THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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)

(1) MAJOR ACQUISITION AND SPECIAL DEAL IN RELATION TO THE SETTLEMENT ARRANGEMENT; AND (2) NOTICE OF SGM

Financial Adviser to China Tonghai International Financial Limited

華富建業企業融資
QUAM CAPITAL

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

TRINITY

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 8 to 26 of this circular.

A notice convening the SGM to be held at Artyzen Club, 401A, 4/F Shun Tak Centre (near China Merchants Tower), 200 Connaught Road Central, Hong Kong on Thursday, 20 July 2023 at 11:00 a.m. is set out on pages SGM-1 to SGM-3 of this circular.

Whether or not you are able to attend the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited, on 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 SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof should you so desire. In the event that you attend the meeting after having deposited a form of proxy, your form of proxy shall be deemed to be reverted.

All times and dates specified in this circular refers to Hong Kong local times and dates.

28 June 2023

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Unless the context otherwise requires, capitalised terms used in this circular shall have the following meanings:

"Acquisition"	the acquisition of the entire issued share capital of i) King Domain; ii) Honour Smart; iii) Delight Wise; and iv) Sheen Grace, respectively and together they form the Target Companies
"Audited Accounts"	the audited statement of profit or loss and other comprehensive income of each Target Company for the period from 1 January 2022 through until 31 December 2022 and the audited statement of financial position of each Target Company as the 31 December 2022, that are prepared in accordance with Hong Kong Financial Reporting Standards
"Board"	the board of Directors
"Borrower" or "China Oceanwide International"	China Oceanwide International Investment Company Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of COHG
"BVI"	the British Virgin Islands
"China Oceanwide"	China Oceanwide Holdings Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the main board of 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
"COG"	China Oceanwide Group Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of Oceanwide Holdings
"COHG"	China Oceanwide Holdings Group Co., Ltd.*（中國泛海控股集團有限公司）, a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of Tohigh

"COHG Group"	COHG and its subsidiaries, which for the purpose of this circular, excluding China Oceanwide and its subsidiaries and Oceanwide Holdings and its subsidiaries
"Company"	China Tonghai International Financial Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the main board of the Stock Exchange (stock code: 952)
"Completion"	completion of the Settlement Agreement
"Conditions"	the conditions precedent to the Settlement Agreement as set out in the sub-section headed "Letter from the Board – The Settlement Agreement – Conditions" in this circular
"Debt C"	the principal of the unsecured debts owed to China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company, by the Borrower in the amount of approximately HK$1,101,741,000
"Delight Wise"	Delight Wise Investments Limited, a company incorporated in the BVI with limited liability
"Director(s)"	director(s) of the Company
"Encumbrances"	mortgage, charge, pledge, lien, option, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including a title transfer or retention arrangement) having similar effect and any agreement or obligation to create or grant any of the aforesaid
"Executive"	the executive director of the Corporate Finance Division of the SFC from time to time and any delegate of such executive director
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Honour Smart"	Honour Smart Investments Limited, a company incorporated in the BVI with limited liability

"Independent Board Committee"	an independent committee of the Company comprising two (2) independent non-executive Directors, namely Mr. Roy LO Wa Kei and Mr. LIU Jipeng who have no direct or indirect interest in the Settlement Arrangement established to advise the Independent Shareholders in respect of the Settlement Agreement and the transactions contemplated thereunder
"Independent Financial Adviser" or "Trinity"	Trinity Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise to the Independent Board Committee and the Independent Shareholders with regard to the Settlement Arrangement
"Independent Shareholders"	the Shareholders other than Oceanwide Holdings IF, the Offeror, Mr. LU Zhiqiang, Ms. LU, Mr. LAM, Mr. HAN and their respective parties acting in concert, that are involved in and/or interested in the Settlement Agreement and the transactions contemplated thereunder (otherwise than solely as Shareholders), they are required under the Listing Rules and the Takeovers Code to abstain from voting on the shareholders' resolution to to approve the Settlement Arrangement and the transactions contemplated thereunder at the SGM
"Independent Third Party(ies)"	person(s) or company(ies) which is/are third party(ies) independent of the Company and its connected person(s), as defined under the Listing Rules
"King Domain"	King Domain Limited, a company incorporated in the BVI with limited liability
"Latest Indebtedness Date"	30 April 2023, as the latest practicable date for the purpose of determining the Group's indebtedness
"Latest Practicable Date"	26 June 2023
"Long Stop Date"	30 September 2023 (or such other date as the parties to the Settlement Agreement may agree in writing)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. HAN"	Mr. HAN Xiaosheng, the Co-Chairman of the Board and executive Director of the Company, and he is interested in 49% of the entire issued share capital of the Offeror and is director of the Offeror

