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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 or registered institution in securities, 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).

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中國通海國際金融有限公司 CHINA TONGHAI INTERNATIONAL FINANCIAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 952)

MAJOR AND CONNECTED TRANSACTION AND SPECIAL DEAL IN RELATION TO EXTENSION OF LONG STOP DATE OF THE SETTLEMENT AGREEMENT

Financial adviser to China Tonghai International Financial Limited



中國通海企業融資
CHINA TONGHAI CAPITAL

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

ALTUS CAPITAL 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 7 to 26 of this circular.

A notice convening the Extension SGM to be held at 11:30 a.m. on 10 March 2023 is set out on pages 66 to 69 of this circular.

Whether or not you are able to attend the Extension 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the Extension 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 Extension 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 revoked.

PRECAUTIONARY MEASURES FOR THE EXTENSION SPECIAL GENERAL MEETING

Please see pages i and ii of this circular for measures being taken to try to prevent and control the spread of the novel coronavirus at the Extension 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 Extension SGM venue. The Company reminds Shareholders that they may appoint the Extension Chairman as their proxy to vote on the relevant resolutions at the Extension SGM as an alternative to attending the Extension SGM in person.

13 February 2023

PRECAUTIONARY MEASURES FOR THE EXTENSION 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 Extension 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 Extension SGM venue. Any person with a body temperature of over 37.4 degrees Celsius or the reference point announced by the Department of Health from time to time, or is exhibiting flu-like symptoms may be denied entry into the Extension SGM venue or be required to leave the Extension 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 Extension SGM at all times, and to maintain a safe distance between seats;
- (iii) no refreshment will be served at the Extension SGM;
- (iv) no corporate gift will be distributed at the Extension 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 Extension 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 Extension SGM venue or be required to leave the Extension SGM venue.

Any person who does not comply with above requirements may be denied entry into the Extension SGM venue or be required to leave the Extension SGM venue. To the extent permitted under law, the Company reserves the right to deny entry into the Extension SGM venue or require any person to leave the Extension SGM venue in order to ensure the safety of other attendees at the Extension SGM. In our case, denied entry to the Extension SGM venue also means that person will not be allowed to attend the Extension SGM. If any attendee is denied from entering or is required to leave the Extension SGM venue, the attendee will be able to vote by submitting a voting slip to the scrutineer at the entrance of the Extension SGM venue.

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 Extension SGM is not necessary for the purpose of exercising voting rights. As an alternative, the Shareholders may complete the proxy forms and appoint the Extension Chairman as their proxy to vote on the relevant resolutions at the Extension SGM instead of attending the Extension SGM in person. Shareholders who choose to do so should take action as soon as possible to ensure the proxy instructions reach the Company's Hong Kong branch share registrar not less than forty-eight (48) hours before the time appointed for holding the Extension SGM or any adjourned meeting thereof. **The Company reminds that Shareholders should state their specific direction clearly in the proxy form.** If the form of proxy returned is duly signed but without specific direction on any of the proposed resolutions, the proxy will vote or abstain

PRECAUTIONARY MEASURES FOR THE EXTENSION SGM

at his/her/its discretion in respect of all resolutions; or if in respect of a particular proposed resolution there is no specific direction, the proxy will, in relation to that particular proposed resolution, vote or abstain at his/her/its discretion.

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 HKEXnews website 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 Extension 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong
Email:	is-enquiries@hk.tricorglobal.com
Telephone:	(852) 2980 1333
Fax:	(852) 2810 8185

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DEFINITIONS

In this circular, unless the context requires otherwise, the following terms shall have the following meanings:

“Board”	the board of Directors
“China Oceanwide”	China Oceanwide Holdings Limited, an indirect subsidiary of Oceanwide Holdings and whose shares are listed on the Stock Exchange (Stock code: 715)
“China Oceanwide Framework Agreements”	the framework agreements entered into between the Company and China Oceanwide on 21 September 2017 and 30 August 2019 in relation to, among other things, lending transactions between the parties
“China Oceanwide Group”	China Oceanwide and its subsidiaries
“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”	Tranche A Completion and Tranche B Completion
“Consideration Shares”	Tranche A Consideration Shares and Tranche B Consideration Shares
“Debt A”	the aggregate amount of the principal of the unsecured debts owed to (i) China Tonghai Securities Limited, an indirect wholly-owned subsidiary of the Company, by OHID of US\$26,000,000; (ii) China Tonghai Capital (Holdings) Limited, a wholly-owned subsidiary of the Company, by OHID of US\$77,000,000; and (iii) China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company, by OHID of HK\$691,000,000
“Debt B”	the aggregate amount of the principal of the unsecured debts owed to China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company, by China Oceanwide of HK\$480,000,000
“Debts”	Debt A and Debt B
“Director(s)”	the director(s) of the Company
“Executive”	the executive director of the Corporate Finance Division of the SFC from time to time and any delegate of such executive director

DEFINITIONS

“Extension”	the extension of Long Stop Date from 31 July 2022 to 30 June 2023 (or such other date as the parties may agree in writing)
“Extension Chairman”	the chairman of the Extension SGM to be appointed by the Company, who is a member of the Extension Independent Board Committee that is independent of the Company and does not hold any Shares
“Extension Independent Board Committee”	an independent committee of the Board (which comprises Mr. Roy LO Wa Kei, Mr. KONG Aiguo, Mr. HE Xuehui, and Mr. HUANG Yajun, all being the independent non-executive Directors with no direct or indirect interest in the Extension) established to advise the Independent Shareholders in respect of the Extension
“Extension Independent Financial Adviser” or “Altus Capital”	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed for the purpose of advising the Extension Independent Board Committee and the Independent Shareholders in respect of the Extension
“Extension SGM”	the special general meeting of the Company to be held for the purpose of, considering and if thought fit, approving the Extension
“First Supplemental Agreement”	the first supplemental agreement entered into between the Company, Oceanwide Holdings and China Oceanwide on 30 November 2021 in relation to the Settlement Arrangements
“Framework Agreements”	the China Oceanwide Framework Agreements and the Oceanwide Holdings Framework Agreements
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Shareholders”	the Shareholders other than (i) the Offeror, Mr. LAM, Mr. HAN and other Directors (excluding the members of the Extension Independent Board Committee), (ii) the Vendor Group and (iii) those who are involved in and/or interested in the Framework Agreements, Settlement Agreement (as amended by the First Supplemental Agreement and the Second Supplemental Agreement), and the Extension (other than solely as Shareholders) and are required under the Listing Rules and the Takeovers Code to abstain from voting on the resolutions to be proposed at the Extension SGM
“Independent Third Party”	a third party independent of and not connected with the Company or any of its connected persons (as defined in the Listing Rules)
“Latest Practicable Date”	10 February 2023, being the latest practicable date for ascertaining certain information in this circular before the printing of this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	long stop date of the Settlement Agreement
“Mr. HAN”	Mr. HAN Xiaosheng, an executive Director and the chairman of the Company, and he is interested in 49% of the entire issued share capital of the Offeror and a director of the Offeror
“Mr. LAM”	Mr. Kenneth LAM Kin Hing, an executive Director and the chief executive officer of the Company, and he is interested in 51% of the entire issued share capital of the Offeror and a director of the Offeror
“NAV”	consolidated net asset value
“Oceanwide Holdings”	Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司), a joint stock company incorporated in the PRC, the shares of which are listed on the Shenzhen Stock Exchange (Stock code: 000046)
“Oceanwide Holdings Framework Agreements”	the framework agreements entered into between the Company and Oceanwide Holdings on 21 September 2017 and 30 August 2019 in relation to, among other things, lending transactions between the parties
“Oceanwide Holdings Group”	Oceanwide Holdings and its subsidiaries, which for the purpose of this circular, excluding the China Oceanwide Group and the Group

DEFINITIONS

“Oceanwide Holdings IF”	Oceanwide Holdings International Financial Development Co., Ltd., a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of Oceanwide Holdings
“Offeror”	Quam Tonghai Holdings Limited, a company incorporated in Hong Kong with limited liability, which is beneficially owned as to 51% by Mr. LAM and 49% by Mr. HAN
“OHID”	Oceanwide Holdings International Development III Co., Ltd, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of Oceanwide Holdings
“PRC”	the People’s Republic of China excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Second Supplemental Agreement”	the second supplemental agreement entered into between the Company, Oceanwide Holdings and China Oceanwide on 31 March 2022 in relation to the Settlement Arrangements
“Settlement Agreement”	the debt settlement agreement dated 24 August 2021 (as amended and supplemented by later agreements dated 30 November 2021 and 31 March 2022) entered into among the Company, Oceanwide Holdings and China Oceanwide in relation to the Settlement Arrangements
“Settlement Arrangement A”	the arrangement to settle Debt A by means of transfer of the Tranche A Consideration Shares from Oceanwide Holdings to the Company (or its nominee) and the settlement of all outstanding interest accrued on Debt A up to the date of Tranche A Completion in cash
“Settlement Arrangement B”	the arrangement to settle Debt B by means of transfer of Tranche B Consideration Shares from Oceanwide Holdings to the Company (or its nominee) and the settlement of all outstanding interest accrued on Debt B up to the date of Tranche B Completion in cash
“Settlement Arrangements”	the Settlement Arrangement A and the Settlement Arrangement B
“SFC”	Securities and Futures Commission of Hong Kong

DEFINITIONS

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of Hong Kong one third of one cent each in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued ordinary share(s) of the Company
“Shenzhen Stock Exchange”	the Shenzhen Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC
“Target Company”	Wuhan CBD Co., Ltd.* (武漢中央商務區股份有限公司), a company established in the PRC
“Target Group”	the Target Company and its subsidiaries
“Tranche A Completion”	completion of the Settlement Arrangement A
“Tranche A Consideration Shares”	issued shares of the Target Company to be transferred from Oceanwide Holdings to the Company (or its nominee) to fully settle Debt A in accordance with the Settlement Arrangement A
“Tranche B Completion”	completion of the Settlement Arrangement B
“Tranche B Consideration Shares”	issued shares of the Target Company to be transferred from Oceanwide Holdings to the Company (or its nominee) to fully settle Debt B in accordance with the Settlement Arrangement B
“US\$”	United States dollar(s), the lawful currency of the United States of America

DEFINITIONS

- “Vendor” Oceanwide Holdings IF, a company incorporated in the British Virgin Islands with limited liability, being the Shareholder which holds 395,254,732 Shares (representing approximately 6.38% of the entire issued share capital of the Company as at the date of this circular). As at Latest Practicable Date, the Vendor was wholly-owned by China Oceanwide Group Limited, which was wholly-owned by Oceanwide Holdings. 58.35% of the interest in the issued share capital of Oceanwide Holdings was directly and indirectly (through Oceanwide Energy Holdings Co., Ltd.* (泛海能源控股股份有限公司)) held by China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司). 98% of the interests in the issued share capital of China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司) was held by Oceanwide Group Co., Ltd.* (泛海集團有限公司). Oceanwide Group Co., Ltd.* (泛海集團有限公司) was wholly-owned by Tohigh Holdings Co., Ltd.* (通海控股有限公司). 77.14% and 22.86% of the interests in Tohigh Holdings Co., Ltd.* (通海控股有限公司) was held by Mr. LU Zhiqiang and 泛海公益基金會 (Oceanwide Foundation), a charitable foundation which was founded by China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司)
- “Vendor Group” the Vendor, China Oceanwide Group Limited, Oceanwide Holdings, Oceanwide Energy Holdings Co., Ltd.* (泛海能源控股股份有限公司), China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司), Oceanwide Group Co., Ltd.* (泛海集團有限公司), Tohigh Holdings Co., Ltd.* (通海控股有限公司), Mr. LU Zhiqiang, Ms. LU Xiaoyun and Nautical League Limited
- “%” per cent

For the purpose of this circular, translations of US\$ into HK\$ or vice versa have been calculated by using an exchange rate of US\$1.0 equal to HK\$7.8. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were, may have been or will be exchanged at such rate or any other rates or at all. 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.*



中國通海國際金融有限公司
CHINA TONGHAI INTERNATIONAL FINANCIAL LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 952)

Executive Directors:

Mr. HAN Xiaosheng (*Chairman*)
Mr. FANG Zhou (*Deputy Chairman*)
Mr. LIU Hongwei
Mr. Kenneth LAM Kin Hing

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Non-executive Directors:

Mr. LIU Bing
Mr. ZHAO Yingwei
Mr. ZHAO Xiaoxia

*Head Office and Principal Place of
Business in Hong Kong:*

18th and 19th Floors
China Building
29 Queen's Road Central
Hong Kong

Independent Non-executive Directors:

Mr. Roy LO Wa Kei
Mr. KONG Aiguo
Mr. LIU Jipeng
Mr. HE Xuehui
Mr. HUANG Yajun

13 February 2023

To the Shareholders,

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION AND
SPECIAL DEAL IN RELATION TO
EXTENSION OF LONG STOP DATE OF
THE SETTLEMENT AGREEMENT**

INTRODUCTION

Reference is made to the announcements of China Tonghai International Financial Limited (the “**Company**”) dated 24 August 2021 (the “**Announcement**”), 30 November 2021 (the “**First Supplemental Announcement**”), 31 March 2022 (the “**Second Supplemental Announcement**”), 30 June 2022 (the “**Update Announcement**”), 29 July 2022 (the “**Extension Announcement**”), 21 October 2022 (the “**Second Extension Announcement**”), 16 November

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2022 (the “**Third Extension Announcement**”), 30 November 2022 (the “**Delay Announcement**”), 23 December 2022 (the “**First Further Delay Announcement**”), 30 December 2022 (the “**Second Further Delay Announcement**”), 3 February 2023 (the “**Update Announcement**”) and 10 February 2023 (the “**Further Update Announcement**”) (collectively, the “**Announcements**”) in relation to, among other things, the Settlement Agreement, the supplemental agreements and the extension of the long stop date of the Settlement Agreement. Capitalised terms used herein shall have the same meanings as those defined in the Announcements unless the context requires otherwise.

Reference is also made to the joint announcements issued by the Company and Quam Tonghai Holdings Limited dated 15 September 2022 (the “**Rule 3.5 Joint Announcement**”) and 3 February 2023 (the “**Rule 3.6 Joint Announcement**”) in relation to the deed of share purchase and the mandatory unconditional cash offer to be made by Haitong International Securities Company Limited and Red Sun Capital Limited, on behalf of the Offeror, to acquire all the issued shares in the Company (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it (other than Oceanwide Holdings IF, China Oceanwide Group Limited, Oceanwide Holdings, Oceanwide Energy Holdings Co., Ltd.* (泛海能源控股股份有限公司), China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司), Oceanwide Group Co., Ltd.* (泛海集團有限公司), Tohigh Holdings Co., Ltd.* (通海控股有限公司), Mr. LU Zhiqiang, Ms. LU Xiaoyun and Nautical League Limited)).

As disclosed in the Extension Announcement, as additional time is required for the fulfillment of the conditions precedent to the Settlement Agreement, on 29 July 2022, the Company, Oceanwide Holdings and China Oceanwide agreed in writing to further extend the Long Stop Date from 31 July 2022 to 30 June 2023 (or such other date as the parties may agree in writing). The Company considers that the Extension constitutes an extension of the settlement dates of the Debts owed by connected persons of the Company, which in effect constitutes a provision of financial assistance to connected persons of the Company, and accordingly, the Company is putting forward the Extension for Independent Shareholders’ approval at the Extension SGM in compliance with Chapter 14 and Chapter 14A of the Listing Rules.

As the Extension constitutes an arrangement with Oceanwide Holdings, being an indirect Shareholder, during the offer period and such arrangement will confer benefits which will not be extended to all other Shareholders, the Extension constitutes a special deal under Rule 25 of the Takeovers Code. Accordingly, the Extension will require the consent of the Executive. The Company has made an application for consent from the Executive to the Extension subject to compliance with the requirements of Note 4 to Rule 25 of the Takeovers Code that the independent financial adviser to the Company publicly states that in its opinion the terms of the Extension and the transactions contemplated thereunder are fair and reasonable and the transaction is approved under Rule 25 of the Takeovers Code by the Independent Shareholders.

LETTER FROM THE BOARD

Given the Extension constitutes both a major and connected transaction under the Listing Rules and a special deal under the Takeovers Code, the purpose of this circular is to provide you with, among others, (i) information of the Extension; (ii) the recommendation of the Extension Independent Board Committee in respect of the Extension; (iii) a letter from the Extension Independent Financial Adviser to the Extension Independent Board Committee and the Independent Shareholders containing its advice and recommendation on the Extension in compliance with the relevant requirement under the Listing Rules and the Takeovers Code; (iv) a notice of the Extension SGM; and (v) other information required under the Listing Rules and the Takeovers Code.

