% from HK$26.6 million in 2019. The major reason was high comparative figure caused by the commission income recorded from Tai Hing Group Holdings Limited (Stock Code: 6811) in 2019. In 2020, fee-based income (from sponsorship, financial advisory, compliance advisory engagements) was approximately HK$6.6 million, representing a year-on-year decline of approximately 64% from HK$18.3 million in 2019.
Asset Management Business

In 2020, total revenue from asset management business recorded HK$42 million, representing a year-on-year increase of 83% as compared to HK$23 million in 2019. The increase was mainly due to the increase of more than HK$20 million in performance fee from both funds and discretionary accounts. Average AUM for 2020 has decreased slightly as compared to that in 2019, thus a slightly decrease in general management fee was recorded. Our asset management business at the end of 2020 included the management of China Tonghai China Focus Segregated Portfolio (“CTCF”, a private fund incorporated in the Cayman Islands), China Tonghai Greater China UCITS fund (formerly known as Oceanwide Greater China UCITS fund) (“UCITS”, a European public fund registered in Luxemburg), private equity funds named Oceanwide Pioneer Limited Partnership, Oceanwide Elite Limited Partnership, China Tonghai Guaranteed Return Segregated Portfolio, Golden Global SP1, Golden Global SP2, China Tonghai Minsheng Trust A Shares Segregated Portfolio and various discretionary accounts managed by both our asset management subsidiary and our securities subsidiary company, etc.

Brokerage Business

In 2020, total income from brokerage business recorded HK$170 million, a year-on-year increase of 2% from HK$166 million in 2019, mainly due to the slight increase in commission from dealing in Hong Kong securities. Commission income on futures and options products slightly declined from HK$77 million in 2019 to HK$74 million in 2020.

Interest Income Business

The Group’s interest income business includes interest income from margin loans, interest income from other loans, interest income from proprietary investment business and interest income from treasury operation. Total revenue from interest income business in 2020 recorded HK$667 million, representing a 9% growth from HK$611 million in 2019. In particular, interest income from other loans has increased from HK$305 million in 2019 to HK$368 million in 2020 by 21%. The main reason is the increase of loans to our connected parties. Interest income from margin loans has reduced from HK$193 million in 2019 to HK$159 million in 2020 by 18% which was basically in line with the reduction of outstanding margin loan amounts to clients. Key improvements have been made in IPO margin loan interest income. This item, though small in proportion to the overall revenue figure, has improved from HK$0.5 million in 2019 to HK$3.0 million in 2020 by around five folds.

Investments and Others Business

In 2020, due to the correct investment decisions made by our colleagues, we are proud to report that we have turned around from the loss of HK$66 million in 2019 to the gain of HK$212 million in 2020. There were several projects making significant gains in 2020 despite some projects were making losses. Other than those discussed in the section of our adjusted results, they are realized portion which give rise to more cash to the Group.
Capital Structure, Liquidity and Financial Resources

The Group generally finances its operations with internally generated cash flow as well as through the utilization of banking facilities and short-term notes. From time to time, the Company may raise funding by issuing new shares or debt instruments. The Group’s cash level at the end of 2020 was around HK$214 million (2019: HK$182 million).

At the end of 2020, the Group’s total borrowings amounted to HK$1,875 million, decreased by 8% from HK$2,037 million at the end of 2019. Borrowings mainly consisted of three components. The first component was utilized bank facilities of around HK$1,503 million (2019: HK$1,826 million), of which the Group had available aggregate banking facilities of around HK$3,849 million (2019: HK$4,249 million). Most of our banking facilities are based on putting our margin clients’ stock as collaterals (commonly known as “margin loan”). The second component was private notes issued by our listed company, which amounted to HK$370 million at the end of 2020 (2019: HK$211 million). They were very short term instruments ranging from 30 days to 180 days. The third component was the obligations under repurchase agreements, which recorded HK$2 million as at the end of 2020 (2019: Nil). At the end of 2020, the Group’s gearing ratio (leverage) was 32% (2019: 35%), being calculated as total borrowings over net assets. The management has applied prudent risk and credit management on the increased borrowing. In addition, the Group is required to strictly follow regulatory re-pledging ratios and prudent bank borrowing benchmarks that govern the extent of bank borrowings in the securities margin lending business.

Contingent liabilities

Counterclaim by a Hong Kong listed company

On 4 February 2019, China Tonghai Securities, our subsidiary, initiated legal proceedings against a Hong Kong listed company (the “Defendant”) in the High Court of the Hong Kong Special Administrative Region in respect of the failure of payment of commission fees to China Tonghai Securities under the agreement on provision of financial agency services dated 28 March 2018 (the “Agency Agreement”) to recover the remaining commission fees of HK$10.35 million not yet paid by the Defendant to China Tonghai Securities (not yet booked). The Defendant submitted its defense and counterclaim in mid-2019. Save as disclosed above, the Directors consider that the Group has no other contingent liabilities. Although the possible consequence of the above case is now uncertain, the Directors consider any possible legal obligations arising from the above counterclaim would not impose any material adverse impact on the financial position of the Group.

Material acquisitions, disposals and significant investments

For 2020, the Group had not made any material acquisitions and disposals of subsidiaries and associated companies. As at the end of 2020, the Group did not hold any significant investments.
Charges on the Group’s assets

At the end of 2020, assets of HK$1,409 million (2019: HK$1,297 million) were charged to banks and other lenders for facilities.

Exposure to fluctuations in exchange rates

All of the Group’s assets, liabilities and transactions are mainly denominated either in HKD or RMB. The Directors do not consider that the Group is exposed to any material foreign currency exchange risk.

Future plans

There are various areas that we have decided to focus more in the near future. Firstly, the Group is reviewing and reallocating our investment portfolios to adjust to the right risk appetite under the current macro-economic environment. Secondly, the Group is strengthening our recurring business by reviewing the key businesses like private client service, wealth management service, corporate finance and asset management businesses. Thirdly, the Group is likely to control the resource spent on capital-driven business and wisely use our overall leverage.