"Mr. LAM"	Mr. Kenneth LAM Kin Hing, the Co-Chairman of the Board, executive Director and chief executive officer of the Group, who is interested in 51% of the entire issued share capital of the Offeror and is a director of the Offeror
"Ms. LU"	Ms. LU Xiaoyun, the daughter of Mr. LU Zhiqiang
"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 Group"	Oceanwide Holdings and its subsidiaries, which for the purpose of this Circular, excluding the China Oceanwide Group and the Group
"Oceanwide Holdings IF"	Oceanwide Holdings International Financial Development Co., Ltd., a company incorporated in the BVI 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 Latest Practicable Date). As at the Latest Practicable Date, Oceanwide Holdings IF was wholly-owned by COG, which was wholly-owned by Oceanwide Holdings. 60.22% interest in the issued share capital of Oceanwide Holdings was directly and indirectly owned by Tohigh (through COHG, Oceanwide Energy Holdings Co., Ltd.*(泛海能源控股股份有限公司), Tohigh Property Investment Management Co., Ltd.*(通海置業投資管理有限公司), Huaxin Capital Investment Management Co.,Ltd.*(華馨資本投資管理有限公司), Beijing Dongfeng Xinghuo Real Estate Co.,Ltd.*(北京東風星火置業有限公司), Oceanwide Gardening Technique Engineering Co.,Ltd*(泛海園藝技術工程有限公司), Beijing Oriental Oasis Sports & Leisure Co., Ltd*(北京東方綠洲體育休閒有限公司), Tohigh Investment Group Co.,Ltd.*(通海投資集團有限公司) and Tohigh Equity Investment Co.,Ltd(通海股權投資股份有限公司)) and 98% of the interest in the issued share capital of COHG 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. 77.14% and 22.86% of the interests in Tohigh were respectively held by Mr. LU Zhiqiang and 泛海公益基金會 (Oceanwide Foundation), a charitable foundation which was founded by COHG

"Offer"	the mandatory unconditional cash offer made by Haitong International Securities Company Limited and Red Sun Capital Limited, for and on behalf of the Offeror to acquire all the issued Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it (other than the Vendor Group) in accordance with the Takeovers Code
"Offer Period"	the period commencing on 27 October 2021, being the date of the announcement of the Company dated 27 October 2021 pursuant to the Takeovers Code up to and including 3 May 2023
"Offeror"	Quam Tonghai Holdings Limited, a company incorporated in Hong Kong with limited liability
"PRC"	the People's Republic of China, which for the purpose of this circular shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Quam Overseas"	Quam Overseas Investments Limited, a company incorporated in the BVI with limited liability and a wholly owned subsidiary of the Company and the transferee of the Target Companies
"Sale Shares"	100% of the issued shares of the Target Companies to be transferred from Tonghai International Development to Quam Overseas to settle outstanding accrued interests on the Debt C including and up to the date of Completion and part of outstanding principal of the Debt C in accordance with the Settlement Agreement
"Settlement Agreement"	the partial settlement agreement dated 28 April 2023 entered into among the Company, Quam Overseas, COHG and Tonghai International Development in relation to the Settlement Arrangement
"Settlement Arrangement"	the arrangement to settle part of the Debt C by means of transfer of the Sale Shares, being 100% of issued shares of the Target Companies free from all Encumbrances and with all rights attached to the Sale Shares as at the Completion, from Tonghai International Development to Quam Overseas