THE FRAMEWORK AGREEMENTS

Reference is made to the (i) announcement of the Company dated 21 September 2017; and (ii) announcement of the Company dated 30 August 2019 in relation to the Framework Agreements entered into among the Company, China Oceanwide and Oceanwide Holdings, namely the China Oceanwide Framework Agreements and the Oceanwide Holdings Framework Agreements, pursuant to which the Company and each of China Oceanwide and Oceanwide Holdings had conditionally agreed to engage in various services, investment, lending and underwriting transactions with each other. The Group has provided loans to China Oceanwide and Oceanwide Holdings in accordance with the terms and conditions of the Framework Agreements. As at the date of the Announcement, Debt A and Debt B represent the aggregate amount of principal of the unsecured debts provided by the Group to Oceanwide Holdings and China Oceanwide under the Framework Agreements respectively.

THE SETTLEMENT AGREEMENT AND SUPPLEMENT AGREEMENTS

As disclosed in the Announcement, on 24 August 2021 (after trading hours), the Company entered into the Settlement Agreement with Oceanwide Holdings and China Oceanwide, pursuant to which Oceanwide Holdings has conditionally agreed to (i) transfer Tranche A Consideration Shares (equivalent to approximately 3.37% of the issued shares of the Target Company as at the date of the Announcement) to the Company (or its nominee) to settle Debt A of HK\$691,000,000 and US\$103,000,000 and settle any outstanding interest accrued on Debt A up to the date of Tranche A Completion in cash; and (ii) transfer Tranche B Consideration Shares (equivalent to approximately 1.08% of the issued shares of the Target Company as at the date of the Announcement) to the Company (or its nominee) to settle Debt B of HK\$480,000,000 and settle any outstanding interest accrued on Debt B up to the date of Tranche B Completion in cash.

As disclosed in the First Supplemental Announcement, on 30 November 2021, the Company, Oceanwide Holdings and China Oceanwide entered into a supplemental agreement to (i) extend the Long Stop Date from 30 November 2021 to 30 April 2022 (or such other date as the parties may agree in writing); (ii) revise the reference date of the adjusted audited NAV of the Target Group attributable to owners of the Target Company from 30 June 2021 to 30 September 2021 (or such later date as agreed between Oceanwide

LETTER FROM THE BOARD

Holdings and the Company); and (iii) revise the reference date of the valuation of the property interests of the Target Group from 31 August 2021 to 31 December 2021 (or such later date as agreed between Oceanwide Holdings and the Company).

As disclosed in the Second Supplemental Announcement, on 31 March 2022, the Company, Oceanwide Holdings and China Oceanwide entered into a second supplemental agreement to (i) further extend the Long Stop Date from 30 April 2022 to 31 July 2022 (or such other date as the parties may agree in writing); (ii) revise the reference date of the adjusted audited NAV of the Target Group attributable to owners of the Target Company from 30 September 2021 to 31 December 2021 (or such later date as agreed between Oceanwide Holdings and the Company); and (iii) revise the reference date of the valuation of the property interests of the Target Group from 31 December 2021 to 31 March 2022 (or such later date as agreed between Oceanwide Holdings and the Company).

THE EXTENSION

With reference to the Announcement, the conditions precedent to the Completion including, among others, (a) the Company being satisfied with the due diligence results on the Target Group; and (b) the Company having obtained the approval of the Independent Shareholders on the Settlement Agreement remain unfulfilled as at the date of this circular due to our requirement, after discussion with Oceanwide Holdings, to perform an updated due diligence and audit on the Target Group as further discussed under the section headed “RECENT UPDATE ON THE SETTLEMENT ARRANGEMENTS” below. Various other conditions precedent to the Completion, including but not limited to (i) the various internal approvals from the board of directors of the Oceanwide Holdings and China Oceanwide; (ii) consents regarding the Settlement Agreement and its supplemental agreements to be obtained by Oceanwide Holdings; (iii) representation and warranties to be given by Oceanwide Holdings; and (iv) the Company having received, and having been satisfied with, the content of the PRC legal opinion in relation to the legitimacy of the Settlement Arrangements and that the Consideration Shares are free from encumbrances, further details of which are set out in the Announcement, would also be dependent on the outcome of the aforesaid conditions (a) and (b), and accordingly other than the provision of a signed disclosure letter in relation to the representation and warranty made by Oceanwide Holdings and China Oceanwide under the Settlement Agreement to the reasonable satisfaction of the Company by Oceanwide Holdings, the other conditions precedent to the Completion have not been satisfied as of the date of this circular. While the other conditions were under preparation, the finalisation of which would be subject to the completion of the due diligence exercise. In particular for seeking PRC legal opinion, in view of the unprecedented circumstances and the related uncertainties, such as how many Consideration Shares are to be transferred and whether they can be unfrozen in time for the transfer as further discussed under the section headed “REASONS FOR AND BENEFITS OF THE EXTENSION” below, the PRC legal adviser needs time to complete its due diligence exercise before they are in a position to issue a legal opinion. The parties to the Settlement Agreement will work on the other conditions precedent at the same time while conducting and finalizing the updated due diligence and audit work.

LETTER FROM THE BOARD

As additional time is required for the fulfillment of the conditions precedent to the Settlement Agreement, on 29 July 2022, the Company, Oceanwide Holdings and China Oceanwide agreed in writing to further extend the Long Stop Date from 31 July 2022 to 30 June 2023 (or such other date as the parties may agree in writing).

Save as disclosed above, the other terms and conditions of the Settlement Agreement as amended by the first and second supplemental agreements dated 30 November 2021 and 31 March 2022 respectively remain unchanged and continue to be in full force and effect.

INFORMATION OF DEBT A AND DEBT B

Set out below is a summary of principal terms of Debt A and Debt B:

Borrower	First drawn down date	Principal amount	Interest rate (per annum)	Maturity dates
Debt A				
OHID (loans)	fall within the period from 10 January 2020 to 6 August 2021	HK\$391,000,000	12.0%	31 March 2022
		HK\$27,500,000	12.0%	30 June 2022
		HK\$45,000,000	11.0%	30 June 2022
		HK\$27,500,000	12.0%	31 December 2021
		HK\$180,000,000	12.0%	31 March 2022
OHID (bonds)	8 June 2018	US\$12,000,000	11.8%	1 June 2022
		US\$91,000,000	11.8%	25 April 2023
OHID (bonds)	25 April 2018	US\$91,000,000	11.8%	25 April 2023
Debt B				
China Oceanwide (loans)	fall between the period from 22 December 2017 to 24 April 2020	HK\$280,000,000	12.0%	31 December 2021
		HK\$8,000,000	12.0%	31 March 2022
		HK\$5,000,000	12.0%	31 March 2022
		HK\$3,000,000	12.0%	31 March 2022
		HK\$156,000,000	12.0%	31 December 2021
		HK\$28,000,000	12.0%	31 March 2022

As at the Latest Practicable Date, the aggregate amount of outstanding principal and accrued interest of Debt A and Debt B were approximately HK\$1,700.6 million and approximately HK\$538.5 million respectively. Save for one of the bonds under Debt A with aggregate amount of outstanding principal and accrued interest of approximately HK\$821.4 million which will be due on 25 April 2023, the maturity dates of Debt A and Debt B have been passed.

As at 30 June 2022, a total accumulated provision of approximately HK\$1,576 million had been made in relation to Debt A and Debt B. Subject to the updated due diligence and audit results which might impact the determination of the consideration of the Settlement Arrangements and therefore the actual amount of loan that could be recovered, the accumulated provision in relation to Debt A and Debt B, in proportion to the actual amount of loan recovered upon Completion, will be written back after Completion.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE EXTENSION

Reasons and benefits

As set out in the Announcement, the Board was of the view that the Settlement Arrangements would enable the Group to potentially fully recover the unsecured Debts due from OHID and China Oceanwide with tangible assets and that the financial position of the Group would be improved after the Settlement Arrangements as such recovery would reduce the loan receivables and eliminate the credit exposure of the Debts. As such, taking into account the business potential of the Target Group, the Board (excluding the independent non-executive Directors who will be advised by the independent financial adviser to be appointed with regard to the Settlement Agreement and the transactions contemplated thereunder) considered that the entering into the Settlement Arrangements was in the interest of the Group and the Shareholders as a whole.

The Company has been carrying out due diligence on the Target Group. Having considered the latest circumstances including the preliminary due diligence findings, which include matters regarding certain litigations and receivables concerning the Target Group, and discussions with the management of Oceanwide Holdings, among others, the Board is of the view that an updated legal and financial due diligence and audited financial information on the Target Group as at 31 December 2022 would be appropriate, and accordingly, considers that the Extension would be required to enable the Company to assess thoroughly the potential impacts of the major due diligence findings on the Target Group based on the most updated information and circumstances as at 31 December 2022 with additional due diligence conducted thereof. The Directors consider that agreeing to the Extension under current circumstances and pursuing to the closing of the Settlement Arrangements remain to be the appropriate settlement arrangement in the short term after considering alternative settlement options as further discussed below. In case the Extension is not approved, the Settlement Agreement may lapse and cease to have effect, and we may have to make further impairment provision for Debt A and Debt B, which may result in further loss to the Group for the year ended 31 December 2022.

Assessment of credit risk and financial position of Oceanwide Holdings and China Oceanwide

As a normal process for credit assessment for provision of financial assistance, the Company has taken following steps to assess the potential impairment for the outstanding loans due from Oceanwide Holdings and China Oceanwide: (i) performed financial and legal due diligence such as checking the repayment history and reviewing the announcements published by Oceanwide Holdings and China Oceanwide; (ii) assessed the potential losses given default; and (iii) carried out valuation on the collaterals pledged for the loans.

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The Company assessed the latest financial position of Oceanwide Holdings and China Oceanwide and was aware of further deterioration in their financial performance and liquidity position. For Oceanwide Holdings, according to its issued 2022 third quarter financial report in accordance with the listing rules of Shenzhen Stock Exchange, its net loss increased by approximately 50.0% from approximately RMB1.8 billion for the nine months ended 30 September 2021 to approximately RMB2.7 billion for the nine months ended 30 September 2022, while its net assets decreased by approximately 14.5% from approximately RMB13.8 billion as at 1 January 2022 to approximately RMB11.8 billion as at 30 September 2022 and its net borrowings decreased by approximately 13.7% from approximately RMB18.2 billion as at 1 January 2022 to approximately RMB15.7 billion as at 30 September 2022. According to its announcement dated 31 January 2023, based on preliminary unaudited figures, its net loss for the year ended 31 December 2022 is expected to range from RMB7.0 billion to RMB10.0 billion, while its net liabilities as at 31 December 2022 is expected to range from RMB0.6 billion to RMB3.6 billion. In view of a further deterioration in the financial position of Oceanwide Holdings based on the latest preliminary unaudited figures published, the Company had discussed with the management of Oceanwide Holdings on potential implications of the preliminary financial information for the year ended 31 December 2022 to the Settlement Arrangements, as further detailed in this section below. The Company will also further assess the latest financial performance and conditions of the Target Group and relevant implications to the Settlement Arrangements based on the updated due diligence and audit work. For China Oceanwide, according to its 2022 interim report, its net loss increased by approximately 27.8% from approximately HK\$572.4 million for the six months ended 30 June 2021 to approximately HK\$731.5 million for the six months ended 30 June 2022, while its net assets decreased by approximately 16.3% from approximately HK\$4.3 billion as at 31 December 2021 to approximately HK\$3.6 billion as at 30 June 2022, and its net borrowings increased by approximately 4.9% from approximately HK\$14.2 billion as at 31 December 2021 to approximately HK\$14.9 billion as at 30 June 2022.

Moreover, it was also noted that there are ongoing litigations for both Oceanwide Holdings Group and China Oceanwide Group, due to, among others, disputes with contractors in relation to real estate development projects, default of loans which resulted in winding-up petitions and enforcement of the underlying and pledged assets. In particular, the Board was aware that Oceanwide Holdings had defaulted loans with principal amount of over RMB13.0 billion as at 31 December 2021, according to its 2021 annual report, and some of its assets have been enforced by other creditors including shares of certain subsidiaries of Oceanwide Holdings. For China Oceanwide, according to its 2022 interim report, it was noted that it had defaulted borrowings with principal amount of over HK\$3.0 billion as at the date of the interim report and some of its assets have been enforced by other creditors including the shares of some of China Oceanwide's subsidiaries. In particular, it is noted that a creditor of China Oceanwide has filed winding-up petitions against China Oceanwide and certain creditors of China Oceanwide Group Limited, the immediate holding company of OHID, have filed winding-up petitions against China Oceanwide Group Limited. According to the 2022 interim report of China Oceanwide, the Company understands that the winding-up petition against China Oceanwide was filed in the Bermuda Supreme Court only as an application for the winding up of China Oceanwide and as at the date of the report, no winding up order has been granted by the court to wind up

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China Oceanwide. For the winding-up petition against China Oceanwide Group Limited, the Company has not noted any further update since the publication of the announcement by China Oceanwide on this matter on 29 April 2022. According to the announcement of China Oceanwide dated 29 April 2022, the petition was filed in the High Court of Hong Kong only as an application for the winding-up and as at the date of the announcement, no winding-up order has been granted by the High Court of Hong Kong to China Oceanwide Group Limited. The Board also noted that China Oceanwide has been selling off certain assets to repay its indebtedness, including some of its real estate development projects.

According to their respective interim reports for the six months ended 30 June 2022, the pledged assets of Oceanwide Holdings mainly included inventory, long-term equity investment and investment properties, which amounted to over RMB66.0 billion in total as at 30 June 2022 in addition to the shares of its subsidiaries, representing over 61.0% of the total assets of Oceanwide Holdings as at 30 June 2022; while the pledged assets of China Oceanwide mainly included properties under development and investment properties, which amounted to over HK\$14.9 billion in total as at 30 June 2022 in addition to the shares of some of its subsidiaries, representing over 81.4% of the total assets of China Oceanwide as at 30 June 2022.

The Company also noted that approximately 83.75% shares of the Target Company and shares of certain subsidiaries of the Target Company were pledged to other creditors, as disclosed in the 2022 interim report of Oceanwide Holdings. In addition, according to the 2022 interim report and the announcements published by Oceanwide Holdings, the Company noted that the entire approximately 89.23% shareholding in the Target Company directly held by Oceanwide Holdings (the “**OH Target Shareholding**”) and shares of certain subsidiaries of the Target Company were frozen by several PRC courts in different regions due to ongoing litigation cases. In particular, according to the announcements of Oceanwide Holdings made on 27 October 2021 and 3 September 2022, there are two ongoing litigation cases which resulted in the OH Target Shareholding being frozen by each of the Beijing Financial Court and Beijing and Liaoning Shenyang Intermediate People’s Court. As at the date of this circular, the OH Target Shareholding remained frozen due to the two ongoing litigation cases relating to outstanding debt amounts of approximately RMB490 million. According to the 2022 interim report of Oceanwide Holdings, Oceanwide Holdings directly and indirectly owns 89.23% and 1.03% shares of the Target Company respectively. The Company has been maintaining close dialogue with the management of Oceanwide Holdings to understand their settlement plans of their debts and the latest development of the litigation cases. Based on these discussions, the Company understands that Oceanwide Holdings has been negotiating with certain plaintiffs but no agreement has been reached yet. As Oceanwide Holdings believes that the value of the OH Target Shareholding far exceeds the litigations’ amount, it had been optimistic in resolving the relevant frozen shares and delivering the Consideration Shares at completion of the Settlement Arrangements. However, such assessment has changed based on latest discussions with the management of Oceanwide Holdings on potential implications of the preliminary financial information of Oceanwide Holdings published on 31 January 2023 to the Settlement Arrangements. Based on these discussions and latest assessment, the Company understands that the uncertainty of getting the required shares in the Target Group, which are currently being frozen by the PRC courts as a result of certain ongoing

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litigations of Oceanwide Holdings, to be unfrozen by the proposed Long Stop Date to complete the Settlement Arrangements has materially increased. In particular, based upon such latest discussions and assessment, together with the latest discussion by the Company with its legal advisor under current circumstances to assess, amongst other things, potential legal risks to pursue the Settlement Arrangement, the Company understands that there could be additional legal risks for the Company to obtain sufficient unfrozen shares of the Target Company by the proposed Long Stop Date to close the Settlement Arrangements given the worsening of the financial position of Oceanwide Holdings and the increase in possibility that creditors may take stronger legal actions to claim assets of Oceanwide Holdings. The management of the Company has also explored again with the management of Oceanwide Holdings with respect to feasibility of other settlement options and/or obtaining assets as collateral during the Company's latest discussions with Oceanwide Holdings and concluded that no other settlement option is feasible at the moment under current circumstances while there may be assets which the Company could further discuss and negotiate with Oceanwide Holdings to obtain for collateral, which the Company will continue to discuss and negotiate with Oceanwide Holdings.