Capital Commitments

As at 31 December 2020, the Group had capital commitments amounting to approximately HK$318,000.

Employees and Remuneration Policies

On 31 December 2020, the Group had 249 full time employees (2019: 242) in Hong Kong and 33 full time employees (2019: 30) in Mainland China. In addition, the Group has 76 self-employed sales representatives (2019: 87). Competitive total remuneration packages are offered to employees by reference to industry remuneration research reports, prevailing market practices and standards and individual merit. Salaries are reviewed annually, and bonuses are paid with reference to individual performance appraisals, prevailing market conditions and the Group’s financial performance. Other benefits offered by the Group include MPF, medical and health insurance.
In accordance with paragraph 14.68(2)(b)(i) of the Listing Rules, the Company is required to include in this Circular a profit or loss statement for the preceding financial years on the identifiable net income stream in relation to such assets which must be reviewed by the reporting accountants to ensure that such information has been properly complied and derived from the underlying books and records of the Group provided by the Directors.

The unaudited profit or loss statements of the Sale Loan (the “Unaudited Profit or Loss Statements”) for the years ended 31 December 2018, 2019 and 2020 (the “Relevant Periods”) prepared by the Directors based on the underlying books and records of the Group during the Relevant Periods are set out below:

<table>
<thead>
<tr>
<th></th>
<th>For the year ended 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>HK’000</td>
</tr>
<tr>
<td>Interest income</td>
<td></td>
</tr>
<tr>
<td>— Pursuant to the Original Facility Agreement (Note (i))</td>
<td>26,271</td>
</tr>
<tr>
<td>— Pursuant to the Amendment and Restatement Agreement (Note (ii))</td>
<td>—</td>
</tr>
<tr>
<td>Expected credit loss provisions</td>
<td>(522)</td>
</tr>
<tr>
<td>Profit/(loss) before tax</td>
<td>25,749</td>
</tr>
</tbody>
</table>

Note (i): The Sale Loan has contributed interest income of HK$26,271,000 and HK$52,458,000 pursuant to the Original Facility Agreement for the year ended 31 December 2018 and 2019 respectively, totalling HK$78,729,000. The interest income of HK$52,458,000 for the year ended 31 December 2019 included the outstanding 50% default interest pursuant to the Original Facility Agreement of HK$37,061,000.

Note (ii): The Sale Loan has contributed interest income of HK$13,369,000 and HK$23,235,000 pursuant to the Amendment and Restatement Agreement for the year ended 31 December 2019 and 2020 respectively, totalling HK$36,604,000.

Pursuant to paragraph 14.68(2)(b)(i) of the Listing Rules, the Directors engaged KPMG, the reporting accountants of the Company, to perform certain factual finding procedures on the compilation of the Unaudited Profit and Loss Statements in accordance with the Hong Kong Standard on Related Services 4400, “Engagements to Perform Agreed-Upon Procedures Regarding Financial Information” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The procedures are performed solely assist the Directors to assess whether such information was in agreement with the underlying books and records and are summarised as follows:

(a) Obtain the Unaudited Profit and Loss Statements which contains the total interest income and total expected credit loss allowances for the three years ended 31 December 2020, 2019 and 2018, which was prepared by the management of the Company, and check its arithmetical accuracy.
(b) Obtain the interest calculation schedules prepared by management which was derived from the regularly maintained accounting records of the Company and recalculate the total interest income in the interest calculation schedules and report whether they are arithmetically accurate.

(c) Compare the amounts of total interest income shown on the Unaudited Profit and Loss Statements with the relevant amounts included in the interest calculation schedules and report whether the amounts are in agreement.

(d) Compare the original loan principal balances and interest rates of the Sale Loan as stated in the interest calculation schedules to the underlying loan contracts provided by management of the Company and report whether the amounts are in agreement.

(e) Obtain the annual expected credit loss provision summary prepared by management which was derived from the regularly maintained accounting records of the Company and recalculate the total annual expected credit loss provisions in the annual expected credit loss provision summary and report whether they are arithmetically accurate.

(f) Compare the amounts of annual expected credit loss provisions shown on the Unaudited Profit and Loss Statements with the relevant amounts included in the annual expected credit loss provision summary and report whether the amounts are in agreement.

The reporting accountant’s factual findings are as follows:

(a) Obtained the Unaudited Profit and Loss Statements and found that the total interest income and total expected credit loss allowances set forth therein and found them to be arithmetically accurate.

(b) Obtained the interest calculation schedules prepared by management and recalculated the total interest income in the interest calculation schedules and found them to be arithmetically accurate.

(c) Compared the amounts of total interest income shown on the Unaudited Profit and Loss Statements with the relevant amounts included in the interest calculation schedules and found such amounts to be in agreement.

(d) Compared the original loan principal balances and interest rates of the Sale Loan as stated in the interest calculation schedules to the underlying loan contracts provided by management of the Company and found such amounts to be in agreement.
(e) Obtained the annual expected credit loss provision summary prepared by management and recalculated the total annual expected credit loss provisions in the annual expected credit loss provision summary and found them to be arithmetically accurate.

(f) Compared the amounts of annual expected credit loss provisions shown on the Unaudited Profit and Loss Statements with the relevant amounts included in the annual expected credit loss provision summary and found such amounts to be in agreement.