"Settlement Sum"	the amount representing part of the principal amount of the Debt C and all accrued interests of the Debt C including and up to date of Completion that will be settled by way of transfer of Sale Shares at Completion by Tonghai International Development to Quam Overseas
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be held for the purpose of, considering and if thought fit, approving the Settlement Agreement and the transactions contemplated thereunder
"SGM Chairman"	the chairman of the SGM to be appointed by the Company, who is a member of the Independent Board Committee that is independent of the Company and does not hold any Shares
"Share(s)"	ordinary share(s) in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Sheen Grace"	Sheen Grace Investments Limited, a company incorporated in the BVI with limited liability
"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 Companies"	King Domain, Honour Smart, Delight Wise and Sheen Grace
"Tohigh"	Tohigh Holdings Co., Ltd.*（通海控股有限公司）, a company incorporated in the PRC with limited liability
"Tohigh Framework Agreements"	the framework agreements entered into between the Company and Tohigh on 21 September 2017 and 30 August 2019 in relation to, among other things, lending transactions between the parties
"Tohigh Group"	Tohigh and its subsidiaries, which for the purpose of this circular, excluding China Oceanwide and its subsidiaries and Oceanwide Holdings and its subsidiaries

"Tonghai International Development"	Tonghai International Development Limited (通海國際發展有限公司), a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of COHG and the transferor of the Target Companies
"US"	United States of America
"US Properties"	US Property I, US Property II, US Property III and US Property IV
"US Property I"	the property located at 250 Atherton Avenue, Atherton, California, the US
"US Property II"	the property located at 25 Longview Court, Hillsborough, California, the US
"US Property III"	the property located at 40 Verbalee Lane, Hillsborough, California, the US
"US Property IV"	the property located at 1111 Tournament Drive, Hillsborough, California, the US
"US$"	United States dollar(s), the lawful currency of the United States
"Valuation Report"	the valuation report on the US Properties issued by Masterpiece Valuation Advisory Limited, a qualified independent valuer in Hong Kong engaged by the Company. The full text of such valuation report on the US Properties is set out in Appendix VI to this circular
"Vendor Group"	Oceanwide Holdings IF, COG, Oceanwide Holdings, Oceanwide Energy Holdings Co., Ltd.* (泛海能源控股股份有限公司), COHG, Oceanwide Group Co., Ltd.* (泛海集團有限公司), Tohigh, Mr. LU Zhiqiang, Ms. LU and Nautical League Limited
"%"	per cent

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

For the purpose of illustration only and unless otherwise stated, conversion of US$ into HK$ in this circular is based on the exchange rate of US$1.00 to HK$7.80. Such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this or any other rate.

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 *(Co-Chairman)*
Mr. LIU Hongwei
Mr. Kenneth LAM Kin Hing *(Co-Chairman)*
Mr. LAM Wai Hon

Non-executive Director:
Mr. FANG Zhou

Independent Non-executive Directors:
Mr. Roy LO Wa Kei
Mr. LIU Jipeng

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

Head Office and Principal Place of Business in Hong Kong:
5/F and 24/F (Rooms 2401 and 2412)
Wing On Centre
111 Connaught Road Central
Hong Kong

28 June 2023

To the Shareholders,

Dear Sir or Madam,

MAJOR ACQUISITION AND SPECIAL DEAL IN RELATION TO THE SETTLEMENT ARRANGEMENT

INTRODUCTION

Reference is made to the announcement of the Company dated 28 April 2023 in relation to, among other things, the entering into of the Settlement Agreement by the Company with Quam Overseas (a wholly-owned subsidiary of the Company), COHG and Tonghai International Development, pursuant to which Tonghai International Development (as a transferor) has conditionally agreed to transfer the Sale Shares, being 100% of the issued shares of the Target Companies free from all Encumbrances and with all rights attached to the Sale Shares as at the Completion, to Quam Overseas (as the transferee) with effect from the Completion, in full and final settlement of all outstanding accrued interests on the Debt C including and up to the date of Completion and settlement of part of outstanding principal of the Debt C (the "**Announcement**").

Reference is also made to the joint announcements issued by the Company and 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 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 the Vendor Group).