Having considered, amongst other things, the latest available information as set out above, the Company's rights, obligations, potential risks and cost of further pursuing the Extension and the Settlement Arrangements, as well as the feasibility of other potential alternative options as disclosed under the section headed "Potential alternative settlement options" below, the Company considers the Settlement Arrangements are still the most appropriate arrangements for settlement of Debt A and Debt B based on current circumstances and in the interest of the Company and Shareholders as a whole as it would provide the Company with an earmarked tangible asset by Oceanwide Holdings as a feasible settlement option, though with material uncertainty of completion by the proposed Long Stop Date as discussed above, while the Company will continue to explore and assess potential alternative options to enhance recovery of the Debts. The Company will continue to maintain a close dialogue with the management of Oceanwide Holdings to understand the latest development of their litigation cases for resolving the relevant frozen shares of the Target Group and the progress of delivering the required Consideration Shares for completion of the Settlement Arrangements by the proposed Long Stop Date.

In case the frozen shares cannot be unfrozen in time for the Settlement Arrangements, even if other conditions precedent to the Settlement Arrangements have been satisfied as at the Long Stop Date, the Settlement Agreement may lapse and cease to have effect. The Company will discuss with Oceanwide Holdings on the latest plans and progress of unfreezing the Consideration Shares, and depending on the circumstances and considering alternative settlement options available, the Company will consider whether to proceed with the Settlement Arrangements and may negotiate with Oceanwide Holdings and China Oceanwide on further extension of the Long Stop Date, which will be subject to Independent Shareholders' approval in the special general meeting expected to be held by or around June 2023 for approving the Settlement Agreement, to allow time for the Consideration Shares to be unfrozen.

While the aforesaid litigations are still ongoing, the Company will assess the situation, including the latest status of the pledged and frozen shares, taking into account the updated due diligence results and audit results as at 31 December 2022 on the Target Group after the

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Extension. The Company will also continue to explore feasible options to enhance recovery of the Debts, including but not limited to continuous assessment on feasibility of potential alternative settlement options and/or securing assets as collateral for the Debts, depending on further development of Oceanwide Holdings and/or future changes in circumstances, notwithstanding the Extension.

Potential alternative settlement options

The Board had also assessed potential alternative settlement options other than the Settlement Arrangements, including but not limited to assessing the feasibility of (a) settlement in cash; (b) restructuring the loan by obtaining assets from Oceanwide Holdings and China Oceanwide as collateral; and (c) filing winding-up petition against Oceanwide Holdings and China Oceanwide. Based on the information available to the Directors and having considered, among others, (i) the potential deterioration of the financial position of Oceanwide Holdings and China Oceanwide, the Board is of the view that it is unlikely for China Oceanwide and Oceanwide Holdings to obtain sufficient funding to repay their debts owed to the Company in the short term based on their prevailing financial situations; (ii) material assets of China Oceanwide have been pledged to lenders (other than the Group); (iii) certain secured loans of China Oceanwide have been defaulted as at the date of this circular and a creditor of China Oceanwide has filed winding-up petitions against China Oceanwide and certain creditors of China Oceanwide Group Limited, the immediate holding company of OHID, have filed winding-up petitions against China Oceanwide Group Limited, which are still ongoing as at the date of this circular; (iv) negotiations with other creditors are required to obtain collaterals for Debt A and Debt B, which cannot be achieved in a short period of time and have no certainty of success; (v) the shares in the Target Group represent an appropriate investment with significant tangible asset backing; and (vi) the lack of feasible alternatives which could achieve full recovery of the outstanding receivables within a reasonable timeframe, the Board considered that agreeing to the Extension under current circumstances and pursuing to the closing of the Settlement Arrangements remains to be the appropriate settlement arrangement in the short term. Besides, the Company also considers that a haircut to Debt A and Debt B is not conventional in the market and does not speed up the recovery of the debts as it is not the matter of size that is deterring Oceanwide Holdings and China Oceanwide in repaying Debt A and Debt B but a matter of cashflow. Debt A and Debt B are among a host of debts of Oceanwide Holdings and China Oceanwide and a haircut does not propel Debt A and Debt B into a more senior or prioritised position in repayment. Secured debts also have senior claims to assets or cash derived from assets before the Company as Debt A and Debt B are unsecured. Accordingly, the Company is of the view that Oceanwide Holdings and China Oceanwide do not currently have the ability to repay the Company even after haircut to Debt A and Debt B after taking into account their current default, litigation, financial and liquidity positions. Furthermore, if the Company volunteers a haircut now and does not get repaid, it weakens the Company's claim in debt restructuring because the amount of debt owed to the Company in the restructuring is reduced, and is not in the interest of the Company. In addition, considering the Debts are unsecured loans and the haircut to Debt A and Debt B will confer benefit to Oceanwide Holdings and China Oceanwide, which would

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require further adjustment on the Consideration under the Settlement Agreement, the Company considers it is in the interest of the shareholders to pursue recovery of the entire amount.

There is no guarantee that the Settlement Agreement will close after the Extension as it will be subject to the updated due diligence, audit results and the financial conditions of the Target Company, Oceanwide Holdings and China Oceanwide. In the event that the Settlement Agreement were not closed after the Extension, resulting from further deterioration of those financial conditions mentioned above, the Company may need to make further impairment provision even after the Extension.

In addition, dependent on the outcome of the updated due diligence and audit, which may also impact the final consideration under the Settlement Arrangements, the transfer of Target Company's shares may be subject to consents of certain creditors of Oceanwide Holdings, depending on the level of restriction clauses in loan agreements, and no guarantee that such consents (if required) will be granted after the Extension. According to the management of Oceanwide Holdings, the Consideration Shares only represent approximately 4.5% shareholding of the Target Group (but subject to potential adjustment dependent on the outcome of the updated diligence and audit of the Target Group) which are not pledged to any creditors, and the transfer of unpledged shares would not normally require lenders' consents. Therefore, the Company has yet to finalise the legal due diligence to determine the extent of lenders' consents required and, once determined, will work with Oceanwide Holdings towards approaching relevant lenders for consents if required and as necessary.

Furthermore, the transfer of Consideration Shares is subject to relief of the freezing orders by certain courts due to ongoing litigation cases as discussed above. The Company has discussed with Oceanwide Holdings and understands that Oceanwide Holdings has been using their best endeavour to resolve the litigations and get the shares unfrozen, and will work on other conditions precedent at the same time with an aim to complete the Settlement Arrangements once the shares are being unfrozen. However, there is no guarantee that Oceanwide Holdings can resolve the remaining ongoing litigation cases or the frozen shares of the Target Company will be unfrozen by the courts to a sufficient level that could be transferred to the Company for completing the Settlement Arrangements by the Long Stop Date, further details of which are set out in the section headed "Assessment of credit risk and financial position of Oceanwide Holdings and China Oceanwide" above.

Nevertheless, considering, among others, (i) the feasibility of the potential alternative settlement options based on the current circumstances as discussed above; (ii) the additional time and costs that may be required for pursuing other settlement options such as the time and costs required for the winding-up procedures and the time and costs of due diligence for obtaining other assets from Oceanwide Holdings or China Oceanwide as discussed above; (iii) the management of Oceanwide Holdings has been cooperative and working with the Company in pursuing the Settlement Arrangements; and (iv) further impairment provision may be required if the Settlement Agreement lapses, the Board considers that the benefits of the Extension outweigh the risks and the Extension is the optimal option under current circumstances even though there is a material uncertainty of completion of the Settlement Arrangements by the proposed Long Stop Date after the Extension is being granted.

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Despite the Company has made impairment provision to cover approximately 70% of the Debts, the Group may potentially fully recover the Debts and the accumulated provision, amounting to approximately HK\$1,576 million as at 30 June 2022, may potentially be written back after the Completion. As at the Latest Practicable Date, total transaction costs amounting to approximately HK\$8.2 million has been incurred since September 2021 in respect of the Settlement Arrangements. If the Extension is granted, the additional transaction costs to be incurred for pursuing completion of the Settlement Arrangements, including but not limited to the audit fee for the Target Group, the valuation cost, the cost for updated due diligence and the costs for preparing another shareholder circular and the special general meeting in relation to the Settlement Agreement, is estimated to be approximately HK\$16.0 million in total. The management of the Company will be cautious in spending additional cost in the Settlement Arrangements based upon the further due diligence work and may terminate the Settlement Arrangements if and when there is unresolved major issue(s) which would cause the continuation and completion of the Settlement Arrangements to be not in the interest of the Company and the Shareholders as a whole.

Based on the above, having considered the recommendation given by the Extension Independent Financial Adviser, the Board (including the members of the Extension Independent Board Committee) considers that the Extension is fair and reasonable and in the interests of the Company and Shareholders as a whole.

In the meantime, the Company will continue to explore enhancement of recovery of Debt A and Debt B notwithstanding the Extension. In the event if the Extension is voted down by Independent Shareholders in the Extension SGM or if the final NAV of the Target Company is being reduced to an immaterial amount or a negative amount after completion of the aforesaid updated due diligence and audit exercises, the Company will reassess the feasibility of the aforementioned alternative settlement options. In particular, the Company has kept monitoring if there are any available potential assets that can be obtained for collateral through discussion and negotiation with China Oceanwide and Oceanwide Holdings.

RECENT UPDATE ON THE SETTLEMENT ARRANGEMENTS

Since the entering into the Settlement Arrangements in August 2021, the Company, together with its professional advisors, have carried out due diligence and audit on the Target Group covering the period up to 31 December 2021 for the purpose of (i) satisfying the conditions precedent to the Completion in connection with due diligence on the Target Group; and (ii) preparing the required information to be set out in the circular for the special general meeting to be held for approving the Settlement Agreement.

During the due diligence and audit exercises, it has come to the attention of the Company that there were preliminary major findings including, among others, the Target Group having been involved in several litigations and that certain receivables from related parties of the Target Group have been past due, which might have significant and adverse impacts on the NAV of the Target Group, and in turn might impact the determination of the consideration of the Settlement Arrangements. For instance, based on the public announcements of Oceanwide Holdings since the date of the Announcement and the preliminary due diligence findings, the Company noted that there were more than five ongoing litigations involving the Target Group with potential compensation amount of

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over RMB11.0 billion in total to be paid out by the Target Group. In addition, the Company also noted certain receivables from related parties preliminary estimated to be approximately RMB16.5 billion as at 31 December 2021, which is subject to further audit work and due diligence work to be conducted. The Company had discussed with the management of Oceanwide Holdings and understood that the management of Oceanwide Holdings had been working on potential solutions to address these due diligence findings, including but not limited to seeking legal advice in relation to the legal proceedings but the outcome is difficult to predict. In view of the latest findings, the Company expects there will be a downward adjustment to the NAV of the Target Company. Having considered the uncertainty of litigations' development, while updated due diligence and audit work will be conducted, the Company is of the view that it is not feasible to estimate and quantify the overall impact on the NAV of the Target Company as at the date of this circular. In case the final NAV of the Target Group will not enable full recovery of Debt A and Debt B, the Company will proceed to recover as much of Debt A and Debt B as possible under the Settlement Arrangements to reduce the size of these receivables and then negotiate with, as appropriate, Oceanwide Holdings and China Oceanwide for the recovery of the balance.

While the preliminary due diligence findings and potential outcome are expected to continue to evolve in the short term, the progress of resolving the due diligence matters as well as the Company's due diligence exercises on the Target Group have also been impacted and slowed down by the prolonged COVID-19 pandemic in the PRC, and hence the Company and Oceanwide Holdings have mutually agreed to set 31 December 2022 as the cut-off date to perform an update audit and legal and financial due diligence on the Target Group, which is considered to be reasonable and in the interest of all parties involved where additional time is provided for the parties to address the due diligence findings and better assessment on the potential implications of the findings is allowed based on latest developments and circumstances. The updated legal and financial due diligence work as well as updated audit to be conducted by the professional parties are planned to commence in February 2023. Considering the financial year of the Target Group ends on 31 December, the Company considers it would be more efficient to conduct an updated audit and due diligence as at year end. Based on the information available and having made all reasonable enquiries, the audit of the financial statements of the Target Group for the year ended 31 December 2022 and updated due diligence works are expected to be completed by or around April 2023. After that, the Company will assess whether it is still appropriate to proceed with the Settlement Arrangements and negotiate terms of the Settlement Agreement if necessary. The Company will publish announcement on the assessment results and the revised terms (if any). If the Company will proceed with the Settlement Arrangements, the circular for the approval of the Settlement Agreement is expected to be despatched by or around May 2023, followed by the special general meeting to be held and fulfillment of all conditions precedent to the Completion by or around June 2023. If the Company decides not to proceed with the Settlement Arrangements after the assessment, the Company will terminate the Settlement Agreement accordingly and the circular will not be despatched.

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The Company has been monitoring the financial position of the Target Group and if there are any available potential assets that can be obtained through discussion and negotiation with China Oceanwide and Oceanwide Holdings but none is identified as at the date of this circular. Hence, the Company considered the shares in the Target Group remain to be the optimal asset for the Company to obtain according to the Settlement Arrangements under current circumstances.

FINANCIAL EFFECTS OF THE EXTENSION

Upon completion of the Extension, there will be no material financial impact on the Group as the Group will continue to proceed with the Settlement Arrangements while interest income will continue to be accrued upon the maturity date of the loans and bonds prior to Completion and will be settled in cash and/or by way of adjustment to the consideration under the Settlement Arrangements. The interest income was calculated based on the principal, the interest rate and the period covered in the loans and bonds agreements.

INFORMATION OF THE GROUP

The Company was incorporated in Bermuda with limited liability and its issued Shares have been listed on Main Board of the Stock Exchange. The Group has identified the following reportable segments:

- (i) the corporate finance segment engages in securities placing and underwriting services, corporate finance advisory and general advisory services;
- (ii) the asset management segment engages in fund management, discretionary portfolio management and portfolio management advisory services;
- (iii) the brokerage segment engages in discretionary and non-discretionary dealing services for securities, futures and options, margin financing, insurance broking and wealth management services;
- (iv) the interest income segment engages in money lending services and interest income arising from debt instruments measured at amortised cost;
- (v) the investments segment engages in investing and trading of various investment products; and
- (vi) the others segment represents financial media services and other insignificant operating segments.

LETTER FROM THE BOARD

INFORMATION OF OCEANWIDE HOLDINGS, OHID AND CHINA OCEANWIDE

(a) Oceanwide Holdings

Oceanwide Holdings is a joint stock company established in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (Stock code: 000046). It is principally engaged in investment and investment management, finance, strategic investment, asset management, real estate business operation and property management, property development and investment, self-owned property leasing, corporate management consultation and sale of building materials, decoration materials and mechanical equipment in the PRC, Hong Kong and the United States of America. Prior to the completion of the deed of share purchase as set out in the Rule 3.6 Joint Announcement, Oceanwide Holdings IF was the controlling Shareholder. As Oceanwide Holdings IF is indirectly wholly-owned by Oceanwide Holdings, Oceanwide Holdings was a connected person of the Company under the Listing Rules. After the completion of the deed of share purchase and as at the Latest Practicable Date, Oceanwide Holdings IF is the beneficial owner of 395,254,732 Shares, representing approximately 6.38% of the total issued share capital of the Company.

(b) OHID

OHID is a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of Oceanwide Holdings. Prior to the completion of the deed of share purchase as set out in the Rule 3.6 Joint Announcement, OHID was therefore a connected person of the Company under the Listing Rules. It is principally engaged in bonds issuance.