The reporting accountants have performed the above agreed-upon procedures set out in the relevant engagement letter with the Company and reported its factual findings base on the agree-upon procedures to the Directors. Pursuant to the terms of the relevant engagement letter between the Company and the reporting accountants, the reported factual findings should not be used or relied upon by any other parties for any purpose.
(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is an illustrative unaudited pro forma financial information of the Group which comprises of unaudited pro forma consolidated statement of net assets as at 31 December 2020 and unaudited pro forma consolidated statement of profit or loss for the year ended 31 December 2020 of the Group (the “Unaudited Pro Forma Financial Information”), which have been prepared in accordance with paragraph 4.29 of the Listing Rules and on the basis of the notes set out below, for the purpose of illustrating the effect of the Disposal as if it had taken place on 31 December 2020 for the unaudited pro forma consolidated statement of net assets and 1 January 2020 for the unaudited pro forma consolidated statement of profit or loss for the year ended 31 December 2020.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position and financial results of the Group had the Disposal been completed on 31 December 2020 for the financial position or 1 January 2020 for the financial results at any future date.
Unaudited pro forma consolidated statement of net assets as at 31 December 2020

<table>
<thead>
<tr>
<th>Non-current assets</th>
<th>The Group as at 31 December 2020</th>
<th>Pro forma adjustment</th>
<th>The pro forma adjusted Group as at 31 December 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HK$’000</td>
<td>HK$’000</td>
<td>HK$’000</td>
</tr>
<tr>
<td></td>
<td>(Note 1)</td>
<td>(Note 2)</td>
<td></td>
</tr>
<tr>
<td>Financial assets held for trading and market making activities</td>
<td>113,039</td>
<td>113,039</td>
<td></td>
</tr>
<tr>
<td>Financial assets not held for trading and market making activities</td>
<td>8,050</td>
<td>8,050</td>
<td></td>
</tr>
<tr>
<td>Other loans</td>
<td>148,830</td>
<td>148,830</td>
<td></td>
</tr>
<tr>
<td>Interest in an associate</td>
<td>1,904</td>
<td>1,904</td>
<td></td>
</tr>
<tr>
<td>Interests in joint ventures</td>
<td>39,118</td>
<td>39,118</td>
<td></td>
</tr>
<tr>
<td>Goodwill and other intangible assets</td>
<td>17,782</td>
<td>17,782</td>
<td></td>
</tr>
<tr>
<td>Other assets</td>
<td>24,068</td>
<td>24,068</td>
<td></td>
</tr>
<tr>
<td>Investment property</td>
<td>9,600</td>
<td>9,600</td>
<td></td>
</tr>
<tr>
<td>Property and equipment</td>
<td>99,120</td>
<td>99,120</td>
<td></td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>64,790</td>
<td>64,790</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>526,301</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Current assets</th>
<th>The Group as at 31 December 2020</th>
<th>Pro forma adjustment</th>
<th>The pro forma adjusted Group as at 31 December 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HK$’000</td>
<td>HK$’000</td>
<td>HK$’000</td>
</tr>
<tr>
<td></td>
<td>(Note 1)</td>
<td>(Note 2)</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>214,461</td>
<td>261,018</td>
<td>475,479</td>
</tr>
<tr>
<td>Bank balances held on behalf of clients</td>
<td>1,448,532</td>
<td>1,448,532</td>
<td></td>
</tr>
<tr>
<td>Financial assets held for trading and market making activities</td>
<td>1,956,168</td>
<td>1,956,168</td>
<td></td>
</tr>
<tr>
<td>Financial assets not held for trading and market making activities</td>
<td>117,494</td>
<td>117,494</td>
<td></td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>94,899</td>
<td>94,899</td>
<td></td>
</tr>
<tr>
<td>Loans to margin clients</td>
<td>1,371,861</td>
<td>1,371,861</td>
<td></td>
</tr>
<tr>
<td>Advances to customers for merger and acquisition activities</td>
<td>189,448</td>
<td>189,448</td>
<td></td>
</tr>
<tr>
<td>Other loans</td>
<td>3,190,070</td>
<td>(261,018)</td>
<td>2,929,052</td>
</tr>
<tr>
<td>Reverse repurchase agreements</td>
<td>163,849</td>
<td>163,849</td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>545,225</td>
<td>545,225</td>
<td></td>
</tr>
<tr>
<td>Prepayments, deposits and other receivables</td>
<td>118,614</td>
<td>118,614</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>9,410,621</td>
</tr>
</tbody>
</table>
### APPENDIX III	UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

<table>
<thead>
<tr>
<th></th>
<th>The Group as at 31 December 2020</th>
<th>Pro forma adjustment</th>
<th>The pro forma adjusted Group as at 31 December 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HK$'000 (Note 1)</td>
<td>HK$'000 (Note 2)</td>
<td>HK$'000</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>1,954,531</td>
<td>1,954,531</td>
<td></td>
</tr>
<tr>
<td>Obligations under repurchase agreements</td>
<td>1,965</td>
<td>1,965</td>
<td></td>
</tr>
<tr>
<td>Bank and other borrowings</td>
<td>1,872,838</td>
<td>1,872,838</td>
<td></td>
</tr>
<tr>
<td>Contract liabilities</td>
<td>5,864</td>
<td>5,864</td>
<td></td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>35,196</td>
<td>35,196</td>
<td></td>
</tr>
<tr>
<td>Accruals and other payables</td>
<td>110,094</td>
<td>110,094</td>
<td></td>
</tr>
<tr>
<td>Tax payables</td>
<td>20,403</td>
<td>20,403</td>
<td></td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>4,000,891</td>
<td>4,000,891</td>
<td></td>
</tr>
<tr>
<td><strong>Total assets less current liabilities</strong></td>
<td>5,409,730</td>
<td>5,409,730</td>
<td></td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td>5,936,031</td>
<td>5,936,031</td>
<td></td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>44,814</td>
<td>44,814</td>
<td></td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td>5,891,217</td>
<td>5,891,217</td>
<td></td>
</tr>
</tbody>
</table>
Unaudited pro forma consolidated statement of profit or loss
For the year ended 31 December 2020