As the Settlement Arrangement constitutes an arrangement between the Company and COHG, being an indirect Shareholder, during the Offer Period and it will confer benefits to COHG which will not be extended to all other Shareholders, the Settlement Arrangement constitutes a special deal under Rule 25 of the Takeovers Code.

Accordingly, the Settlement Arrangement will require the consent of the Executive. The Company has made an application to the Executive for consent to the Settlement Arrangement pursuant to Note 4 to Rule 25 of the Takeovers Code. Such consent, if granted, is expected to be subject to (i) the opinion of the Independent Financial Adviser that the terms of the Settlement Agreement and the transactions contemplated thereunder are fair and reasonable and (ii) the approval of the Settlement Arrangement by the Independent Shareholders who are not involved in and/or interested in the Settlement Arrangement (otherwise than solely as Shareholders) at the SGM. The Independent Financial Adviser will state in this circular its opinion on whether the terms of the Settlement Agreement and the transactions contemplated thereunder are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Pursuant to Rule 4 of the Takeovers Code, the Settlement Arrangement, which involves the transfer of the Target Companies to the Group, and which is a transaction other than in the ordinary course of business of the Group during the Offer Period, constitutes a frustrating action and therefore, it is subject to the approval of the Shareholders in a general meeting unless a waiver has been obtained from the Executive. The Company has obtained the written consent from the Offeror in respect of the Settlement Arrangement. Further, the Company has applied to the Executive for a waiver from complying with 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 frustrating action constituted by the Settlement Arrangement pursuant to Note 1 to Rule 4 of the Takeovers Code.

THE TOHIGH FRAMEWORK AGREEMENTS

Reference is made to the announcements of the Company dated 21 September 2017 and 30 August 2019, in relation to the Tohigh Framework Agreements entered into between the Company and Tohigh, pursuant to which, among others, the Group shall provide guarantees, secured or unsecured financings and/or loans, including margin financing, act as arranger, agent or lead lender of syndicated loans to Tohigh and the Tohigh Group or vice versa. As at the Latest Practicable Date, the outstanding principal and interests owing from the Borrower to China Tonghai Finance Limited, an indirectly wholly-owned subsidiary of the Company amounted to approximately HK$1,369.6 million, being the gross amount before netting off the provisions made on the Debt C.

Provision of loans is one of the principal businesses of the Group. Provision of loans to the Tohigh Group allows the Group to capture their financing needs and to generate additional income for the Group. The Group has provided loans to the Tohigh Group from time to time in accordance with the terms of the Tohigh Framework Agreements. The Tohigh Framework Agreements and the relevant annual caps of the continuing connected transactions were approved by the then independent shareholders at the special general meetings of the Company held on 20 November 2017, 11 October 2019 and 26 February 2021. The provision of loans to the Tohigh Group from time to time all falls within the limit of the respective maximum daily outstanding balances of financial assistance.

THE SETTLEMENT AGREEMENT

The principal terms of the Settlement Agreement are set out below:

Date

28 April 2023

Parties

(i) Quam Overseas, as the transferee;

(ii) Tonghai International Development, as the transferor;

(iii) the Company, as the creditor of the Debt C; and

(iv) COHG, which has agreed to settle part of the Debt C for and on behalf of the Borrower.

COHG and Tonghai International Development and their respective ultimate beneficial owner(s) are Independent Third Party(ies) save that COHG who indirectly holds 6.38% of the issued Shares as at the date of this circular.

Subject matter

Pursuant to the Settlement Agreement, Tonghai International Development (as a transferor) has conditionally agreed to transfer the Sale Shares, being 100% of the issued shares of the Target Companies free from all Encumbrances and with all rights attached to the Sale Shares as at the Completion, to Quam Overseas (as the transferee) with effect from the Completion, in full and final settlement of all outstanding accrued interests on the Debt C including and up to the date of Completion and settlement of part of outstanding principal of the Debt C. After (i) full and final settlement of all outstanding accrued interests on the Debt C including and up to the date of Completion and (ii) partial settlement of the outstanding principal of the Debt C upon Completion, the remaining outstanding principal amount of the Debt C will remain as other loans of the Group.