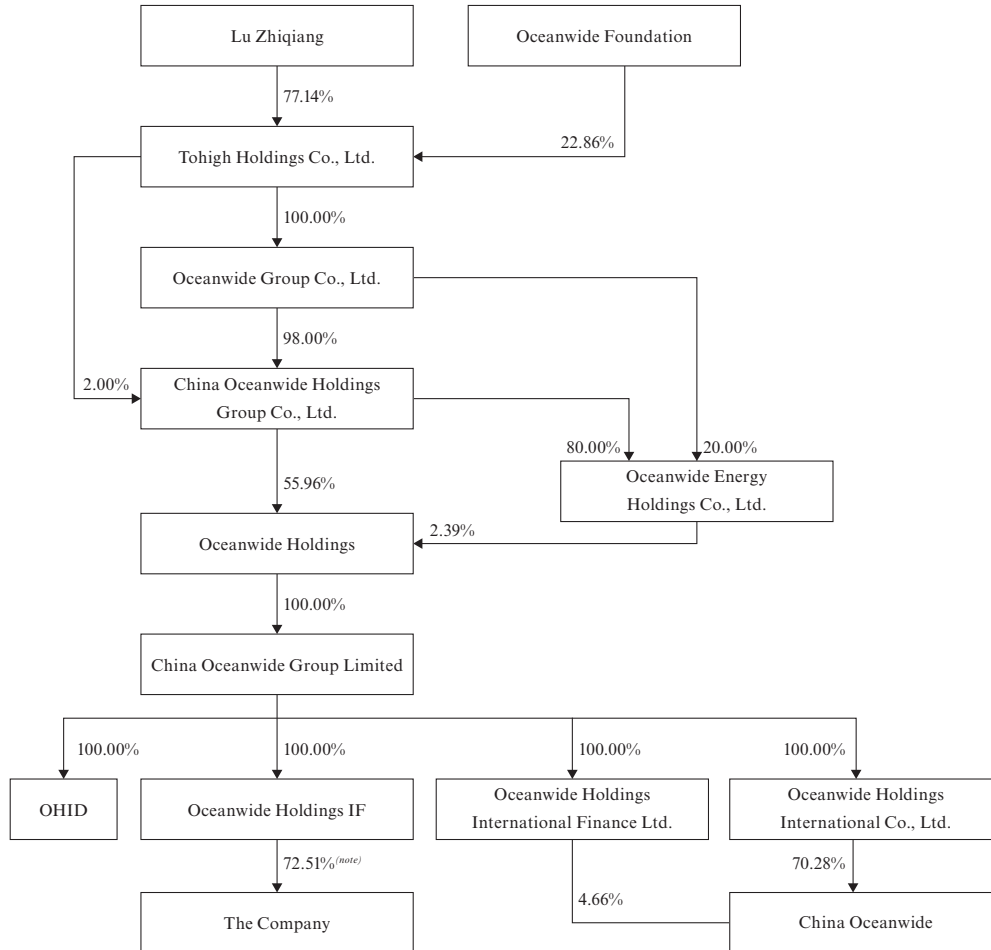
(c) China Oceanwide

China Oceanwide is a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (Stock code: 715). China Oceanwide is principally engaged in real estate development in the United States of America and the development in the energy sector in Republic of Indonesia, as well as financial investment and others. China Oceanwide is an indirect subsidiary of Oceanwide Holdings. Prior to the completion of the deed of share purchase as set out in the Rule 3.6 Joint Announcement, China Oceanwide was therefore a connected person of the Company under the Listing Rules.

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(d) Simplified shareholding structure

Set out below is the simplified shareholding structure of Oceanwide Holdings, OHID, China Oceanwide and the Company immediately before the completion of the deed of share purchase as set out in the Rule 3.6 Joint Announcement:



Note: After the completion of the deed of share purchase and as at the Latest Practicable Date, Oceanwide Holdings IF holds 395,254,732 Shares, representing approximately 6.38% of the issued share capital of the Company.

SPECIAL DEAL AND INDEPENDENT SHAREHOLDERS' APPROVAL

As disclosed in the Extension Announcement, as additional time is required for the fulfillment of the conditions precedent to the Settlement Agreement, on 29 July 2022, the Company, Oceanwide Holdings and China Oceanwide agreed in writing to further extend the Long Stop Date from 31 July 2022 to 30 June 2023 (or such other date as the parties may agree in writing).

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As the Extension constitutes an arrangement with Oceanwide Holdings, being an indirect Shareholder, during the offer period and such arrangement will confer benefits which will not be extended to all other Shareholders, the Extension constitutes a special deal under Rule 25 of the Takeovers Code. Accordingly, the Extension will require the consent of the Executive. The Company has made an application for consent from the Executive to the Extension subject to compliance with the requirements of Note 4 to Rule 25 of the Takeovers Code that the Extension Independent Financial Adviser to the Company publicly states that in its opinion the terms of the Extension and the transactions contemplated thereunder are fair and reasonable and the transaction is approved under Rule 25 of the Takeovers Code by the Independent Shareholders. Given that, including among others, the Offeror, Mr. LAM, Mr. HAN and other Directors (excluding the members of the Extension Independent Board Committee) and the Vendor Group are involved in and/or interested in the Settlement Agreement (as amended by the First Supplemental Agreement and the Second Supplemental Agreement) and the Extension (otherwise than solely as Shareholders), they will abstain from voting at the Extension SGM, which is to be held for the purpose of considering and approving the resolutions in relation to the Extension. Mr. LAM holds 113,072,833 Shares, representing approximately 1.82% of the issued share capital of the Company as at the Latest Practicable Date. As at the Latest Practicable Date, except for Mr. LAM and the Vendor, there is no other Shareholder who is required to abstain from voting in respect of the shareholders' resolutions to approve the Extension at the Extension SGM in accordance with the Listing Rules and the Takeovers Code.

IMPLICATIONS UNDER RULE 4 OF THE TAKEOVERS CODE

Pursuant to Rule 4 of the Takeovers Code, the Extension constitutes a frustrating action and hence, subject to the approval of the Shareholders in general meeting unless a waiver has been obtained from the Executive. Having obtained written consent from the Offeror, the Company has applied for and the Executive has indicated that it will grant, a waiver from the requirement for the Company to obtain the Shareholders' approval under Rule 4 of the Takeovers Code in a general meeting of the Company in relation to the Extension pursuant to Note 1 to Rule 4 of the Takeovers Code. The written consent from the Offeror does not affect the requirement of Shareholders' approval under Rule 25 of the Takeovers Code in respect of the Extension.

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LISTING RULE IMPLICATIONS

As the Extension constitutes a provision of financial assistance to the then connected persons of the Company, and constitutes a major and connected transaction, the Company is putting forward the Extension for Independent Shareholders' approval at the Extension SGM in compliance with Chapter 14 and Chapter 14A of the Listing Rules. Oceanwide Holdings IF is an indirect wholly-owned subsidiary of Oceanwide Holdings. Prior to the completion of the deed of share purchase as set out in the Rule 3.6 Joint Announcement, Oceanwide Holdings IF held 4,493,764,732 Shares, representing approximately 72.51% of the issued share capital of the Company. As at the Latest Practicable Date, Oceanwide Holdings IF holds 395,254,732 Shares, representing approximately 6.38% of the issued share capital of the Company. Accordingly, Oceanwide Holdings IF will abstain from voting on the Shareholders' resolutions to approve the Extension at the Extension SGM. As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, except for Oceanwide Holdings IF and its associates, no other Shareholder is required to abstain from voting in respect of the shareholders' resolutions to approve the Extension at the Extension SGM in accordance to Listing Rules.

THE EXTENSION INDEPENDENT BOARD COMMITTEE AND THE EXTENSION INDEPENDENT FINANCIAL ADVISER

The Extension Independent Board Committee has been established to make recommendation to the Independent Shareholders regarding the Extension. Mr. Roy LO Wa Kei, Mr. KONG Aiguo, Mr. HE Xuehui and Mr. HUANG Yajun, being the independent non-executive Directors, have been appointed by the Board to serve as members of the Extension Independent Board Committee.

As at the date of this circular, the non-executive Directors, namely Mr. LIU Bing, Mr. ZHAO Yingwei and Mr. ZHAO Xiaoxia held approximately 0.001%, 0.003% and 0.003% of the issued shares of Oceanwide Holdings, respectively. As a result, Mr. LIU Bing, Mr. ZHAO Yingwei and Mr. ZHAO Xiaoxia are excluded as members of the Extension Independent Board Committee.

As at the date of this circular, Mr. LIU Jipeng, an independent non-executive Director, held approximately 0.05% of the issued shares of China Oceanwide. As a result, Mr. LIU Jipeng is excluded as a member of the Extension Independent Board Committee.

The Company, with the approval of the Extension Independent Board Committee, has appointed Altus Capital as independent financial adviser to advise the Extension Independent Board Committee and the Independent Shareholders in respect of the Extension, which constitutes a major and connected transaction under the Listing Rules and a special deal under the Takeovers Code. A letter from the Extension Independent Financial Adviser is set out on pages 29 to 49 of this circular.

LETTER FROM THE BOARD

THE EXTENSION SGM AND PROXY ARRANGEMENT

A notice convening the Extension SGM to be held at 22/F, Euro Trade Centre, 13–14 Connaught Road Central, Central, Hong Kong on Friday, 10 March 2023 at 11:30 a.m. is set out on pages 66 to 69 of this circular. A form of proxy for use at the Extension SGM and at any adjournment thereof is enclosed with this circular. Whether or not you are able to attend the Extension 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the Extension 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 Extension SGM or any adjournment should you so wish.

VOTING AT THE EXTENSION SGM

Pursuant to Rule 13.39(4) of the Listing Rules and Rule 2.9 of the Takeovers Code, any vote of shareholders at a general meeting must be taken by poll. Therefore, all resolutions proposed at the Extension SGM shall be voted by poll. The results of the poll will be announced in accordance with Rule 13.39(5) of the Listing Rules after the conclusion of the Extension SGM. In accordance with the Listing Rules, any connected person of the Company and any Shareholder with a material interest in the Extension and its close associate(s) must abstain from voting on the resolution(s) in respect of the Extension at the Extension SGM. Given that, including among others, the Offeror, Mr. LAM, Mr. HAN and other Directors (excluding the members of the Extension Independent Board Committee) and the Vendor Group are involved in and/or interested in the Settlement Agreement (as amended by the First Supplemental Agreement and the Second Supplemental Agreement) and the Extension (otherwise than solely as Shareholders), they will abstain from voting at the Extension SGM, which is to be held for the purpose of considering and approving the resolutions in relation to the Extension.

Record Date

The Board has fixed 4:30 p.m. on Monday, 6 March 2023 as the record time and date for ascertaining Shareholders' entitlement to attend and vote at the Extension SGM. All transfers of Shares accompanied by the relevant share certificates must be lodged with the office of the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 6 March 2023.

LETTER FROM THE BOARD

RECOMMENDATIONS

The Directors (including the Extension Independent Board Committee after considering the advice of the Extension Independent Financial Adviser) are of the opinion that the Extension is conducted in the ordinary and usual course of business of the Group and on normal commercial terms, and it is fair and reasonable as far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors (including the Extension Independent Board Committee after considering the advice of the Extension Independent Financial Adviser) recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the Extension SGM in respect of the Extension.

You are advised to read the letter from the Extension Independent Board Committee set out on pages 27 to 28 of this circular and the letter from the Extension Independent Financial Adviser to the Extension Independent Board Committee and the Independent Shareholders set out on pages 29 to 49 of this circular before deciding whether or not to vote in favour of the resolutions to be proposed at the Extension SGM to approve the Extension.

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 of
China Tonghai International Financial Limited
FANG Zhou
Deputy Chairman



中國通海國際金融有限公司
CHINA TONGHAI INTERNATIONAL FINANCIAL LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 952)

13 February 2023

To the Independent Shareholders

Dear Sir or Madam,

**MAJOR AND CONNECTED TRANSACTION AND
SPECIAL DEAL IN RELATION TO
EXTENSION OF LONG STOP DATE OF
THE SETTLEMENT AGREEMENT**

We refer to the circular of the Company to the Shareholders dated 13 February 2023 (the “**Circular**”), of which this letter forms part. Capitalised terms used herein shall have the same meanings as defined in the Circular, unless the context requires otherwise.

The Extension Independent Board Committee, comprising Mr. Roy LO Wa Kei, Mr. KONG Aiguo, Mr. HE Xuehui and Mr. HUANG Yajun, all being the independent non-executive Directors, has been formed for the purpose of advising the Independent Shareholders in respect of the Extension which constitutes a major and connected transaction under the Listing Rules and a special deal under the Takeovers Code, details of which are set out in the letter from the Board in the Circular. Altus Capital has been appointed as the independent financial adviser to advise the Extension Independent Board Committee and the Independent Shareholders in this regard. Details of the advice from Altus Capital together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 29 to 49 of the Circular.

LETTER FROM THE EXTENSION INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Extension contemplated thereunder, the principal factors and reasons considered by the Extension Independent Financial Adviser and the advice of the Extension Independent Financial Adviser, we consider that the Extension is conducted in the ordinary and usual course of business of the Group and is fair and reasonable as far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the Extension SGM in respect of the Extension.

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

Mr. Roy LO Wa Kei
Independent non-executive Director

Mr. KONG Aiguo
Independent non-executive Director

Mr. HE Xuehui
Independent non-executive Director

Mr. HUANG Yajun
Independent non-executive Director

LETTER FROM THE EXTENSION INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Altus Capital Limited to the Extension Independent Board Committee and the Independent Shareholders in respect of the Extension, which has been prepared for the purpose of incorporation in the Circular.

ALTUS.

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

13 February 2023

To the Extension Independent Board Committee and the Independent Shareholders

China Tonghai International Financial Limited
18th and 19th Floors
China Building
29 Queen's Road Central
Hong Kong

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION AND SPECIAL DEAL IN RELATION TO EXTENSION OF LONG STOP DATE OF THE SETTLEMENT AGREEMENT

INTRODUCTION

We refer to our appointment as the Extension Independent Financial Adviser to advise the Extension Independent Board Committee and the Independent Shareholders in respect of the Extension, details of which are set out in the "Letter from the Board" contained in the circular dated 13 February 2023 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

As additional time is required for the fulfillment of the conditions precedent to the Settlement Agreement, on 29 July 2022, the Company, Oceanwide Holdings and China Oceanwide agreed in writing to further extend the Long Stop Date from 31 July 2022 to 30 June 2023 (or such other date as the parties may agree in writing) (the "**Extension**"). Shareholders should note that granting the Extension does not imply the Company can proceed to implement the Settlement Agreement. Subject to, amongst others, satisfactory due diligence result on the Target Group, the Settlement Agreement will be put forward for the independent Shareholders to consider at a separate special general meeting of the Company.

LETTER FROM THE EXTENSION INDEPENDENT FINANCIAL ADVISER

Reference is also made to the joint announcements issued by the Company and Quam Tonghai Holdings Limited (the “**Offeror**”) dated 15 September 2022 (the “**Rule 3.5 Joint Announcement**”) and 3 February 2023 (the “**Rule 3.6 Joint Announcement**”) in relation to the deed of share purchase and the mandatory unconditional cash offer to be made by Haitong International Securities Company Limited and Red Sun Capital Limited, on behalf of the Offeror, to acquire all the issued shares in the Company (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it). Based on the Rule 3.6 Joint Announcement, all conditions precedent to the deed of share purchase had been fulfilled on 3 February 2023 and a total of 4,098,510,000 sale shares were transferred by the Vendor to the Offeror pursuant to the terms of the deed of share purchase. Immediately upon completion of the sale and purchase of the sale shares and as at 3 February 2023, the Offeror and parties acting in concert with it (other than the Vendor Group) were interested in approximately 67.96% of the entire issued share capital of the Company. The Offeror is required under Rule 26.1 of the Takeovers Code to make a mandatory unconditional cash offer for all the issued shares in the Company (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it (other than the Vendor Group)). The composite document in relation to the abovementioned mandatory unconditional cash offer is expected to be despatched on or before 14 April 2023. For further details, please refer to the Rule 3.5 Joint Announcement and the Rule 3.6 Joint Announcement.

LISTING RULES IMPLICATIONS

As the Extension constitutes a provision of financial assistance to the then connected persons of the Company, and constitutes a major and connected transaction, the Company is putting forward the Extension for Independent Shareholders’ approval at the Extension SGM in compliance with Chapter 14 and Chapter 14A of the Listing Rules.

Oceanwide Holdings IF is an indirect wholly-owned subsidiary of Oceanwide Holdings and therefore, is interested in the Settlement Agreement (as amended by the First Supplemental Agreement and the Second Supplemental Agreement) and the Extension. Accordingly, Oceanwide Holdings IF will abstain from voting on the Shareholders’ resolutions to approve the Extension at the Extension SGM. Prior to the completion of the deed of share purchase as set out in the Rule 3.6 Joint Announcement, Oceanwide Holdings IF held 4,493,764,732 Shares, representing approximately 72.51% of the issued share capital of the Company. As at the Latest Practicable Date, Oceanwide Holdings IF holds 395,254,732 Shares, representing approximately 6.38% of the issued share capital of the Company.

As at the Latest Practicable Date, to the best of the Directors’ knowledge, information and belief, and having made all reasonable enquiries, except for (i) the Offeror, Mr. Lam, Mr. Han and other Directors (excluding the members of the Extension Independent Board Committee); (ii) the Vendor Group; and (iii) those who are involved in and/or interested in the Framework Agreements, Settlement Agreement (as amended by the First Supplemental Agreement and the Second Supplemental Agreement), and the Extension (other than solely as Shareholders), no other Shareholder is required to abstain from voting in respect of the Shareholders’ resolutions to approve the Extension at the Extension SGM.