<table>
<thead>
<tr>
<th></th>
<th>The Group for the year ended 31 December 2020</th>
<th>Pro forma adjustments</th>
<th>The pro forma adjusted Group for the year ended 31 December 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HK$’000</td>
<td>HK$’000</td>
<td>HK$’000</td>
</tr>
<tr>
<td>Fee and commission income</td>
<td>234,242</td>
<td>234,242</td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>— Calculated using the effective interest method</td>
<td>424,552</td>
<td>(23,235)</td>
<td>401,317</td>
</tr>
<tr>
<td>— Calculated using other method</td>
<td>242,406</td>
<td>242,406</td>
<td></td>
</tr>
<tr>
<td>Net investment gain</td>
<td>203,415</td>
<td>(34,990)</td>
<td>168,425</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total revenue</td>
<td>1,104,615</td>
<td>1,046,390</td>
<td></td>
</tr>
<tr>
<td>Other income/(loss)</td>
<td>15,902</td>
<td>15,902</td>
<td></td>
</tr>
<tr>
<td>Direct cost</td>
<td>(165,747)</td>
<td>(165,747)</td>
<td></td>
</tr>
<tr>
<td>Staff cost</td>
<td>(255,215)</td>
<td>(255,215)</td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(48,243)</td>
<td>(48,243)</td>
<td></td>
</tr>
<tr>
<td>Expected credit loss provisions</td>
<td>(372,627)</td>
<td>58,225</td>
<td>(314,402)</td>
</tr>
<tr>
<td>Finance cost</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>— Interest on borrowings</td>
<td>(105,713)</td>
<td>(105,713)</td>
<td></td>
</tr>
<tr>
<td>— Interest on lease liabilities</td>
<td>(4,111)</td>
<td>(4,111)</td>
<td></td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>(53,662)</td>
<td>(53,662)</td>
<td></td>
</tr>
<tr>
<td>Share of result of an associate</td>
<td>(206)</td>
<td>(206)</td>
<td></td>
</tr>
<tr>
<td>Share of results of joint ventures</td>
<td>(1,873)</td>
<td>(1,873)</td>
<td></td>
</tr>
<tr>
<td>Profit before tax</td>
<td>113,120</td>
<td>113,120</td>
<td></td>
</tr>
<tr>
<td>Tax expense</td>
<td>(9,870)</td>
<td>(9,870)</td>
<td></td>
</tr>
<tr>
<td>Net profit attributable to equity holders of the Company</td>
<td>103,250</td>
<td>103,250</td>
<td></td>
</tr>
</tbody>
</table>
Notes to the Unaudited Pro Forma Financial Information of the Group

1. The consolidated statement of financial position of the Group as at 31 December 2020 and the consolidated statement of profit or loss of the Group for the year ended 31 December 2020 were extracted from the Group’s audited consolidated financial statements set forth in the published annual report for the year ended 31 December 2020.

2. Pursuant to the SPA, the Group has conditionally agreed to sell and the Buyer has conditionally agreed to buy the Sale Loan and the Call option at a consideration of approximately HK$261,018,000. The adjustment represents the receipt of sales consideration as if the Disposal, for the purpose of pro forma financial information, had been taken place on 31 December 2020.

\[
\begin{align*}
\text{Consideration} & \quad 261,018 \\
\text{Carrying value of the Sale Loan as at 31 December 2020} & \quad (261,018) \\
\text{Result on the Disposal} & \quad \_ \\
\text{Net increase in cash and cash equivalents on the Disposal} & \quad 261,018
\end{align*}
\]

*Note:* No other handling fee will be incurred on the Disposal

3. The adjustment represents the gain or loss on the Disposal as if the Disposal, for the purpose of pro forma financial information, had been taken place on 1 January 2020.

\[
\begin{align*}
\text{Consideration} & \quad 261,018 \\
\text{Carrying value of Sale Loan as at 1 January 2020} & \quad (370,631) \\
\text{Adjustment for the settlement of Sale Loan of HK$14,672,000 in January 2020 subsequent to 1 January 2020 (*Note (a)*)} & \quad 14,672 \\
\text{Adjustment for the settlement of Sale Loan of HK$42,699,000 in April 2020 subsequent to 1 January 2020 (*Note (b)*)} & \quad 42,699 \\
\text{Adjustment for the settlement of Sale Loan of HK$17,252,000 in July 2020 subsequent to 1 January 2020 (*Note (c)*)} & \quad 17,252 \\
\text{Loss on the Disposal} & \quad (34,990)
\end{align*}
\]

*Note (a):* For the purpose of pro forma financial information, the settlements made by the Borrower of principal and accrued interest of HK$14,053,000 and HK$619,000 respectively, totalling HK$14,672,000 pursuant to the Amendment and Restatement Agreement, were assumed as if they had taken place on 1 January 2020.
Note (b): For the purpose of pro forma financial information, the settlements made by the Borrower of principal and accrued interest of HK$39,904,000 and HK$2,795,000 respectively, totalling HK$42,699,000 pursuant to the Amendment and Restatement Agreement, were assumed as if they had taken place on 1 January 2020.

Note (c): For the purpose of pro forma financial information, the settlements made by the Borrower of principal and accrued interest of HK$15,564,000 and HK$1,688,000 respectively, totalling HK$17,252,000 pursuant to the Amendment and Restatement Agreement, were assumed as if they had taken place on 1 January 2020.

4 The adjustments represent the exclusion of the identifiable income stream for the Sale Loan for the year ended 31 December 2020 as if the Disposal had been completed on 1 January 2020 for the unaudited pro forma consolidated statement of profit or loss.

(a) The decrease in revenue of approximately HK$23,235,000, being the reversal of the interest income from Sale Loan for the year ended 31 December 2020; and

(b) The decrease in expected credit loss provisions of approximately HK$58,225,000, being the reversal of the expected credit loss provisions arising from the Sale Loan for the year ended 31 December 2020.

5 The above pro forma adjustments are not expected to have continuing effect on the unaudited pro forma statement of profit or loss of the Group.