Basis of calculation of the Settlement Sum

The Settlement Sum shall be determined based on the following:

A = B +/– C – D – E

Whereas:

A = Settlement Sum.

B = adjusted net asset value of the Target Companies. Such amount shall be calculated by (i) deducting the book value of the US Properties as at 31 December 2022 from the net asset value of the Target Companies as shown in the Audited Accounts; and (ii) adding the fair value of the US Properties as at 31 March 2023 as set out in Valuation Report.

C = the amount equivalent to cash and cash equivalents of the Target Companies as at Completion Date minus cash and cash equivalents of the Target Companies as shown in the Audited Accounts. In the event the amount of C is negative, such amount shall be subtracted from B.

D = the amount of US real property and documentary transfer tax or any other taxation in connection with the US Properties which Quam Overseas or the Company has agreed to pay or bear on behalf of the Target Companies at Completion.

E = any due and outstanding outgoings payable by the Target Companies in connection with the US Properties and the Target Companies, including government rent and rates, utilities expenses, management fees, and other regular services or utilities supplied to the US Properties or the Target Companies accruing up to and including the date of Completion, which have been notified to Quam Overseas or the Company but which remain outstanding as at the date of Completion.

The maximum Settlement Sum shall be all outstanding principal and interests accrued on the Debt C including and up to the date of Completion.

For illustration purposes only, as at the Latest Practicable Date, based on the audited adjusted net asset value of the Target Companies (calculated by (a) deducting the book value of the US Properties as at 31 December 2022 from the net asset value of the Target Companies as shown in the audited statements of financial position of the Target Companies as at 31 December 2022; and (b) adding the fair value of the US Properties as at 31 March 2023 as set out in Valuation Report); and assuming that (i) cash and cash equivalents of the Target Companies as at the date of Completion is the same as that shown in the audited statements of financial position of each of the Target Companies as at 31 December 2022; (ii) there is no US real property and documentary transfer tax or any other taxation in relation to the Settlement Arrangement at Completion; and (iii) there is no outgoings payable by the Target Companies in connection with the US Properties and the Target Companies accruing up to and including the date of Completion, the Settlement Sum would amount to approximately US$121.2 million (equivalent to approximately HK$945.2 million).

The final amount of the Settlement Sum shall be confirmed in writing by the Company as notice to Tonghai International Development within 5 business days of the date of Completion.

The terms of the Settlement Agreement including the Settlement Sum were negotiated on an arm's length basis. The Directors (excluding the independent non-executive Directors who will be advised by the Independent Financial Adviser) consider that the terms of the Settlement Agreement are fair and reasonable due to the following reasons:

(i) the Target Companies are investment holding companies and the assets of which primarily consist of the US Properties;

(ii) the Settlement Sum shall take into account the net asset value of the Target Companies as shown in the Audited Accounts and the Audited Accounts will be prepared in accordance with the Hong Kong Financial Reporting Standards; and

(iii) based on the Valuation Report, the fair value of the US Properties as at 31 March 2023 was US$122.5 million (equivalent to approximately HK$955.5 million). The fair value of the US Properties as at 31 March 2023 as set out in the Valuation Report was determined using the market approach. The text of the Valuation Report is set forth in Appendix VI to this circular.

Conditions

Completion is conditional upon the satisfaction (or, if applicable, waiver) of the following conditions:

a) the passing of all resolutions by the Independent Shareholders who are not involved in or interested in the Settlement Arrangement (otherwise than solely as a Shareholder) at the SGM approving the entering into of the Settlement Agreement and any other documents referred to in the Settlement Agreement and the performance of the transaction contemplated under the Settlement Agreement and any other documents referred to in the Settlement Agreement in accordance with Rule 25 of the Takeovers Code, the relevant provisions in the Listing Rules, the bye-laws of the Company and applicable laws;

b) the Company having obtained the waiver under Rule 4 and consent under Rule 25 of the Takeovers Code from the Executive regarding the entering of the Settlement Agreement and any other documents referred to in the Settlement Agreement and the performance of the transactions contemplated thereunder;