TAKEOVERS CODE IMPLICATIONS

As the Extension constitutes an arrangement with Oceanwide Holdings, being an indirect Shareholder, during the offer period and such arrangement will confer benefits which will not be extended to all other Shareholders, the Extension constitutes a special deal under Rule 25 of the Takeovers Code. Accordingly, the Extension will require the consent of the Executive. The Company has made an application for consent from the Executive to the Extension subject to compliance with the requirements of Note 4 to Rule 25 that the independent financial adviser to the Company publicly states that in its opinion the terms of the Extension and the transactions contemplated thereunder are fair and reasonable and the transaction is approved under Rule 25 by the Independent Shareholders who are not involved in or interested in the Settlement Agreement (as amended by the First Supplemental Agreement and Second Supplemental Agreement) and the Extension (otherwise than solely as Shareholders). Given that, include among others, the Offeror, Mr. Lam, Mr. Han and other Directors (excluding the members of the Extension Independent Board Committee) and the Vendor Group are involved in and/or interested in the Settlement Agreement (as amended by the First Supplemental Agreement and the Second Supplemental Agreement) and the Extension (otherwise than solely as Shareholders), they will abstain from voting at the Extension SGM.

Pursuant to Rule 4 of the Takeovers Code, the Extension constitutes a frustrating action and hence, subject to the approval of the Shareholders in general meeting unless a waiver has been obtained from the Executive. Having obtained written consent from the Offeror, the Company has applied for and the Executive has indicated that it will grant, a waiver from the requirement for the Company to obtain the Shareholders' approval under Rule 4 in a general meeting of the Company in relation to the Extension pursuant to Note 1 to Rule 4 of the Takeovers Code.

THE EXTENSION INDEPENDENT BOARD COMMITTEE

The Extension Independent Board Committee consisting of Mr. Roy LO Wa Kei, Mr. KONG Aiguo, Mr. HE Xuehui and Mr. HUANG Yajun, being the independent non-executive Directors, has been established to advise the Independent Shareholders as to (i) whether the Extension is conducted in the ordinary and usual course of business of the Group and is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the resolutions to be proposed at the Extension SGM after taking into account the recommendation from the Extension Independent Financial Adviser.

As at the Latest Practicable Date, the non-executive Directors, namely Mr. LIU Bing, Mr. ZHAO Yingwei and Mr. ZHAO Xiaoxia held approximately 0.001%, 0.003% and 0.003% of the issued shares of Oceanwide Holdings respectively. As a result, Mr. LIU Bing, Mr. ZHAO Yingwei and Mr. ZHAO Xiaoxia are excluded as members of the Extension Independent Board Committee due to conflict of interests.

LETTER FROM THE EXTENSION INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, Mr. LIU Jipeng, an independent non-executive Director, held approximately 0.05% of the issued shares of China Oceanwide. As a result, Mr. LIU Jipeng is excluded as a member of the Extension Independent Board Committee due to conflict of interests.

THE EXTENSION INDEPENDENT FINANCIAL ADVISER

As the Extension Independent Financial Adviser to the Extension Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Extension Independent Board Committee and the Independent Shareholders as to (i) whether the Extension is conducted in the ordinary and usual course of business of the Group and is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole; and (ii) how the Independent Shareholders should vote in respect of the resolutions to be proposed at the Extension SGM.

We (i) are not associated or connected, financial or otherwise, with the Company or the Offeror, their respective controlling shareholders or any parties acting, or presumed to be acting, in concert with any of them; and (ii) save for acting as the financial adviser to Realord Group Holdings Limited (stock code: 1196) (the parent company of Realord Asia Pacific Securities Limited, which is presumed to be a party acting in concert with the Offeror under the presumption in class (9) of the definition of “acting in concert” under the Takeovers Code, in relation to the possible mandatory unconditional cash offer as mentioned in the Rule 3.5 Joint Announcement) in relation to a voluntary conditional cash offer to acquire all the issued shares of The Sincere Company, Limited (stock code: 244), where the aforesaid offer closed on 3 June 2021, have not acted as the financial adviser or independent financial adviser in relation to any transaction of the Company or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them in the last two years prior to 27 October 2021 (being the commencement date of offer period in relation to the possible mandatory unconditional cash offer as mentioned in the Rule 3.5 Joint Announcement). Save for Realord Asia Pacific Securities Limited has maintained margin accounts and cash accounts with a subsidiary of the Company in their ordinary and usual course of business, there are no other relationships among the Company, Realord Group Holdings Limited and The Sincere Company, Limited.

Pursuant to Rule 13.84 of the Listing Rules and Rule 2 of the Takeovers Code, and given that (i) remuneration for our engagement to opine on the Extension is at market level and not conditional upon the passing of the resolutions; (ii) no arrangement exists whereby we shall receive any fees or benefits from the Company (other than our said remuneration) or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them; and (iii) our engagement is on normal commercial terms and approved by the Extension Independent Board Committee, we are independent of the Company or the Offeror, their respective controlling shareholders or any parties acting in concert with any of them and can act as the Extension Independent Financial Adviser to the Extension Independent Board Committee in respect of the Extension. Our financial advisory services provided to Realord Group Holdings Limited as abovementioned would not affect our independence to perform our duties as the Extension Independent Financial Adviser with impartiality.

BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others, (i) the Settlement Agreement; (ii) the interim report of the Company for the six months ended 30 June 2022 (the “**Company 2022 Interim Report**”); (iii) the interim report of China Oceanwide for the six months ended 30 June 2022 (the “**China Oceanwide 2022 Interim Report**”); (iv) the annual report of China Oceanwide for the year ended 31 December 2021 (the “**China Oceanwide 2021 Annual Report**”); (v) the interim report of Oceanwide Holdings for the six months ended 30 June 2022 (the “**Oceanwide Holdings 2022 Interim Report**”); (vi) the annual report of Oceanwide Holdings for the year ended 31 December 2021 (the “**Oceanwide Holdings 2021 Annual Report**”); (vii) the announcement of the Company dated 24 August 2021 in relation to the Settlement Agreement; and (viii) other information as set out in the Circular.

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

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Background

1.1 Principal businesses of the Group, Oceanwide Holdings, OHID and China Oceanwide

Information of the Group

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.

Information of Oceanwide Holdings, OHID and China Oceanwide

Oceanwide Holdings is a joint stock company established in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (Stock code: 000046). It is principally engaged in investment and investment management, finance, strategic investment, asset management, real estate business operation and property management, property development and investment, self-owned property leasing, corporate management consultation and sale of building materials, decoration materials and mechanical equipment in the PRC, Hong Kong and the United States of America. Prior to the completion of the deed of share purchase as set out in the Rule 3.6 Joint Announcement, Oceanwide Holdings IF was the controlling Shareholder. As Oceanwide Holdings IF is indirectly wholly-owned by Oceanwide Holdings, Oceanwide Holdings was a connected person of the Company under the Listing Rules. After the completion of the deed of share purchase and as at the Latest Practicable Date, Oceanwide Holdings IF is the beneficial owner of 395,254,732 Shares, representing approximately 6.38% of the total issued share capital of the Company.

OHID is a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of Oceanwide Holdings. Prior to the completion of the deed of share purchase as set out in the Rule 3.6 Joint Announcement, OHID was therefore a connected person of the Company under the Listing Rules. It is principally engaged in bonds issuance.

China Oceanwide is a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (Stock code: 715). China Oceanwide is principally engaged in real estate development in the United States of America and the development in the energy sector in Republic of Indonesia, as well as financial investment and others. China Oceanwide is an

indirect subsidiary of Oceanwide Holdings. Prior to the completion of the deed of share purchase as set out in the Rule 3.6 Joint Announcement, China Oceanwide was therefore a connected person of the Company under the Listing Rules.

1.2 The Settlement Agreement

On 24 August 2021, the Company entered into the Settlement Agreement with Oceanwide Holdings and China Oceanwide, pursuant to which, Oceanwide Holdings conditionally agreed to (i) transfer Tranche A Consideration Shares to the Company (or its nominee) to settle Debt A of HK\$691,000,000 and US\$103,000,000 and settle any outstanding interest accrued on Debt A up to the date of Tranche A Completion in cash; and (ii) transfer Tranche B Consideration Shares to the Company (or its nominee) to settle Debt B of HK\$480,000,000 and settle any outstanding interest accrued on Debt B up to the date of Tranche B Completion in cash.

According to the Settlement Agreement, the number of Tranche A Consideration Shares and Tranche B Consideration Shares are calculated based on the audited NAV of the Target Group attributable to owners of the Target Company and adjusted by the revaluation surplus from valuation of property interests of the Target Group. **As at the Latest Practicable Date, we noted from the Management that the aforesaid audited NAV and valuation of property interests were still under preparation, as such, the number of Consideration Shares is yet to be determined.**

For illustrative purpose only, based on (i) the NAV of the Target Group attributable to owners of the Target Company based on the audited consolidated financial statements of the Target Group prepared in accordance with the PRC GAAP as at 31 December 2020 (i.e. RMB49,156,337,705.91); (ii) the total number of issued shares of the Target Company as at 24 August 2021 (i.e. 38,778,895,399); (iii) a discount of 25% to the NAV; and (iv) without any adjustment on the value of the property interests of the Target Group, the resultant number of Tranche A Consideration Shares and Tranche B Consideration Shares representing approximately 3.37% and 1.08% of the issued shares of the Target Company respectively, as disclosed in the Company's announcement dated 24 August 2021. We noted from the Management that the abovementioned 3.37% and 1.08% are being derived at according to the following formulas:

Number of Tranche A Consideration Shares

$$\begin{aligned} & ((\text{US}\$103,000,000^{(\text{Note } 1)} \times 7.783^{(\text{Note } 2)} \times 0.8312^{(\text{Note } 3)}) + \\ & (\text{HK}\$691,000,000^{(\text{Note } 4)} \times 0.8312^{(\text{Note } 3)})) \div ((\text{RMB}49,156,337,705.91^{(\text{Note } 5)} \div \\ & 38,778,895,399^{(\text{Note } 6)} \times 75\%) = 1,305,022,143 \end{aligned}$$

LETTER FROM THE EXTENSION INDEPENDENT FINANCIAL ADVISER

Tranche A Consideration Shares as a percentage of Target Company's issued shares

$$1,305,022,143 \div 38,778,895,399^{(Note\ 6)} = 3.37\%$$

Number of Tranche B Consideration Shares

$$\frac{(\text{HK}\$480,000,000^{(Note\ 7)} \times 0.8312^{(Note\ 3)}) \div ((\text{RMB}49,156,337,705.91^{(Note\ 5)} \div 38,778,895,399^{(Note\ 6)}) \times 75\%)}{1} = 420,299,837$$

Tranche B Consideration Shares as a percentage of Target Company's issued shares

$$420,299,837 \div 38,778,895,399^{(Note\ 6)} = 1.08\%$$

Notes:

1. The principal amount of US dollars portion of Debt A.
2. The exchange rate of US\$ to HK\$.
3. The exchange rate of HK\$ to RMB.
4. The principal amount of HK dollars portion of Debt A.
5. The NAV of the Target Group attributable to owners of the Target Company based on the audited consolidated financial statements of the Target Group prepared in accordance with the PRC GAAP as at 31 December 2020.
6. Total number of issued shares of the Target Company as at 24 August 2021.
7. The principal amount of Debt B.

The figures mentioned in (i) to (iv) and the calculations above are for illustrative purpose only and are not based on the updated figures. The final number of Consideration Shares will be determined based on the audited NAV and valuation of property interests of the Target Group, which will be different from the figures as shown above.

LETTER FROM THE EXTENSION INDEPENDENT FINANCIAL ADVISER

Set out below is a table summarising details of Debt A and Debt B according to the paragraph headed “Information of Debt A and Debt B” in the “Letter from the Board” of the Circular.

Borrower	First drawn down date	Principal amount	Interest rate <i>(per annum)</i>	Maturity dates
Debt A				
OHID (loans)	fall within the period from 10 January 2020 to 6 August 2021	HK\$391,000,000	12.0%	31 March 2022
		HK\$27,500,000	12.0%	30 June 2022
		HK\$45,000,000	11.0%	30 June 2022
		HK\$27,500,000	12.0%	31 December 2021
		HK\$180,000,000	12.0%	31 March 2022
		HK\$20,000,000	12.0%	31 March 2022
OHID (bonds)	8 June 2018	US\$12,000,000	11.8%	1 June 2022
OHID (bonds)	25 April 2018	US\$91,000,000	11.8%	25 April 2023
Debt B				
China Oceanwide (loans)	fall between the period from 22 December 2017 to 24 April 2020	HK\$280,000,000	12.0%	31 December 2021
		HK\$8,000,000	12.0%	31 March 2022
		HK\$5,000,000	12.0%	31 March 2022
		HK\$3,000,000	12.0%	31 March 2022
		HK\$156,000,000	12.0%	31 December 2021
		HK\$28,000,000	12.0%	31 March 2022

As at the Latest Practicable Date, the aggregate amount of outstanding principal and accrued interest of Debt A and Debt B were approximately HK\$1,700.6 million and HK\$538.5 million respectively. According to the Management, the Settlement Arrangements would enable the Group to fully recover the unsecured Debts due from OHID and China Oceanwide with tangible assets, thus improving the Group’s financial position with reduced loan receivables from connected persons.

Pursuant to the Settlement Agreement, each of the Tranche A Completion and the Tranche B Completion is conditional upon fulfillment or waiver (as the case may be) of the conditions precedent to the Settlement Arrangement A and the Settlement Arrangement B respectively.

According to the Management, the conditions precedent namely, (i) the Company being satisfied with the due diligence results on the Target Group; and (ii) the Company having obtained the approval of the independent Shareholders on the Settlement Agreement, remained outstanding which have led to the Settlement

LETTER FROM THE EXTENSION INDEPENDENT FINANCIAL ADVISER

Agreement not being able to be completed as originally scheduled. As disclosed in the Company's announcement dated 24 August 2021, other conditions precedent being:

- (a) Oceanwide Holdings and China Oceanwide having obtained all necessary internal approvals and consents for the entering into of the Settlement Agreement and the fulfillment of the obligations thereunder;
- (b) Oceanwide Holdings and China Oceanwide having obtained all necessary approvals and consents from the relevant governmental departments, regulatory authorities and other shareholders of the Target Company (if applicable) in connection with the Settlement Arrangement;
- (c) the Company having received the deed of release of the relevant security documents;
- (d) the Company having received the consent letter from Haitong International Securities Company Limited in relation to the Settlement Arrangement B;
- (e) the Company having received, and having been satisfied with, the content of the PRC legal opinion prepared by the PRC legal adviser in relation to the legitimacy of the Settlement Arrangement and that Consideration Shares are free from encumbrances;
- (f) the representation and warranty that Consideration Shares are free from encumbrances as set out in the Settlement Agreement given by Oceanwide Holdings and China Oceanwide remaining true, accurate, complete and not misleading and missing in any aspect;
- (g) save for (f) above, each representation and warranty set out in the Settlement Agreement given by Oceanwide Holdings and China Oceanwide remaining true, accurate, complete and not misleading and missing in any respect and no material adverse change or effect having taken place; and
- (h) Oceanwide Holdings and China Oceanwide having provided a signed disclosure letter to the reasonable satisfaction of the Company.

As at the Latest Practicable Date, according to the Management, save for condition precedent (h) (i.e. provision of a signed disclosure letter in relation to the representation and warranty made by Oceanwide Holdings and China Oceanwide under the Settlement Agreement to the reasonable satisfaction of the Company by Oceanwide Holdings), the other conditions precedent to the Completion are yet to be satisfied. In particular, conditions precedent (a) to (g) would be dependent on the outcome of the aforesaid conditions precedent (i) and (ii) as mentioned on page 37 above.

LETTER FROM THE EXTENSION INDEPENDENT FINANCIAL ADVISER

According to the Management, the abovementioned conditions precedent (a) to (g) were under preparation; however, the finalisation of which would be subject to the completion of the due diligence exercise. Under normal circumstances, we believe seeking PRC legal opinion (i.e. condition precedent (e) above) should have been done in the first instance. However, in view of the unprecedented circumstances and the related uncertainties, such as how many Consideration Shares to be transferred and whether they can be unfrozen in time for the transfer, Shareholders should understand that the PRC legal adviser needs time to complete its due diligence exercise before they are in a position to issue a legal opinion.

If the conditions precedent are not satisfied or waived (as the case may be) on or before the Long Stop Date of 30 June 2023 (subject to Independent Shareholders' approval at the Extension SGM), the Settlement Arrangement A and the Settlement Arrangement B as set out in the Settlement Agreement shall lapse and cease to have effect. We noted that the Long Stop Date has previously been extended from 30 November 2021 to 30 April 2022, and further extended to 31 July 2022.