6 No adjustments have been made to reflect any operating results or other transactions of the Group entered into subsequent to 31 December 2020, for the preparation of the unaudited pro forma consolidated statement of profit and loss of the Group for the year ended 31 December 2020 or the unaudited pro forma consolidated net assets statement of the Group as at 31 December 2020, respectively.
INDEPENDENT REPORTING ACCOUNTANT’S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of China Tonghai International Financial Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Tonghai International Financial Limited (the “Company”) and its subsidiaries (collectively the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated net asset statement as at 31 December 2020, the unaudited pro forma consolidated statement of profit or loss for the year ended 31 December 2020 and related notes as set out in Part A of Appendix III of the circular dated 27 April 2021 (the “Circular”) issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix III to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the disposal of Sale Loan and the Call Option (the “Transaction”) on the Group’s financial position as at 31 December 2020 and the Group’s financial performance for the year ended 31 December 2020 as if the Transaction had taken place at 31 December 2020 and 1 January 2020, respectively. As part of this process, information about the Group’s financial position as at 31 December 2020 and the Group’s financial performance for the year ended 31 December 2020 has been extracted by the Directors from the consolidated financial statements of the Company for the year ended 31 December 2020, on which an audit report has been published.

Directors’ Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).
Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“HKSAE”) 3420, “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus”, issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the events had occurred or the transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2020 and 1 January 2020 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the

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APPENDIX III UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“HKSAE”) 3420, “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus”, issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the events had occurred or the transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2020 and 1 January 2020 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the
compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants’ judgement, having regard to the reporting accountant’s understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants

8th Floor, Prince’s Building
10 Chater Road
Central, Hong Kong
27 April 2021
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

Interests of the Directors

As at the Latest Practicable Date, interests of the Directors and the chief executive of the Company and their respective associates in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules (the “Model Code”) to be notified to the Company and the Stock Exchange were as follows:

I. Long position in the Shares and the underlying Shares

<table>
<thead>
<tr>
<th>Name of Directors</th>
<th>Capacity</th>
<th>Number of Shares held</th>
<th>Approximate percentage of total interests in the Shares in issue (Note 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Kenneth LAM Kin Hing</td>
<td>Beneficial owner</td>
<td>113,072,833</td>
<td>1.82%</td>
</tr>
</tbody>
</table>
II. Long positions in the shares of associated corporations of the Company

(a) Oceanwide Holdings Co., Ltd. (“Oceanwide Holdings”)

<table>
<thead>
<tr>
<th>Name of Director</th>
<th>Capacity</th>
<th>Number of shares in Oceanwide Holdings</th>
<th>Approximate percentage of shareholding in Oceanwide Holdings (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. HAN Xiaosheng</td>
<td>Beneficial owner</td>
<td>3,500,000</td>
<td>0.06%</td>
</tr>
<tr>
<td>Mr. ZHANG Xifang</td>
<td>Beneficial owner</td>
<td>276,000</td>
<td>0.005%</td>
</tr>
<tr>
<td>Mr. LIU Hongwei</td>
<td>Beneficial owner</td>
<td>30,000</td>
<td>0.0005%</td>
</tr>
<tr>
<td>Mr. LIU Bing</td>
<td>Beneficial owner</td>
<td>90,000</td>
<td>0.001%</td>
</tr>
<tr>
<td>Mr. ZHAO Yingwei</td>
<td>Beneficial owner</td>
<td>200,000</td>
<td>0.003%</td>
</tr>
<tr>
<td>Mr. ZHAO Xiaoxia</td>
<td>Beneficial owner</td>
<td>183,500</td>
<td>0.003%</td>
</tr>
</tbody>
</table>

(b) China Oceanwide Holdings Limited (“China Oceanwide”)

<table>
<thead>
<tr>
<th>Name of Director</th>
<th>Capacity</th>
<th>Number of shares in China Oceanwide</th>
<th>Approximate percentage of shareholding in China Oceanwide (Note 2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. LIU Jipeng</td>
<td>Beneficial owner</td>
<td>9,212,000</td>
<td>0.05%</td>
</tr>
</tbody>
</table>

III. Interest in the debentures of the associated corporation of the Company

<table>
<thead>
<tr>
<th>Name of Director</th>
<th>Name of associated corporation</th>
<th>Nature of interest</th>
<th>Amount of debenture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Kenneth LAM Kin Hing</td>
<td>Oceanwide Holdings International Development III Co., Ltd.</td>
<td>Personal Interest</td>
<td>USD5,500,000 (Note 3)</td>
</tr>
</tbody>
</table>

Notes:

1. The approximate percentage shown was the number of Shares the relevant Director was interested expressed as a percentage of the total number of issued Shares as at the Latest Practicable Date.
2. The approximate percentage shown was the number of shares the relevant Director was interested in expressed as a percentage of the total number of issued shares of the relevant entity as at the Latest Practicable Date.

3. Mr. Kenneth LAM Kin Hing has an interest in (i) US$5,000,000 of the US$215,000,000 12% guaranteed senior notes due 2021; and (ii) US$500,000 of the US$280,000,000 14.5% guaranteed senior notes due 2021, both issued by Oceanwide Holdings International Development III Co., Ltd.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they would be taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, none of the Directors was a director or employee of a company which had or was deemed to have an interest or short position in the Shares or underlying shares in respect of equity derivatives of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**Interest of the substantial Shareholders**

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of SFO, and so far as was known to the Directors or chief executive of the Company, the following persons (other than a Director or a chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the issued voting shares capital of any other member of the Group:
Long positions in Shares and underlying Shares