c) COHG and Tonghai International Development having obtained all necessary internal approvals and consents for the entering into the Settlement Agreement and any other documents referred to in the Settlement Agreement and the fulfillment of the obligations thereunder;

d) COHG and Tonghai International Development having obtained all necessary external approvals and consents for the entering into of the Settlement Agreement and any other documents referred to in the Settlement Agreement and the fulfillment of the obligations thereunder;

e) the Company being satisfied with the due diligence results of the Target Companies and each of the US Properties;

f) the Company having received, and having been satisfied with, the content of the title report reviewed and confirmed by the US legal advisers as to the title of the US Properties;

g) the Company having received, and having been satisfied with, the content of the legal report prepared by the BVI legal advisers on the due diligence of Tonghai International Development and the Target Companies; and

h) the warranties given by COHG and Tonghai International Development set out in the Settlement Agreement remaining true, accurate and not misleading and there have been no breaches of the obligations and undertakings set out in the Settlement Agreement.

Save for condition (h) under the Settlement Agreement which can only be waived by the Company, all other Conditions are not waivable pursuant to the Settlement Agreement. Any waiver of the condition (h) shall be by notice in writing by the Company to COHG and Tonghai International Development and may be subject to such terms and conditions as the Company may specify and agreed to by COHG and Tonghai International Development.

If all the Conditions are not satisfied or waived (as the case may be) on the Long Stop Date, unless otherwise specified in the Settlement Agreement, the Company may by written notice to COHG and Tonghai International Development elect to terminate the Settlement Agreement, and all rights and obligations of the parties under the Settlement Agreement shall terminate, but without prejudice to the accrued rights and obligations of the parties before that termination.

As at the Latest Practicable Date, none of the above conditions have been fulfilled nor waived. As at the Latest Practicable Date, the Company has substantially completed its due diligence of the Target Companies and the US Properties. The title report in relation to the US Properties and the legal report on Tonghai International Development and the Target Companies will be updated prior to Completion.

As at the Latest Practicable Date, the Company is not aware of (i) any warranties given by COHG and Tonghai International Development set out in the Settlement Agreement that are untrue, inaccurate or misleading; or (ii) any breaches of the obligations and undertakings set out in the Settlement Agreement by COHG and Tonghai International Development.

As at the Latest Practicable Date, the Company is not aware of any necessary external approvals and consents required to be obtained by COHG and Tonghai International Development. However, the Company has reserved the right to not proceed with Completion in the event that the Company becomes aware that COHG or Tonghai International Development are required to obtain any external approvals and consents under condition (d) after the signing of the Settlement Agreement but are not obtained prior to Completion.

Completion

Completion will take place on the fifth (5th) business day after fulfilment or granting of waiver (if applicable) of all Conditions, or such other date as the parties to the Settlement Agreement may agree in writing. Apart from the Conditions, the Completion is not subject to other conditions. Pursuant to the Settlement Agreement, the transfer of the Sale Shares will be completed and possession of the US Properties will be obtained, in each case, by the Company at Completion. The US Properties will be vacant at Completion.

Upon Completion, all outstanding accrued interests on the Debt C including and up to the date of Completion and part of outstanding principal of the Debt C will be settled and the Target Companies will become wholly-owned subsidiaries of the Company and the assets, liabilities and financial results of the Target Companies will be consolidated into the consolidated financial statements of the Company.

Set out below is the summary of principal terms of the Debt C:

Borrower	**First drawn down date**	**Principal amount** *(HK$'000)*	**Interest rate (per annum)**	**Maturity dates**
Debt C				
China Oceanwide International	fall between the period from 12 February 2018 and 3 March 2021	678,000	10.5%	28 January 2022
		200,000	10.5%	31 March 2022
		3,000	12.0%	31 March 2022
		141,241	12.0%	30 June 2022
		12,000	12.0%	30 June 2022
		45,000	10.0%	31 December 2022
		12,500	10.0%	31 December 2022
		10,000	10.0%	31 December 2022
		1,101,741		