In addition to the abovementioned conditions precedent, we noted from the Management that dependent on the outcome of the updated due diligence and audit, which in turn will impact the final number of Consideration Shares, the transfer of Target Company's shares may be subject to consents of certain lenders of Oceanwide Holdings. As mentioned in the paragraph headed "Potential alternative settlement options" in the "Letter from the Board" of the Circular, as the Consideration Shares only represent approximately 4.5% shareholding of the Target Group (calculated according to the formula set out above for illustration purpose only) which are not pledged to any lenders (but are frozen as further elaborated in the paragraph headed "2.4 Potential risk associated with Extension" below), the transfer of which would not normally require lenders' consents. However, as advised by the Management, since the Company has yet to finalise the legal due diligence and other due diligence exercise, the result of which will affect the number of Consideration Shares to be transferred under the Settlement Arrangements to determine the extent of lenders' consents required, the Company will work with Oceanwide Holdings to approach relevant lenders for consents (if required) once determined. Up to the Latest Practicable Date, according to the Management, Oceanwide Holdings has not sought preliminary consents from the lenders. The Management advised that both Oceanwide Holdings, China Oceanwide and the Company are working towards with an aim to achieve completion of the Settlement Arrangements and accordingly, will use their best endeavours to obtain consent from the lenders of Oceanwide Holdings (if required). We have considered this as a potential risk associated with the Extension as further discussed in the paragraph headed "2.4 Potential risk associated with Extension" below.

For further details of the Settlement Agreement, please refer to the Company's announcement dated 24 August 2021.

2. Reasons for and benefits of the Extension

2.1 Reason for the Extension

As further elaborated below, in view of the unprecedented circumstances due to the COVID-19 pandemic as well as the due diligence done so far, we understand that additional time is required for the Group to complete the due diligence exercise on the Target Group for the purpose of the Settlement Arrangements.

The Extension (subject to Independent Shareholders' approval at the Extension SGM) therefore provides timing flexibility for the Group to conduct and complete due diligence on the Target Group. Upon completion of the aforesaid due diligence with amongst others, availability of audited financial information and valuation of property interests of the Target Group, the number of Consideration Shares as mentioned in the paragraph headed "1.2 The Settlement Agreement" above will be determined. This also allows the Management to assess thoroughly any implications that may have on the Group after acquiring certain interests in the Target Group in view of completing the Settlement Arrangements. Subject to obtaining all these information, details of the Settlement Agreement will be presented in another circular to be despatched by the Company and the Settlement Agreement will be put forward for the independent Shareholders to consider at a separate special general meeting of the Company. A separate independent financial adviser will advise the independent Shareholders and the independent board committee in relation to the Settlement Agreement. For details, please refer to the Company's announcement dated 24 August 2021.

As at the Latest Practicable Date, we noted from the Management that the due diligence exercise on the Target Group is still in progress and the Management is of the view that the due diligence done thus far (which are still preliminary and incomplete) is not, at this juncture, conclusive for ascertaining the impact on the Settlement Agreement or for decision-making purpose. As further discussed below, the Management estimates that the due diligence and audit of the financial statements of the Target Group for the year ended 31 December 2022 will be completed by or around April 2023. In view of the due diligence exercise on the Target Group is still in progress, while the expert reports, including but not limited to, the due diligence report, legal opinion, audited report and valuation report are still under preparation as at the Latest Practicable Date, we concur with the Management's view that the information available so far are preliminary and insufficient for the Management to consider and assess thoroughly the potential impact on the Settlement Agreement, and accordingly, the Extension is required to provide more time for the Group to complete the due diligence exercise.

2.2 Reasons for the prolonged due diligence exercise in relation to the Settlement Agreement which led to the request for the Extension

As noted in the paragraph headed "Reasons for and benefits of the Extension" in the "Letter from the Board" of the Circular, the Company has been carrying out due diligence on the Target Group and having considered the latest circumstances including the preliminary due diligence findings, which include matters regarding

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certain outstanding litigations, certain assets of the Target Group are subject to charges and certain receivables from related parties of the Target Group that have been past due, and discussions with the management of Oceanwide Holdings, among others, the Management is of the view that additional time is required to complete the due diligence exercise and audited financial information on the Target Group as at 31 December 2022 (which will be the latest available and updated financial results) and accordingly, considers that the Extension is required.

In this regard, we noted that the Target Group is a non-wholly owned subsidiary of Oceanwide Holdings and is principally engaged in the property development and investment businesses in the PRC and consists of more than 50 member companies, where majority of which are located in Wuhan and Beijing. According to the Management, the due diligence exercise on the Target Group has been delayed due to the COVID-19 pandemic, and the restrictive travelling measures adopted in the PRC have further prolonged the process.

In order to understand and verify the underlying circumstances that caused the delay and as a result, the reasons the Extension is required, we have obtained from the Management the latest draft due diligence report, legal opinion and audited report on the Target Group prepared by independent third parties appointed by the Company for the purpose of conducting due diligence on the Target Group (collectively, the “**Draft Reports**”) for review.

We noted from the Draft Reports that there remain material outstanding due diligence to be completed, major due diligence findings to be addressed, as well as legal and auditing issues to be resolved. In particular, we noted from the Draft Reports that the Target Group is currently subject to a number of outstanding litigations, which may have significant and adverse impact on the NAV of the Target Group and in turn, may impact the determination of the consideration of the Settlement Arrangements. For instance, as mentioned in the paragraph headed “Recent update on the Settlement Arrangements” in the “Letter from the Board” of the Circular, the Company noted that there were more than five ongoing litigations involving the Target Group with potential compensation amount of over RMB11.0 billion in total to be paid out by the Target Group. As such, there may be a downward adjustment to the NAV of the Target Company. However, we noted that the potential impact is yet to be ascertained.

We also noted from the Management that the progress of litigations have been prolonged due to the COVID-19 pandemic. According to the Management, based on their discussion with the management of Oceanwide Holdings, the management of Oceanwide Holdings had been working on potential solutions to address the due diligence findings, including but not limited to seeking legal advice in relation to the legal proceedings. However, as the litigations and due diligence exercise are still in progress, it is hard to predict the outcome and to ascertain the potential impact at this juncture.

2.3 Recent actions taken by the Group to re-activate the due diligence exercise on the Target Group

We have also considered that after several extensions of the Long Stop Date as mentioned in the paragraph headed “1.2 The Settlement Agreement” above, as it is already in early 2023, it is practical, fair and reasonable to further extend the Long Stop Date to 30 June 2023 (i.e. six months’ period after the end of 2022) for the Management to assess the Target Group’s latest financial performance for the year ended 31 December 2022.

According to the Management’s discussion with the independent third parties appointed by the Company for the purpose of conducting due diligence on the Target Group, and based on the latest respective due diligence progress and timetable as well as the gradual lifting of restrictive measures in relation to COVID-19 pandemic adopted in the PRC as recently announced, the Management estimates that the due diligence and audit of the financial statements of the Target Group for the year ended 31 December 2022 will be completed by or around April 2023. In this respect, according to the latest schedule provided by the Management, we noted that the updated legal and financial due diligence work as well as the updated audit for the year ended 31 December 2022 to be conducted by the professional parties are planned to commence in February 2023. With around three months’ time to prepare and complete the updated due diligence work and audit, as well as taking into account the factors as abovementioned, the Management is of the view and we concur that the above timeline is a reasonable estimate.

In light of the latest due diligence progress and findings available so far as well as our understanding from the independent third parties appointed by the Company for the purpose of conducting due diligence on the Target Group, we concur with the Management that the Extension is essential to allow additional time for the Company to conduct due diligence and to assess thoroughly the potential impact based on a set of more up-to-date and complete information on the Target Group.

2.4 Potential risk associated with Extension

Subject to the Extension being approved at the Extension SGM, and only with the satisfactory completion of the due diligence exercise as well as the fulfillment of other conditions precedent (where applicable) as mentioned in the paragraph headed “1.2 The Settlement Agreement” above, the Settlement Agreement will be put forward for independent Shareholders to consider and, if thought fit, to approve, in about five months’ time. However, there is no guarantee that the Settlement Agreement will proceed as expected and Debt A and Debt B may not be recovered fully or partly. In particular, we noted the followings:

- (i) both China Oceanwide and Oceanwide Holdings have been facing liquidity pressure and deteriorating financial positions with substantial amount of outstanding borrowings as elaborated in the paragraph headed “2.5.1

Settlement in cash” below, with the further extended period to conduct due diligence and assessment, their financial conditions may further **deteriorate** which may adversely affect the recoverability of Debt A and Debt B;

- (ii) based on the preliminary due diligence done thus far as abovementioned, we noted that the Target Group is subject to a number of **outstanding litigations** (and there is no certainty of whether any more litigations will emerge as time pass) which may likely lead to a downward adjustment to the NAV of the Target Company. As such, there is a potential risk that the audited NAV of the Target Company as at 31 December 2022 amounting to less than the aggregate of principal amount of Debt A and Debt B, which in turn, lead to failure in full recovery of Debt A and Debt B;
- (iii) as mentioned in the paragraph headed “Assessment of credit risk and financial position of Oceanwide Holdings and China Oceanwide” in the “Letter from the Board” of the Circular, the entire approximately 89.23% shareholding in the Target Company directly held by Oceanwide Holdings (the “**OH Target Shareholding**”) and shares of certain subsidiaries of the Target Company were **frozen due to two ongoing litigation cases** relating to aggregated outstanding debt amounts of approximately RMB490 million. As mentioned in the “Letter from the Board” of the Circular, the Management has been maintaining close dialogue with the management of Oceanwide Holdings in relation to their settlement plans of the relevant debts, the latest development of the litigation cases and their negotiation with the relevant plaintiffs but no agreement has been reached yet. We noted that the Management had further discussed with the management of Oceanwide Holdings subsequent to the publication of Oceanwide Holdings’ announcement dated 31 January 2023 in relation to its preliminary unaudited figures for the year ended 31 December 2022 as further elaborated in the paragraph headed “2.5.1 Settlement in cash” below, and understand that the uncertainty of getting the required shares in the Target Group to be unfrozen by the proposed Long Stop Date (i.e. 30 June 2023) has materially increased given, amongst others, the worsening of the financial position of Oceanwide Holdings. As the litigations and negotiations are still in progress, we are of the view that it is hard to predict whether the OH Target Shareholding will be unfrozen at this juncture. There is no certainty that the OH Target Shareholding will be unfrozen and in such scenario, the transfer of Consideration Shares will be adversely affected and the Settlement Agreement may not proceed as expected. According to the “Letter from the Board” of the Circular, the Company will discuss with Oceanwide Holdings on the latest plans and progress of unfreezing the Consideration Shares, and depending on the circumstances and considering alternative settlement options available, the Company will consider whether to proceed with the Settlement Arrangements and may negotiate with Oceanwide Holdings and China Oceanwide on further extension of the Long Stop Date, which will be subject to independent Shareholders’ approval in the special general meeting expected to be held by or around June 2023 for approving the Settlement Agreement, to allow time for the Consideration Shares being unfrozen; and

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- (iv) there are a number of factors and the status of which as at the Latest Practicable Date may cast doubt on the successful implementation of the Settlement Agreement, including but not limited to, (a) the transfer of Target Company's shares may be subject to **lenders' consent** to be obtained as mentioned in the paragraph headed "1.2 The Settlement Agreement" above; (b) majority of the conditions precedent to the Completion have not yet been satisfied; and (c) whether Oceanwide Holdings and China Oceanwide have the **ability to settle the interest accrued with cash** (in accordance to terms pursuant to the Settlement Agreement) based on their prevailing liquidity and financial conditions, and in the circumstance where they do not have sufficient cash to settle the interest accrued, the Company may further negotiate terms of the Settlement Agreement as discussed in the paragraph headed "2.6 Section conclusion" below and the Settlement Agreement may not proceed as expected.

Hence, with the approval of the Extension, but if the Settlement Agreement does not proceed as expected, the risk is a waste of the time and effort spent on the due diligence exercise. According to the Management, the additional costs to be borne by the Management associated with the Extension (i.e. professional fees for conducting the updated due diligence, costs for preparing another circular and special general meeting in relation to the Settlement Agreement) will be approximately HK\$16.0 million.

If the Extension is not being approved, the Settlement Agreement may lapse and cease to have effect at the time when the Extension is being voted down by the Independent Shareholders at the Extension SGM. In this respect, we have also considered potential alternative options as discussed in the paragraph headed "2.5 Potential alternative options other than the Settlement Arrangements" below. However, the feasibility of which appear to be low with high uncertainty, time-consuming and may require substantial resources from the Group at the moment. In this regard, we concur with the Management that the Settlement Arrangements remain to be the best available option under the current circumstances as it would provide the Company with an earmarked tangible asset by Oceanwide Holdings as a feasible settlement option, though with material uncertainty of completion by the proposed Long Stop Date as discussed above. As such, even though there is a possibility that the Settlement Arrangements may not be completed even after the Extension is being granted, the Management is of the view and we concur that the Extension, which allows additional time for the Company to conduct due diligence on the Target Group and to proceed with the Settlement Arrangements (subject to due diligence results or further negotiation of terms of the Settlement Agreement, if needed), remain to be an opportunity and the best available option to recover the outstanding Debt A and Debt B under the current circumstances.

We have further considered that in the circumstances where the Extension is not being approved at the Extension SGM, the Settlement Agreement may lapse and cease to have effect at the time when the Extension is being voted down by the Independent Shareholders at the Extension SGM. In this hypothetical scenario (it is hypothetical since as at the date of this letter, the Extension SGM has not yet been held for the Independent Shareholders to vote in relation to the Extension), the Management may have to immediately consider making full impairment provision for Debt A and Debt

B. We noted from the Company 2022 Interim Report that a total accumulated provision of approximately HK\$1,576 million (i.e. representing approximately 70.4% of the outstanding principal and accrued interest of Debt A and Debt B as at the Latest Practicable Date) had been made in relation to Debt A and Debt B as at 30 June 2022. As such, for illustration, the maximum further loss to the Group for the year ended 31 December 2022 may be approximately HK\$663.1 million (calculated based on the difference of (i) aggregate amount of outstanding principal and accrued interest of Debt A and Debt B of approximately HK\$2,239.1 million as at the Latest Practicable Date; and (ii) the abovementioned accumulated provision of approximately HK\$1,576 million). For your reference, the Group's total revenue and net loss attributable to equity holders of the Company for the year ended 31 December 2021 were approximately HK\$857.8 million and HK\$2,260.6 million respectively.

Overall, having taken into account the abovementioned potential risk and additional costs associated with the Extension, as well as the potential alternative options as discussed in the paragraph headed "2.5 Potential alternative options other than the Settlement Arrangements" below, we concur with the Management's view that the Settlement Agreement remains to be an opportunity, and represents the Management's effort, to recover the outstanding Debt A and Debt B under the current circumstances. Although the Group has already made an approximately 70.4% accumulated provision in relation to Debt A and Debt B as abovementioned, it does not entail the Management to forgo any chance in recovering the outstanding debts. In the scenario where the Debt A and Debt B could be recovered partly or in full, the accumulated provision will be written back in proportion to the actual amount of loan recovered. Although the Extension will further delay the Settlement Agreement to be put forward for independent Shareholders to consider and, if thought fit, to approve, taking into account the current circumstances as illustrated above, we consider that on balance, the Extension is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

2.5 Potential alternative options other than the Settlement Arrangements

We noted that the Management has also considered potential alternative options other than the Settlement Arrangements, including but not limited to, settlement in cash, restructuring the loans by obtaining assets from Oceanwide Holdings and China Oceanwide as collateral (which aims to provide additional safeguard to the Company as a secured creditor as compared to an unsecured creditor), and filing winding-up petition against Oceanwide Holdings and China Oceanwide.

2.5.1 Settlement in cash

With respect of settlement in cash, we noted that the Management holds the view that it is unlikely for China Oceanwide and Oceanwide Holdings or their respective parent companies or controlling shareholders to obtain sufficient funding to fully repay their debts owed to the Company in cash in the short term based on their prevailing financial situations.

In this regard, we noted from the China Oceanwide 2021 Annual Report, the China Oceanwide 2022 Interim Report, the Oceanwide Holdings 2021 Annual Report and the Oceanwide Holdings 2022 Interim Report that both China Oceanwide and Oceanwide Holdings have been facing liquidity pressure and deteriorating financial positions with substantial amount of outstanding borrowings. In particular, we noted that the cash and cash equivalent positions of both of them were insufficient to cover their short term outstanding debts. For China Oceanwide, its cash and cash equivalents and short term outstanding debts amounted to approximately HK\$7.4 million and HK\$3,286.2 million as at 30 June 2022 respectively. For Oceanwide Holdings, its cash and cash equivalents and short term outstanding debts amounted to approximately RMB2,695.6 million and RMB11,936.3 million as at 30 June 2022 respectively. In addition, we noted that (i) for China Oceanwide, its revenue decreased substantially by approximately 48.7% from approximately HK\$54.6 million in the first half of 2021 to approximately HK\$28.0 million in the first half of 2022, with a net loss for the period increased from approximately HK\$572.4 million to HK\$731.5 million respectively; and (ii) for Oceanwide Holdings, its revenue decreased substantially by approximately 60.6% from approximately RMB9,955.9 million in the first half of 2021 to approximately RMB3,923.6 million in the first half of 2022, with a net loss for the period increased from approximately RMB301.2 million to RMB2,412.4 million respectively. According to Oceanwide Holdings' announcement dated 31 January 2023, based on preliminary unaudited figures, its net loss for the year ended 31 December 2022 is expected to range from RMB7.0 billion to RMB10.0 billion, while its net liabilities as at 31 December 2022 is expected to range from RMB0.6 billion to RMB3.6 billion. We also noted from the China Oceanwide 2021 Annual Report that a number of receiverships and lawsuits have occurred against China Oceanwide due to funding issues and it has been actively disposing non-revenue generating assets and convincing lenders on debt restructuring and extension of principal and interest payment schedule. Hence, we concur with the Management's view that the chance of seeking settlement in cash in the short term to be low.