<table>
<thead>
<tr>
<th>Name of holder of Shares/underlying Shares</th>
<th>Capacity</th>
<th>Number of Shares and underlying Shares held</th>
<th>Approximate percentage of the total issued share capital of the Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Lu Zhiqiang (“Mr. LU”)</td>
<td>Interest of controlled corporations</td>
<td>4,493,764,732</td>
<td>72.51%</td>
</tr>
<tr>
<td>Ms. Huang Qiongzi</td>
<td>Interest of controlled corporations</td>
<td>4,493,764,732</td>
<td>72.51%</td>
</tr>
<tr>
<td>Tohigh Holdings Co., Ltd.* (通海控股有限公司)</td>
<td>Interest of controlled corporations</td>
<td>4,493,764,732</td>
<td>72.51%</td>
</tr>
<tr>
<td>Oceanwide Group Co., Ltd.* (泛海集团有限公司)</td>
<td>Interest of controlled corporations</td>
<td>4,493,764,732</td>
<td>72.51%</td>
</tr>
<tr>
<td>China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集团有限公司)</td>
<td>Interest of controlled corporations</td>
<td>4,493,764,732</td>
<td>72.51%</td>
</tr>
<tr>
<td>Oceanwide Holdings</td>
<td>Interest of controlled corporations</td>
<td>4,493,764,732</td>
<td>72.51%</td>
</tr>
<tr>
<td>China Oceanwide Group Limited</td>
<td>Interest of controlled corporations</td>
<td>4,493,764,732</td>
<td>72.51%</td>
</tr>
<tr>
<td>Oceanwide Holdings International Financial Development Co., Ltd. (“Oceanwide Holdings IF”)</td>
<td>Beneficial owner</td>
<td>4,493,764,732</td>
<td>72.51%</td>
</tr>
<tr>
<td>Haitong Securities Co., Ltd.</td>
<td>Interest of controlled corporations</td>
<td>4,100,000,000</td>
<td>66.16%</td>
</tr>
<tr>
<td>Haitong International Holdings Limited</td>
<td>Interest of controlled corporations</td>
<td>4,100,000,000</td>
<td>66.16%</td>
</tr>
<tr>
<td>Haitong International Securities Group Limited</td>
<td>Interest of controlled corporations</td>
<td>4,100,000,000</td>
<td>66.16%</td>
</tr>
<tr>
<td>Haitong International Investment Solutions Limited</td>
<td>Security interest in Shares</td>
<td>4,100,000,000</td>
<td>66.16%</td>
</tr>
</tbody>
</table>
Notes:

1. Mr. LU and Ms. Huang Qiongzi (the spouse of Mr. LU) together hold more than one-third of the voting power at general meetings of Tohigh Holdings Co., Ltd.* (通海控股集团有限公司). By virtue of the SFO, Mr. LU and Ms. Huang Qiongzi are deemed to be interested in all the Shares in which Tohigh Holdings Co., Ltd.* (通海控股集团有限公司) is interested.

2. Tohigh Holdings Co., Ltd.* (通海控股集团有限公司) holds the entire issued share capital of Oceanwide Group Co., Ltd.* (泛海集团有限公司). By virtue of the SFO, Tohigh Holdings Co., Ltd.* (通海控股集团有限公司) is deemed to be interested in all the Shares held by Oceanwide Group Co., Ltd.* (泛海集团有限公司).

3. Oceanwide Group Co., Ltd.* (泛海集团有限公司) holds 98% interest in the issued share capital of China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集团有限公司). By virtue of the SFO, Oceanwide Group Co., Ltd.* (泛海集团有限公司) is deemed to be interested in all the Shares held by China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集团有限公司).

4. China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集团有限公司) directly and indirectly holds 70.88% interest in the issued share capital of Oceanwide Holdings. By virtue of the SFO, China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集团有限公司) is deemed to be interested in all the Shares held by Oceanwide Holdings.

5. Oceanwide Holdings IF is a wholly-owned subsidiary of China Oceanwide Group Limited, which in turn is a wholly-owned subsidiary of Oceanwide Holdings. During 2 January 2020 to the Latest Practicable Date, the Company was informed by the Oceanwide Holdings IF that a total of 690,000 Shares were sold in the open market, as a result of which the number of Shares it held was reduced from 4,494,454,732 to 4,493,764,732. By virtue of the SFO, China Oceanwide Group Limited and Oceanwide Holdings are deemed to be interested in 4,493,764,732 Shares.

6. Haitong Securities Co., Ltd held 100% interest in the issued share capital of Haitong International Holdings Limited. By virtue of the SFO, Haitong Securities Co., Ltd is deemed to be interested in all the Shares held by Haitong International Holdings Limited.

7. Haitong International Holdings Limited indirectly held 63.08% interest in the issued share capital of Haitong International Securities Group Limited. By virtue of the SFO, Haitong International Holdings Limited is deemed to be interested in all the Shares held by Haitong International Securities Group Limited.


9. According to the announcement of Oceanwide Holdings dated 5 December 2018, Oceanwide Holdings IF issued to Haitong International Investment Solutions Limited the short term notes in the principal amount up to HK$1,100,000,000 pursuant to which Oceanwide Holdings IF has pledged 4,100,000,000 Shares (representing 66.16% of the issued share capital of the Company as at the Latest Practicable Date) to Haitong International Investment Solutions Limited.

10. The following entities, namely Tisé Media Fund LP and China Alliance Properties Limited (and its associates), disclosed to the Company that they were, directly or indirectly interested or deemed to be interested in 5% or more of the Shares on 28 August 2015 pursuant to the
subscription agreement entered among the Company, CMBC International Holdings Limited ("CMBCI"), and the co-investors, namely New Hope Global Holding Co., Limited, United Energy International Trading Limited, Mind Power Investments Limited, China P&I Services (Hong Kong) Limited, China Alliance Properties Limited, Good First International Holding Limited, Divine Unity Limited, Tisé Media Fund LP, Novel Well Limited, Ristora Investments Limited and Insight Multi-Strategy Funds SPC for the account of Insight Phoenix Fund III SP (together “Co-Investors”) on 28 August 2015 which CMBCI and the Co-Investors had conditionally agreed to subscribe for an aggregate of 23,054,875,391 shares of the Company at the subscription price of HK$0.565 per Subscription Share (the “First Subscription Agreement”).