For illustration purpose only, the table below sets out the order of settlement of the Debt C, assuming that (i) the Completion takes place on 31 July 2023; (ii) the Settlement Sum is approximately US$121.2 million (equivalent to approximately HK$945.2 million), which is equivalent to the audited adjusted net asset value of the Target Companies (calculated by (a) deducting the book value of the US Properties as at 31 December 2022 from the net asset value of the Target Companies as shown in the audited statements of financial position of the Target Companies as at 31 December 2022; and (b) adding the fair value of the US Properties as at 31 March 2023 as set out in Valuation Report); (iii) cash and cash equivalents of the Target Companies as at the date of Completion is the same as that shown in the audited statements of financial position of each of the Target Companies as at 31 December 2022; and (iv) no other deduction in relation to the calculation of the Settlement Sum shall be made. According to the terms of the Settlement Agreement, the Settlement Sum will settle all outstanding accrued interests on Debt C including and up to the Completion first, followed by part of the outstanding principal. After full and final settlement of all outstanding accrued interests on the Debt C up to 31 July 2023 of approximately HK$279.2 million, which is calculated based on the interest rate of the loans as set out in the respective loan agreements as set out in the table below, the remaining portion of the Settlement Sum of approximately HK$666.0 million will be used to settle part of the outstanding principal of the Debt C in the following order:

Borrower	Settlement order	Principal amount *(HK$'000)*	Accrued interests on the Debt C up to 31 July 2023 *(HK$'000)*	Principal amount and accrued interests on the Debt C up to 31 July 2023 settled by the Settlement Sum *(HK$'000)*	Outstanding principal amount* upon completion of the Settlement Arrangement *(HK$'000)*	Interest rate (per annum)	Maturity dates
China Oceanwide International	1	3,000	841	3,841	–	12.0%	31 March 2022
	2	10,000	1,583	11,584	–	10.0%	31 December 2022
	3	12,000	3,006	15,006	–	12.0%	30 June 2022
	4	12,500	1,979	14,479	–	10.0%	31 December 2022
	5	45,000	7,126	52,126	–	10.0%	31 December 2022
	6	141,241	35,384	176,625	–	12.0%	30 June 2022
	7	200,000	50,774	250,774	–	10.5%	31 March 2022
	8	678,000	178,463	420,807	435,656	10.5%	28 January 2022
		1,101,741	279,157	945,242	435,656		

**Note:* the outstanding principal and interests on the Debt C is the gross amount before netting off the provisions made on the Debt C

It should be noted that the aforesaid scenario should not be considered as the actual Settlement Sum to be settled pursuant to the Settlement Arrangement upon the Completion.

All the loans under the Debt C are unsecured. As at the Latest Practicable Date, the principal amount and interests accrued on the Debt C up to the maturity date are overdue. The Company has the right to charge default interest in accordance with the original terms of Debt C. After arm's length discussion with the Borrower for the purpose of entering into the Settlement Arrangement which will enable substantial settlement of Debt C, the Company has agreed not to charge default interests on the part settled by the Settlement Arrangement. For the remaining outstanding principal amount of Debt C, the Company reserves the right to charge default interests in accordance with the original terms.

INFORMATION ON THE TARGET COMPANIES AND THE US PROPERTIES

(a) Principal businesses of the Target Companies

(i) King Domain

King Domain is a limited liability company incorporated in the BVI. The principal business of King Domain is investment holding. It is directly wholly-owned by Tonghai International Development which in turn is indirectly wholly-owned by COHG, an indirect Shareholder. US Property I is owned by King Domain.

(ii) Honour Smart

Honour Smart is a limited liability company incorporated in the BVI. The principal business of Honour Smart is investment holding. It is directly wholly-owned by Tonghai International Development which in turn is indirectly wholly-owned by COHG, an indirect Shareholder. US Property II is owned by Honour Smart.

(iii) Delight Wise

Delight Wise is a limited liability company incorporated in the BVI. The principal business of Delight Wise is investment holding. It is directly wholly-owned by Tonghai International Development which in turn is indirectly wholly-owned by COHG, an indirect Shareholder. US Property III is owned by Delight Wise.