2.5.2 Obtaining assets as collateral during restructuring of loans

With respect of obtaining assets as collateral, it may not be a practicable option under the current circumstances according to the Management. We further noted from the Management that according to their discussions with the management of China Oceanwide, some of their creditors have already filed winding-up petitions against them and China Oceanwide Group Limited, the immediate holding company of OHID, and that material assets of China Oceanwide have been pledged to lenders and these loans have also been defaulted. Further, the entering into of the collateral arrangement may involve a complex process and lengthy as each of China Oceanwide and the Oceanwide Holdings would have to obtain approvals and/or consent from regulators and their creditors and the outcome could be uncertain and beyond the control of the Company. Given their prevailing financial conditions as mentioned above, the Management is of the view that the likelihood of obtaining all necessary approvals

and/or consent in the short term would be low. In light of the above, we concur with the Management's view that the obtaining of assets from China Oceanwide and Oceanwide Holdings as collateral may not be a practicable option under the current circumstances.

2.5.3 Filing of winding-up petition

In relation to the filing of winding-up petition against Oceanwide Holdings and China Oceanwide, we have discussed with the Management who also believes that it would not be an optimal option. The Management advised that so far as they are aware of, a number of creditors have already filed winding-up petitions against China Oceanwide, and both China Oceanwide and Oceanwide Holdings have substantial amount of debt outstanding and a significant portion of which are secured debts. In this regard, we noted (i) from the China Oceanwide 2022 Interim Report that approximately 68.2% of China Oceanwide's borrowings as at 30 June 2022 were secured debts; and (ii) from the Oceanwide Holdings 2022 Interim Report that approximately 92.2% of Oceanwide Holdings' borrowings as at 30 June 2022 were secured debts. In the case where the Company were to file winding-up petition against Oceanwide Holdings or to support the winding up petition against China Oceanwide, the Management considers the recovery rate of the Company, being an unsecured creditor of China Oceanwide and Oceanwide Holdings, would be low. In addition, the winding up petition process could be lengthy and may require substantial resources from the Group (including professional fees and Management's efforts and time). As such, we concur with the Management's view that the filing of winding-up petition against Oceanwide Holdings or supporting the winding up petition against China Oceanwide may not be in the best interests of the Company and the Independent Shareholders as a whole.

Separately, with regards to the winding-up petitions filed against China Oceanwide as abovementioned, as the Target Group is a non-wholly owned subsidiary of Oceanwide Holdings instead of China Oceanwide, the Management advised that such winding-up petitions will not affect the transfer of the Target Company's shares under the Settlement Arrangements.

2.6 Section conclusion

In view of the above, we consider the Management's assessment of potential alternative options as reasonable, where the feasibility of which are low with high uncertainty, time-consuming and may require substantial resources from the Group at the moment. We concur with the Management that the Settlement Arrangements remain to be the best available option under the current circumstances for the Company to recover the unsecured Debts due from OHID and China Oceanwide, as it would provide the Company with an earmarked tangible asset by Oceanwide Holdings (according to the Settlement Agreement as mentioned above, (i) Tranche A Consideration Shares shall be transferred to the Company to settle Debt A of HK\$691,000,000 and US\$103,000,000, while any outstanding interest accrued on Debt

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A up to the date of Tranche A Completion shall be settled in cash; and (ii) Tranche B Consideration Shares shall be transferred to the Company to settle Debt B of HK\$480,000,000, while any outstanding interest accrued on Debt B up to the date of Tranche B Completion shall be settled in cash).

We have also considered the fact that, save for the additional costs associated with the Extension of approximately HK\$16.0 million as mentioned in the paragraph headed “2.4 Potential risk associated with Extension” above, there will be no other immediate financial impact to the Group as a result of the Extension.

As it is already in early 2023, we considered that it is practical, fair and reasonable and is in the interests of the Company and the Independent Shareholders as a whole to further extend the Long Stop Date from 31 July 2022 to 30 June 2023 to allow sufficient time for the Company to conduct the necessary due diligence on the Target Group and to assess thoroughly the potential impact of due diligence findings, which in turn, form the key basis for the Company to further negotiate terms of the Settlement Agreement, if needed (subject to due diligence results), in the best interests of the Company and the Independent Shareholders. As discussed in the paragraph headed “2.1 Reason for the Extension” above, in view of the due diligence exercise on the Target Group is still in progress as at the Latest Practicable Date, we concur with the Management’s view that the information available so far are preliminary and insufficient for the Management to consider and assess thoroughly the potential impact on the Settlement Agreement, and accordingly, it is premature for the Management to further negotiate terms of the Settlement Agreement at this juncture.

On balance, we considered that it would be in the interests of the Company and the Independent Shareholders as a whole to have the Extension and then proceed to seek separate independent Shareholders’ approval on the Settlement Arrangements at another special general meeting after due diligence on the Target Group has been completed and the results of which are satisfactory to the Management.

RECOMMENDATION

Shareholders should note that granting the Extension does not imply the Company can proceed to implement the Settlement Agreement, and there is no guarantee that the Settlement Agreement can be completed and Debt A and Debt B may not be recovered fully or partly. Approving the Extension merely provides the Group with more time to complete the due diligence exercise on the Target Group; otherwise, the Settlement Agreement may lapse and cease to have effect. Subject to, amongst others, satisfactory due diligence results on the Target Group and fulfillment of other conditions precedent (where applicable), the Settlement Agreement will be put forward for the independent Shareholders to consider at a separate special general meeting of the Company.

In summary, having considered the above principal factors and reasons, in particular:

- (i) the Extension is essential to allow additional time for the Company to conduct due diligence and to assess thoroughly the potential impact on, amongst others, outstanding litigations, certain assets of the Target Group which are subject to

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charges and certain receivables from related parties of the Target Group that have been past due, based on a set of more up-to-date and complete information on the Target Group, which in turn, determine the number of Consideration Shares and form the key basis for the Company to further negotiate terms of the Settlement Agreement, if needed (subject to due diligence results), in the best interests of the Company and the Independent Shareholders;

- (ii) having considered potential alternative options other than the Settlement Arrangements, where the feasibility of which are low with high uncertainty, time-consuming and may require substantial resources from the Group at the moment, the Management is of the view and we concur that, the Settlement Arrangements remain to be the best available option under the current circumstances for the Company to recover the unsecured Debts due from OHID and China Oceanwide with tangible assets;
- (iii) save for the additional costs associated with the Extension (i.e. professional fees for conducting the updated due diligence, costs for preparing another circular and special general meeting in relation to the Settlement Agreement) of approximately HK\$16.0 million, there will be no other immediate financial impact to the Group as a result of the Extension; and
- (iv) notwithstanding the potential risk (i.e. the Settlement Agreement may not proceed as expected and Debt A and Debt B may not be recovered fully or partly), the Settlement Agreement remains to be an opportunity, and represents the Management's effort, to recover the outstanding Debt A and Debt B under the current circumstances,

on balance, we are of the view that the Extension is conducted in the ordinary and usual course of business of the Group and is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders, as well as the Extension Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolutions to be proposed at the Extension SGM to approve the Extension.

Yours faithfully,
For and on behalf of
Altus Capital Limited

Jeanny Leung
Executive Director

Ms. Jeanny Leung (“Ms. Leung”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. She is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Ms. Leung has over 30 years of experience in corporate finance advisory and commercial field in Greater China, in particular, she has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions.

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following table is a summary of certain audited consolidated financial information of the Group for the three financial years ended 31 December 2019, 31 December 2020 and 31 December 2021 and the unaudited consolidated financial information of the Group for the six months ended 30 June 2022 as disclosed in the 2022 interim report.

	For the year ended 31 December			For the six months ended
	2019	2020	2021	30 June
	<i>HK\$'000</i> (audited)	<i>HK\$'000</i> (audited)	<i>HK\$'000</i> (audited)	<i>HK\$'000</i> (unaudited)
Total revenue	779,432	1,104,615	857,822	26,918
Other income	(2,275)	15,902	15,110	12,077
Direct costs	(160,196)	(165,747)	(141,838)	(54,003)
Staff costs	(214,850)	(255,215)	(186,178)	(89,644)
Depreciation and amortization	(42,440)	(48,243)	(45,807)	(21,447)
Expected credit loss net charges	(184,800)	(372,627)	(2,582,604)	(80,570)
Finance costs				
— Interest on borrowings	(107,520)	(105,713)	(59,717)	(23,711)
— Interest on lease liabilities	(4,611)	(4,111)	(2,725)	(804)
Other operating expenses	(56,883)	(53,662)	(55,325)	(28,329)
Share of result of an associate	(212)	(206)	526	(242)
Share of results of joint ventures	(2,036)	(1,873)	1,552	—
Profit/(loss) before tax	3,609	113,120	(2,199,184)	(259,755)
Tax credit/(expense)	1,738	(9,870)	(61,393)	14,164
Net (loss)/profit attributable to equity holders of the Company	<u>5,347</u>	<u>103,250</u>	<u>(2,260,577)</u>	<u>(245,591)</u>
	<i>HK cent(s)</i>	<i>HK cent(s)</i>	<i>HK cent(s)</i>	<i>HK cent(s)</i>
Earnings/(loss) per share for net profit/(loss) attributable to equity holders of the Company				
— Basic and diluted	0.087	1.680	(36.782)	(3.996)
Dividend per share	Nil	0.5	Nil	Nil

Save as disclosed above, there is no other income or expense which are material to the Company for each of the three financial years ended 31 December 2019, 31 December 2020 and 31 December 2021 and the six months ended 30 June 2022. There has been no change in the Group's accounting policies which would result in the figures in its consolidated financial statements being not comparable to a material extent.

The auditor's reports issued by KPMG, in respect of the audited consolidated financial statements of the Group for each of the two years ended 31 December 2019 and 31 December 2020 did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

Saved as the material uncertainty related to going concern disclosed below, the auditor's reports issued by KPMG, in respect of the audited consolidated financial statements of the Group for the year ended 31 December 2021 did not contain any modified opinion. As set out in the auditor's reports issued by KPMG, in respect of the audited consolidated financial statements of the Group for the year ended 31 December 2021, the Group incurred a net loss of HK\$2,261 million attributable to the Shareholders during the year ended 31 December 2021. As at 31 December 2021, the Group's bank and other borrowings of HK\$1,503 million were due for renewal or repayment within the next twelve months, while its cash and bank balances only amounted to HK\$405 million as at the same date. In addition, the Group's related parties, including the immediate holding company, intermediate holding company and a fellow subsidiary, experienced a series of credit default events such as debt defaults and lawsuits during the year, which indicated concerns about repayment of the amounts due from them and may affect the Group's ability to raise additional funds or renew/extend its existing borrowings. These events or conditions, along with other matters as set forth on pages 102 to 104 of the 2021 annual report of the Company under Note 2.2 to the consolidated financial statements for the year ended 31 December 2021, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

2. CONSOLIDATED FINANCIAL STATEMENTS

The audited consolidated financial statements of the Group for the years ended 31 December 2019, 31 December 2020 and 31 December 2021 were disclosed in the annual reports of the Company for the year ended 31 December 2019 (pages 92 to 206), year ended 31 December 2020 (pages 96 to 206) and year ended 31 December 2021 (pages 94 to 206). The unaudited consolidated financial statements for the six months ended 30 June 2022 are set out on pages 2 to 44 of the 2022 interim report.

The aforementioned financial information of the Group has been published on both the HKEXnews website (www.hkexnews.hk) and the website of the Company (www.tonghaifinancial.com). Please refer to the hyperlinks as stated below:

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

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0428/2020042802410.pdf>

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

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0419/2021041901088.pdf>

2021 annual report (for the year ended 31 December 2021):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042802338.pdf>

2022 interim report (for the six months ended 30 June 2022):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0915/2022091500767.pdf>

The abovementioned audited consolidated financial statements of the Group for the three financial years ended 31 December 2019, 2020 and 2021 and the unaudited consolidated financial statements for the six months ended 30 June 2022 are incorporated by reference into this circular and form part of this circular.

3. INDEBTEDNESS

At the close of business on 31 December 2022, 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

Bank loans, other borrowings and lease liabilities totaling approximately HK\$954,316,000, comprising:

(a) Bank loans, which were:

	<i>HK\$'000</i>
Secured and guaranteed by the Company*	205,927
Secured and guaranteed by previous ultimate controlling Shareholder**	<u>337,148</u>
	<u><u>543,075</u></u>

* These bank loans were secured by marketable securities as at 31 December 2022 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 unlisted equity securities, private equity fund and bank deposits held by the Company as at 31 December 2022, certain listed Shares held by previous immediate controlling Shareholder and certain previous fellow subsidiary's listed shares held by its immediate controlling shareholder. These bank loans were also guaranteed by previous ultimate controlling Shareholder and a wholly-owned subsidiary of the Company.

(b) Other borrowings, which were:

	<i>HK\$'000</i>
Secured and unguaranteed***	238,309
Unsecured and unguaranteed	<u>124,161</u>
	<u><u>362,470</u></u>

*** These other borrowings were secured by listed equity securities and property and plant held by the Group as at 31 December 2022.

(c) Lease liabilities of approximately HK\$48,771,000.

Commitments

As at the close of business on 31 December 2022, the Group had capital commitments which were contracted, of HK\$14,786,000 and contractual amounts of loan commitment of approximately HK\$12,000,000.

Contingent liabilities

As at 31 December 2022, the Group had no material contingent liabilities.

Save as aforesaid or otherwise disclose therein, 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, other recognised lease liabilities or lease commitments (whether are either guaranteed, unguaranteed, secured or unsecured), guarantees or other material contingent liabilities at the close of business on 31 December 2022.

To the best knowledge of the Directors, having made all reasonable enquiries, the Directors confirmed there have been no material changes in indebtedness or contingent liabilities of the Group since 31 December 2022 and up to Latest Practicable Date.

On 31 December 2021, the Company as borrower entered into a deed of amendment with a licensed bank in Hong Kong as lender (the “**Banking Facility Arrangement**”) to extend the banking facility with the existing principal amount of HK\$410 million (the “**Extended Banking Facility**”) for one year from 31 December 2021. As at 31 December 2022, the outstanding balance of such loan was HK\$337,148,000 and it is included in the bank loans of the Group listed above. Pursuant to the Banking Facility Arrangement, Mr. LU Zhiqiang and his parties acting in concert, shall at all times directly or indirectly beneficially own not less than 60% of the issued Shares. Upon the breach of this condition, the Extended Banking Facility will immediately and automatically be cancelled and all outstanding principal, together with accrued interest, and all other amounts accrued under the Banking Facility Arrangement, become immediately due and payable.

Upon the completion of the deed of share purchase on 3 February 2023, the Company has immediately informed the lender that the indirect shareholding of Mr. LU Zhiqiang and his parties acting in concert decreased to approximately 6.38% in aggregate of the total issued share capital of the Company and the Company has been discussing with the lender to restructure the Banking Facility Arrangement. As at the Latest Practicable Date, the discussion is still ongoing and the Company has not received any notice from the lender demanding immediate payment of the outstanding principal and accrued interest.

4. WORKING CAPITAL

As at 30 June 2022, the Group's bank and other borrowings of approximately HK\$1,159 million were due for renewal or repayment within the next twelve months, while its cash and bank balances only amounted to approximately HK\$214 million as at the same date.

As at 30 June 2022, the Group's other loans receivables and financial assets not held for trading (net of expected credit losses) of approximately HK\$980 million were due from certain parties including the Company's previous immediate holding company, Oceanwide Holdings IF, previous intermediate holding company, Oceanwide Holdings, and a previous fellow subsidiary, China Oceanwide Holdings Limited. These parties experienced a series of credit default events such as debt defaults and lawsuits since the second half of 2021, which indicated concerns about their liquidity and ability to refinance. The financial difficulties of these parties raised significant concerns over recoverability and/or timing of any repayments of the amounts due from them, which may also affect the Group's ability to raise additional funds, timely renew or extend its existing bank borrowings. Several of the Group's banks have already requested reductions in banking facilities or lowered actual drawdown amount.