As disclosed in the announcement of the Company dated 1 March 2016, the First Subscription Agreement ceased to be effective as of 28 February 2016 as certain conditions precedent under the First Subscription Agreement remained outstanding as at the long stop date. Accordingly, as at the Latest Practicable Date, as far as the Directors were aware, CMBCI and the Co-Investors had ceased to have any interests in the Shares.

11. The approximate percentage shown was the number of Shares the relevant company/person was interested in expressed as a percentage of the total number of issued Shares as at the Latest Practicable Date.

Save as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, no person (other than a Director and chief executive of the Company) had or was deemed or taken to have an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or any other member of the Group.
3. COMPETING INTERESTS

As at the Latest Practicable Date, the following Director had interests in the following businesses (apart from the businesses of the Company or its subsidiaries) conducted through the companies named below, their subsidiaries, associated companies or other investment forms which are considered to compete or be likely to compete, either directly or indirectly, with the principal businesses of the Group conducted during the year and are required to be disclosed pursuant to Rule 8.10(2) of the Listing Rules:

<table>
<thead>
<tr>
<th>Name of Director</th>
<th>Investing entity</th>
<th>Nature of interest</th>
<th>Nature of business considered to compete or likely to compete with the business of the Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. ZHANG Xifang</td>
<td>Minsheng Securities Co., Ltd.*</td>
<td>director</td>
<td>Securities business</td>
</tr>
</tbody>
</table>

(Minsheng Securities Co., Ltd.* (民生證券股份有限公司)

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

The Directors are aware of their fiduciary duties and will act honestly and in good faith in the interests of the Company and will avoid any potential conflict of interests and duties.

4. INTERESTS IN CONTRACT OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors had any interests in contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group taken as a whole.

5. INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets acquired by or disposed of or leased to any member of the Group, or is proposed to be acquired by or disposed of or leased to any member of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up.

6. DIRECTORS’ SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which were not expiring and determinable by the Group within one year without payment of compensation (other than statutory compensation).
7. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or arbitration of material importance known to the Directors to be pending or threatened by or against any members of the Group.

8. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) had been entered into by the Company or any of its subsidiaries within two years preceding the issue of this circular and ending on the Latest Practicable Date, which are or may be material in relation to the business of the Group:

(i) The SPA dated 17 March 2021 entered into between the Seller and the Buyer in relation to the Disposal;

(ii) the fifth supplemental agreement dated 31 December 2020 entered into between the lender and the borrower in relation to the extension of a loan in the amount of HK$163.8 million to 27 June 2021;

(iii) the loan facility agreement dated 30 December 2020 entered into between the lender, the borrower and the personal guarantor in relation to the provision of a loan facility of HK$15.0 million;

(iv) the loan facility agreement dated 10 December 2020 entered into between the lender, the borrower and the personal guarantors in relation to the provision of a loan facility of HK$70.0 million;

(v) the supplemental agreement dated 21 August 2020 entered into between the lender and the borrower in relation to the extension of a loan in the amount of HK$32.5 million to 18 June 2021;

(vi) the amendment and restatement agreement dated 29 July 2020 entered into among the Lenders, the Borrower, the Guarantors and the Agent in relation to the extension of maturity date of loan to 2 September 2020, of which HK$267,511,768.44 is attributable to China Tonghai Holdings;

(vii) the deed of call option entered into among the Grantor, HGH, the Agent and the Grantees in respect of the call option;

(viii) the sale and purchase agreement dated 22 June 2020 entered into between China Tonghai Holdings and the purchaser in relation to the sale and purchase of the notes in the principal amount of HK$25 million;
(ix) the hedging contract dated 17 June 2020 entered into between China Tonghai Holdings and the counterparty in relation to the hedging of reference shares being maximum of 154,275,711 shares of Guotai Junan International Holdings Limited (stock code: 1788);

(x) the loan facility agreement dated 8 May 2020 enter into between the lender and the borrower in relation to the short term loan with principal amount of HK$120 million;

(xi) the third supplemental agreement dated 17 April 2020 entered into between the lender and the borrower in relation to the extension of a loan in the amount of HK$194 million to 31 March 2021;

(xii) the fourth supplemental agreement dated 17 April 2020 entered into between the lender and the borrower in relation to the extension of a loan in the amount of HK$255 million to 31 March 2021;

(xiii) the fifth supplemental agreement dated 17 April 2020 entered into between the lender and the borrower in relation to the extension of a loan in the amount of HK$245 million to 31 March 2021;

(xiv) the framework services agreement entered into between the Company and China Oceanwide on 30 August 2019 in relation to various services, investment, lending and underwriting transactions with each other effective from 1 January 2020 to 31 December 2022;

(xv) the framework services agreement entered into between the Company and Oceanwide Holdings on 30 August 2019 in relation to various services, investment, lending and underwriting transactions with each other effective from 1 January 2020 to 31 December 2022; and

(xvi) the framework services agreement entered into between the Company and Tohigh Holdings Co., Ltd* (通海控股有限公司) on 30 August 2019 in relation to various services, investment, lending and underwriting transactions with each other effective from 1 January 2020 to 31 December 2022.

Save as disclosed above, as at the Latest Practicable Date, no contract (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) had been entered into by any members of the Group within two years preceding the issue of this circular and ending on the Latest Practicable Date and are or may be material.
9. EXPERT AND CONSENT

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

<table>
<thead>
<tr>
<th>Name</th>
<th>Qualification</th>
</tr>
</thead>
<tbody>
<tr>
<td>KPMG</td>
<td>Certified Public Accountants</td>
</tr>
</tbody>
</table>

KPMG has given and have not withdrawn its written consent to the issue of this circular with the inclusion of its letter and report and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, KPMG did not have any shareholding in any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interest in any assets which have been since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

10. GENERAL

(i) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(ii) The head office and principal place of business in Hong Kong of the Company is located on 18th and 19th Floors, China Building, 29 Queen’s Road Central, Hong Kong.

(iii) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited on Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.