In the opinion of the Directors, after taking into account the internal resources, the present and expected available financing facilities, the Group has sufficient working capital for its present requirements for at least the next twelve months from the date of this circular.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Although the world is recovering from COVID-19, there is still presented with a lot of uncertainties and challenges, namely, the war between Russia and Ukraine, the fifth wave of COVID-19 in Hong Kong, the inflation in western countries and the possible stagflation in the PRC. These uncertainties and challenges are expected to exert influence on the economic outlook and investors sentiments in the stock market. Against this backdrop, the Group will maintain a cautious approach in the business, focusing the resources in maintaining the soundness and sustainability of the brokerage, corporate finance and asset management businesses, and improve the system efficiency and service quality. The Group shall closely monitor the credit exposure in non-margin loan to clients and has commenced to reduce the financing continuing connected transactions. In addition, the Group will put

more time and resources to monitor the cash flow of the Group and to reallocate the investment portfolios to adjust to the right risk appetite under the current macro-economic environment.

6. MATERIAL CHANGE

The Directors confirm that save for the following changes as disclosed in the interim report of the Company for six months ended 30 June 2022 (the “**2022 Interim Report**”), there had been no material change in the financial or trading position or outlook of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up, up to and including the Latest Practicable Date:

1. the Group’s total revenue has continued to decrease due to (i) decrease in fee and commission income, which was mainly contributed by the decrease in commission on dealings in securities and was consistent with the decrease in market turnover of the securities market at the Hong Kong Stock Exchange as mentioned in the 2022 Interim Report; (ii) the decrease in interest income, which was mainly due to a drop in average outstanding margin loans to clients and a higher proportion of other loans have not been renewed as mentioned in the 2022 Interim Report; and (iii) net investment loss incurred, which was mainly due to price drop of certain financial investment assets and drop in collateral’s market value below the outstanding margin loan to client as mentioned in the 2022 Interim Report. For the year ended 31 December 2021, the Group’s total revenue amounted to approximately HK\$857.8 million, while for the six months ended 30 June 2022, the Group’s total revenue amounted to approximately HK\$26.9 million, representing approximately 3.1% of the total revenue for the year ended 31 December 2021;
2. the Group’s expected credit loss (“ECL”) net charges has continued to decrease mainly due to the Group has adopted a higher ECL provision rate in 2021, as such, ECL was only provided for further interest income arising from connected parties’ loans and bonds in 2022 as mentioned in the 2022 Interim Report. For the year ended 31 December 2021, the Group’s ECL net charges amounted to approximately HK\$2,582.6 million, while for the six months ended 30 June 2022, the Group’s ECL net charges amounted to approximately HK\$80.6 million, representing approximately 3.1% of the ECL net charges for the year ended 31 December 2021;
3. the Group’s cash and cash equivalents has continued to decrease as compared to the balance recorded as at 31 December 2021. As at 30 June 2022, the Group’s cash and cash equivalents amounted to approximately HK\$213.7 million, representing a decrease of approximately 47.3% as compared to approximately HK\$405.3 million as at 31 December 2021;

4. the Group's other loans has continued to increase as compared to the balance recorded as at 31 December 2021. As at 30 June 2022, the Group's other loans amounted to approximately HK\$1,745.5 million, representing an increase of approximately 9.2% as compared to approximately HK\$1,598.1 million as at 31 December 2021; and
5. the Group's bank and other borrowings has continued to decrease as compared to the balance recorded as at 31 December 2021. As at 30 June 2022, the Group's bank and other borrowings amounted to approximately HK\$1,159.0 million, representing a decrease of approximately 22.9% as compared to approximately HK\$1,502.9 million as at 31 December 2021.

1. RESPONSIBILITY STATEMENT

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statements in this circular misleading.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statements in 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

Name of Director	Capacity	Number of Shares held	Number of underlying Shares held	Approximate percentage of shareholding in the Shares in issue (Note 1)
Mr. HAN	Interest of Controlled Corporation	—	4,098,510,000 (Note 2)	66.13%
Mr. LAM	Beneficial Owner	113,072,833	—	1.82%
	Interest of Controlled Corporation	—	4,098,510,000 (Note 2)	66.13%

II. Long positions in the shares of associated corporation of the Company

(a) Quam Tonghai Holdings Limited

Name of Director	Capacity	Number of shares in Quam Tonghai Holdings Limited	Approximate
			percentage of shareholding in Quam Tonghai Holdings Limited <i>(Note 3)</i>
Mr. HAN	Beneficial owner	490	49%
Mr. LAM	Beneficial owner	510	51%

Notes:

1. 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 as at the Latest Practicable Date.
2. Quam Tonghai Holdings Limited is the beneficial owner of 4,098,510,000 Shares and Quam Tonghai Holdings Limited is owned as to 51% by Mr. LAM and 49% by Mr. HAN. By virtue of the SFO, Mr. LAM and Mr. HAN are deemed to be interested in 4,098,510,000 Shares.
3. 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.

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.

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

Name of holder of Shares/ underlying Shares	Capacity	Number of Shares and underlying Shares held	Approximate percentage of the total issued share capital of the Company (Note 1)
Quam Tonghai Holdings Limited	Beneficial owner	4,098,510,000 (Note 2)	66.13%
Haitong Securities Co., Ltd.	Interest of controlled corporation	4,100,000,000 (Note 3)	66.16%
Haitong International Holdings Limited	Interest of controlled corporation	4,100,000,000 (Note 4)	66.16%
Haitong International Securities Group Limited	Interest of controlled corporation	4,100,000,000 (Note 5)	66.16%
Haitong International Investment Solutions Limited (now known as “Spring Progress Investment Solutions Limited”)	Security interest in Shares	4,100,000,000	66.16%

Notes:

1. 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.
2. Quam Tonghai Holdings Limited is the beneficial owner of 4,098,510,000 Shares and Quam Tonghai Holdings Limited is owned as to 51% by Mr. LAM and 49% by Mr. HAN.
3. 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.
4. 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.
5. Haitong International Investment Solutions Limited (now known as “Spring Progress Investment Solutions Limited”) is an indirect subsidiary of Haitong International Securities Group Limited. By virtue of the SFO, Haitong International Securities Group Limited is deemed to be interested in all the Shares held by Haitong International Investments Solutions Limited.

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.

Directorship and employment of the Directors and chief executive in the substantial Shareholders

As at the Latest Practicable Date, save as disclosed in the following, the Directors were not aware of any other Director who was a director or an employee of a company which had an interest or short position in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Name of Director	Name of company which had such discloseable interest or short position	Position within such company
Mr. Han	Quam Tonghai Holdings Limited	director
Mr. Lam	Quam Tonghai Holdings Limited	director

3. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group and are required to be disclosed pursuant to Rule 8.10(2) of the Listing Rules.

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 2021, 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 fifth supplemental agreement dated 12 May 2022 entered into between China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company and Oceanic Vanguard Investments Limited (an Independent Third Party) in relation to the extension of loans in the amount of HK\$184.55 million to 31 March 2023. Details of the fifth supplemental agreement are set out in the announcement of the Company dated 12 May 2022;
- (ii) the supplemental agreement dated 12 May 2022 entered into between China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company and Oceanic Vanguard Investments Limited in relation to the extension of loans in the amount of HK\$65 million to 19 December 2022. Details of the supplemental agreement are set out in the announcement of the Company dated 12 May 2022;
- (iii) the supplemental agreement dated 12 May 2022 entered into between China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company and Oceanic Vanguard Investments Limited in relation to the extension of loans in the amount of HK\$25 million to 1 February 2023. Details of the supplemental agreement are set out in the announcement of the Company dated 12 May 2022;
- (iv) the seventh supplemental agreements dated 12 May 2022 entered into between China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company and Grand Profit International Investment Limited (which holds approximately 4.39% of the issued Shares and is an Independent Third Party) in

relation to the extension of loans in the amount of HK\$234.16 million to 31 March 2023. Details of the seventh supplemental agreements are set out in the announcement of the Company dated 12 May 2022;

- (v) the second supplemental agreement to the Settlement Agreement dated 31 March 2022 entered into among the Company, Oceanwide Holdings and China Oceanwide to extend of the long stop date of the Settlement Agreement. Details of the supplemental agreement are set out in the announcement of the Company dated 31 March 2022;
- (vi) the deed of assignment dated 25 March 2022 entered into among China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company and China Tonghai Guaranteed Return Segregated Portfolio as assignors and EBG Capital Holdings Limited (an Independent Third Party) as assignee pursuant to which the assignors have conditionally agreed to sell and the assignee has conditionally agreed to purchase the outstanding principal amount, accrued interest in the assignors' participation in a loan facility for a consideration of HK\$321 million, of which approximately HK\$199.3 million is attributable to the HK\$166 million lent by China Tonghai Finance Limited to Filled Converge Limited (an Independent Third Party) as borrower under the facility. Details of the subscription agreements are set out in the announcement of the Company dated 25 March 2022;
- (vii) the supplemental agreement to the Settlement Agreement dated 30 November 2021 entered into among the Company, Oceanwide Holdings and China Oceanwide to extend of the long stop date of the Settlement Agreement. Details of the supplemental agreement are set out in the announcement of the Company dated 30 November 2021;
- (viii) the financial services agreement dated 29 October 2021 entered into among China Tonghai Securities Limited, an indirect wholly-owned subsidiary of the Company and certain connected persons of the Company in relation to the connected dealings services and the connected margin loans from 1 January 2022 to 31 December 2024. Details of the financial services agreement are set out in the announcement of the Company dated 29 October 2021;
- (ix) the supplemental agreement dated 24 September 2021 entered into between China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company and Grand Profit International Investment Limited (which holds approximately 4.39% of the issued Shares and is an Independent Third Party) in relation to the extension of a loan in the amount of HK\$74 million to 23 August 2022. Details of the supplemental agreement are set out in the announcement of the Company dated 24 September 2021;
- (x) the settlement agreement dated 24 August 2021 entered into among the Company, Oceanwide Holdings and China Oceanwide pursuant to which Oceanwide Holdings has conditionally agreed to transfer (1) consideration shares of a subsidiary of Oceanwide Holdings to the Company (or its nominee) to settle a

debt of HK\$691,000,000 and US\$103,000,000 and settle any outstanding interest accrued on such debt up to the date completion in cash; and (2) consideration shares of a subsidiary of Oceanwide Holdings to the Company (or its nominee) to settle a debt of HK\$480,000,000 and settle any outstanding interest accrued on such debt up to the date of completion in cash). Details of the Settlement Agreement are set out in the announcement of the Company dated 24 August 2021; and

- (xi) the sale and purchase agreement dated 17 March 2021 entered into between China Tonghai Capital (Holdings) Limited, a subsidiary of the Company as seller and Joyful Richness Holdings Limited (an Independent Third Party) as buyer in relation to the disposal of (1) the outstanding principal amount, accrued interest in the seller's participation in a loan facility of an aggregate amount of HK\$5,810 million granted by China Tonghai Securities Limited and other lenders and the Seller's rights, obligations and other entitlement under the finance documents; and (2) the call option for an irrevocable right to purchase from Huge Auto Investment Holdings Limited as grantor and to require the grantor to sell to each of China Tonghai Capital (Holdings) Limited, a subsidiary of the Company and the original lenders under the original facility agreement dated 28 August 2017 as grantees, all (but not part) of the corresponding number of shares of China Grand Automotive Group Limited together with all related rights for a consideration of approximately HK\$261 million. Details of the sale and purchase agreement are set out in the announcement of the Company dated 17 March 2021.

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:

Name	Qualification
Altus Capital	licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

Altus Capital 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, Altus Capital 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 2021 (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 17/F, Far East Finance Centre, 16 Harcourt Road, 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 in the United Kingdom and The Hong Kong Chartered Governance Institute.
- (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 ON DISPLAY

Copies of the following documents will be published on (i) the HKEXnews website (www.hkexnews.hk); (ii) the website of SFC (www.sfc.hk); and (iii) the website of the Company (www.tonghaifinancial.com) from the date of this circular up to and including 10 March 2023:

- (i) the China Oceanwide Framework Agreements;
- (ii) the Oceanwide Holdings Framework Agreements;
- (iii) the Settlement Agreement;
- (iv) the First Supplemental Agreement;
- (v) the Second Supplemental Agreement;
- (vi) the letter from Altus Capital to the Extension Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 29 to 49 of this circular; and

(vii) the written consent referred to in the section headed “expert and consent” in this appendix.



中國通海國際金融有限公司
CHINA TONGHAI INTERNATIONAL FINANCIAL LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 952)

NOTICE OF EXTENSION SPECIAL GENERAL MEETING

Notice is hereby given that a special general meeting of China Tonghai International Financial Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) (the “**Extension SGM**”) will be held at 22/F, Euro Trade Centre, 13–14 Connaught Road Central, Central, Hong Kong on Friday, 10 March 2023 at 11:30 a.m. for the purpose of considering and, if thought fit, approving the ordinary resolutions of the Company, with or without amendments.

ORDINARY RESOLUTIONS

1. “**THAT** the Extension and the transaction contemplated thereunder as defined and described in the circular of the Company dated 3 February 2023 (the “**Circular**”), which constitutes a special deal under Rule 25 of the Codes on Takeovers and Mergers and Share Buy-backs (the “**Takeovers Code**”) be and are hereby approved, confirmed and ratified.”
2. “**THAT:**
 - (a) subject to the passing of resolution 1 set out above in the notice convening the Extension SGM of which this resolution forms part and the consent from the executive director of the Corporate Finance Division of the Securities and Futures Commission from time to time and any delegate of such executive director regarding the Extension and the transaction contemplated thereunder is obtained, the Extension and the transaction contemplated thereunder be and are hereby approved, confirmed and ratified; 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

NOTICE OF EXTENSION SGM

steps which in the opinion of the Directors may necessary, appropriate, desirable or expedient to implement and/or give effect to the Extension and the transactions contemplated thereunder, as aforesaid.”

By order of the Board of
China Tonghai International Financial Limited
FANG Zhou
Deputy Chairman

Hong Kong, 13 February 2023

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 deposited 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 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 at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the Extension SGM or any adjourned meeting thereof.
5. The Directors have fixed 4:30 p.m. on Monday, 6 March 2023 as the record time and date for ascertaining entitlement of the 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 office of 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 Monday, 6 March 2023.

NOTICE OF EXTENSION SGM

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 the date of Extension SGM, the Extension SGM will not be held on that day but will be automatically postponed. The Company will publish an announcement on the HKEXnews website (www.hkexnews.hk) and the website of the Company (www.tonghaifinancial.com) to notify the members of the Company of the date, time and place 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 Extension 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 Extension SGM venue. Any person with a body temperature of over 37.4 degrees Celsius or the reference point announced by the Department of Health from time to time, or is exhibiting flu-like symptoms may be denied entry into the Extension SGM venue or be required to leave the Extension 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 Extension SGM at all times, and to maintain a safe distance between seats;
 - (iii) no refreshment will be served at the Extension SGM;
 - (iv) no corporate gift will be distributed at the Extension 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 Extension 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 Extension SGM venue or be required to leave the Extension SGM venue.

Any person who does not comply with above requirements may be denied entry into the Extension SGM venue or be required to leave the Extension SGM venue. To the extent permitted under law, the Company reserves the right to deny entry into the Extension SGM venue or require any person to leave the Extension SGM venue in order to ensure the safety of other attendees at the Extension SGM. In our case, denied entry to the Extension SGM venue also means that person will not be allowed to attend the Extension SGM. If any attendee is denied from entering or is required to leave the Extension SGM venue, the attendee will be able to vote by submitting a voting slip to the scrutineer at the entrance of the Extension SGM venue.

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 Extension 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 Extension SGM as their proxy to vote on the relevant resolutions at the Extension SGM instead of attending the Extension SGM in person. Shareholders who choose to do so should take action as soon as possible to ensure the proxy instructions reach the branch share registrar of the Company in Hong Kong not less than 48 hours before the time appointed for holding the Extension SGM or any adjourned meeting thereof. If the form of proxy returned is duly signed but without specific direction on any of the proposed resolutions, the proxy will vote or abstain at his/her/its discretion in respect of all resolutions; or if in respect of a particular proposed resolution there is no specific direction, the proxy will, in relation to that particular proposed resolution, vote or abstain at his/her/its discretion.

8. In accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Takeovers Code, only the Independent Shareholders (as defined in the Circular) will be entitled to vote by way of a poll at the meeting for the resolutions set out above.

NOTICE OF EXTENSION SGM

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. LIU Hongwei
Mr. Kenneth LAM Kin Hing

Independent Non-executive Directors:

Mr. Roy LO Wa Kei
Mr. KONG Aiguo
Mr. LIU Jipeng
Mr. HE Xuehui
Mr. HUANG Yajun

Non-executive Directors:

Mr. LIU Bing
Mr. ZHAO Yingwei
Mr. ZHAO Xiaoxia