(iv) The company secretary of the Company is Ms. Hortense CHEUNG Ho Sze who is an associate member of both The Chartered Governance Institute and The Hong Kong Institute of Chartered Secretaries.

(v) This circular has been prepared in both English and Chinese. In the event of any discrepancy, the English text shall prevail over the Chinese text.
11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on business days on 18th Floor, China Building, 29 Queen’s Road Central, Hong Kong on any weekday (except Saturdays, Sundays and public holidays) from the date of this circular up to and including the date of the SGM:

(i) the memorandum of association and bye-laws of the Company;

(ii) the annual reports of the Company for the year ended 31 December 2018, 2019 and 2020;

(iii) the written consents referred to in the paragraph headed “Expert and Consent” in this appendix;

(iv) the report from KPMG on the unaudited pro forma financial information of the Group, the text of which is set out in Appendix III of this circular;

(v) the material contracts referred to in the paragraph headed “Material Contracts” in this appendix; and

(vi) This circular.
NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT a special general meeting (the “SGM”) of China Tonghai International Financial Limited (the “Company”) will be held at Gloucester Room, 2/F, Mandarin Oriental, Hong Kong, 5 Connaught Road Central, Hong Kong on Friday, 21 May 2021 at 11:30 a.m. for the purpose of considering and, if thought fit, passing the following resolution, with or without amendments, as ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT:

(a) the Disposal as defined and described in the circular of the Company dated 27 April 2021 (the “Circular”) are hereby approved; and

(b) the directors of the Company (the “Directors”) be and are hereby generally and unconditionally authorised to do all such further acts and things and to sign and execute all such other or further documents and to take all such steps as in the Directors sole and absolute discretion deem necessary, appropriate, desirable or expedient to implement and/or give effect to approve the Disposal (as defined in the Circular), as aforesaid.”

Yours faithfully,
By order of the Board of
China Tonghai International Financial Limited
HAN Xiaosheng
Chairman

Hong Kong, 27 April 2021
NOTICE OF SPECIAL GENERAL MEETING

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place
of Business in Hong Kong:
18th and 19th Floors
China Building
29 Queen’s Road Central
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or, if he is the holder of two or more shares, more than one proxy to attend and, subject to the provisions of the Bye-laws of the Company, vote in his stead. A proxy need not be a member of the Company but must be present in person to represent the member.

2. Completion and deposit of the form of proxy will not preclude you from attending and voting in person at the meeting if you so wish. In the event that you attend the meeting after having returned a form of proxy to the branch share registrar of the Company in Hong Kong, your form or forms of proxy shall be deemed to be revoked.

3. In the case of joint holders, any one of such holders may attend and vote at the meeting either personally or by proxy, but if more than one of such joint holders are present at the meeting personally or by proxy, the vote of the said persons so present whose name stands first on the register of members in respect of the joint holding shall be accepted to the exclusion of the votes of the other joint holders.

4. In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a corporation, either under its common seal, or under the hand of any officer or attorney or other person, duly authorised; and the form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a certified copy of such power of attorney or authority must be deposited at the office of the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited, on Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjourned meeting thereof.

5. The Directors has fixed 4:30 p.m. on Friday, 14 May 2021 as the record time and date for ascertaining the entitlement of shareholders of the Company (the “Shareholder(s)”) to attend and vote at the meeting. All transfers of shares accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at the address set out at Note (4) above not later than 4:30 p.m. on Friday, 14 May 2021.
6. If a tropical cyclone warning signal no. 8 or above is in force in Hong Kong at any time between 8:00 a.m. to 11:30 a.m. on Friday, 21 May 2021, the SGM will not be held on that day but will be automatically postponed. The Company will publish an announcement on its website (www.tonghaifinancial.com) and on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) to notify members of the Company of the date, time and location of the rescheduled meeting.

7. In view of the ongoing novel coronavirus (COVID-19) pandemic and recent requirements for prevention and control of its spread, the Company will implement the following preventive measures at the SGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:

   (i) compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee at the entrance of the SGM venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the SGM venue or be required to leave the SGM venue;

   (ii) the Company will require all attendees to wear surgical face masks before they are permitted to attend, and during their attendance of the SGM at all times, and to maintain a safe distance between seats;

   (iii) no refreshment will be served at the SGM;

   (iv) no corporate gift will be distributed at the SGM; and

   (v) each attendee may be asked whether (a) he/she travels outside of Hong Kong within the 14-day period immediately before the SGM; and (b) he/she is subject to any Hong Kong Government prescribed quarantine. Anyone who responds positively to any of these questions may be denied entry into the SGM venue or be required to leave the SGM venue.

Any person who does not comply with above requirements may be denied entry into the SGM venue or be required to leave the SGM venue. To the extent permitted under law, the Company reserves the right to deny entry into the SGM venue or require any person to leave the SGM venue in order to ensure the safety of other attendees at the SGM. In our case, denied entry to the SGM venue also means that person will not be allowed to attend the SGM.

In the interest of all stakeholders’ health and safety and in accordance with recent guidelines for prevention and control of the spread of novel coronavirus, the Company reminds all Shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising voting rights. As an alternative, the Shareholders may complete the proxy forms and appoint the chairman of the SGM as their proxy to vote on the resolution at the SGM instead of attending the SGM in person.
As at the date of this notice, the Board of the Company comprises:

Executive Directors:
Mr. HAN Xiaosheng (Chairman)
Mr. FANG Zhou (Deputy Chairman)
Mr. ZHANG Xifang
Mr. LIU Hongwei
Mr. Kenneth LAM Kin Hing

Non-executive Directors:
Mr. LIU Bing
Mr. ZHAO Yingwei
Mr. ZHAO Xiaoxia

Independent Non-executive Directors:
Mr. Roy LO Wa Kei
Mr. KONG Aiguo
Mr. LIU Jipeng
Mr. HE Xuehui
Mr. HUANG Yajun