(iv) Sheen Grace

Sheen Grace is a limited liability company incorporated in the BVI. The principal business of Sheen Grace is investment holding. It is directly wholly-owned by Tonghai International Development which in turn is indirectly wholly-owned by COHG, an indirect Shareholder. US Property IV is owned by Sheen Grace.

(b) Financial information of the Target Companies

As at the Latest Practicable Date, each of the Target Companies is a wholly-owned subsidiary of Tonghai International Development. The audited aggregate net asset value of the Target Companies as at 31 December 2022 was approximately HK$458.8 million.

Set our below is the summary of key financial data extracted from the Audited Accounts of the Target Companies for the year ended 31 December 2020, 31 December 2021 and 31 December 2022:

(i) King Domain

	For the year ended 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Revenue	–	–	–
Net loss	(1,802)	(1,802)	(1,802)

As at 31 December 2022, the audited net asset value of King Domain was approximately HK$162.3 million.

(ii) Honour Smart

	For the year ended 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Revenue	–	–	–
Net loss	(440)	(440)	(440)

As at 31 December 2022, the audited net asset value of Honour Smart was approximately HK$30.3 million.

(iii) Delight Wise

	For the year ended 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Revenue	–	–	–
Net loss	(21,996)	(21,996)	(21,996)

As at 31 December 2022, the audited net asset value of Delight Wise was approximately HK$237.1 million.

(iv) Sheen Grace

	For the year ended 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Revenue	–	–	–
Net loss	(524)	(524)	(524)

As at 31 December 2022, the audited net asset value of Sheen Grace was approximately HK$29.1 million.

(c) Particulars of the US Properties

The table below sets out particulars of the US Properties:

Property	**Date of acquisition by the Target Companies**	**Percentage acquired by the Target Companies** *(%)*	**Original acquisition cost incurred by the relevant vendors**
US Property I	February 2014	100.0	US$26.1 million (approximately HK$203.6 million)
US Property II	July 2014	100.0	US$5.3 million (approximately HK$41.3 million)
US Property III	September 2014	100.0	US$22.8 million (approximately HK$177.8 million)
US Property IV	August 2014	100.0	US$5.7 million (approximately HK$44.5 million)

The table below sets out particulars of the US Properties:

Property	Location	Type of Property	Particulars of Occupancy[(Note)]	Site Area (acre)	Gross Building Area (sq.ft.)	Fair value in existing state based on the Valuation Report as at 31 March 2023 *(US$'000)*
US Property I	250 Atherton Avenue, Atherton, CA 94027, County of San Mateo, State of California, the US	Residential	Owner-occupied	2.53	13,558	28,700
US Property II	25 Longview Court, Hillsborough, CA 94010, County of San Mateo, State of California, the US	Residential	Owner-occupied	0.59	5,700	9,900
US Property III	40 Verbalee Lane, Hillsborough, CA 94010, County of San Mateo, State of California, the US	Residential	Owner-occupied	5.91	34,639	76,700
US Property IV	1111 Tournament Drive, Hillsborough, CA 94010, County of San Mateo, State of California, the US	Residential	Owner-occupied	0.71	6,520	7,200

Note: As at the Latest Practicable Date, all gross building area of the US Properties are owner-occupied. The US Properties will be vacant at Completion.

FINANCIAL EFFECT OF THE SETTLEMENT ARRANGEMENT

Upon Completion, the Target Companies will become indirect wholly-owned subsidiaries of the Company, and the results, assets and liabilities of the Target Companies will be consolidated into the financial statements of the Group. In addition, part of the outstanding amount of principal and all interests accrued on the Debt C including and up to the date of Completion will be settled by the Settlement Sum. As there were previous provisions made on Debt C, a gain is expected to be recognised due to reversal of the accumulative provision made up to 31 December 2022 on the outstanding principal and interests accrued on the Debt C that are settled upon Completion. The gain is therefore not an immediate cash inflow of the Company. It is expected the amount of reversal will be approximately HK$591.4 million, assuming that (i) the Completion takes place on 31 July 2023; (ii) the Settlement Sum is approximately US$121.2 million (equivalent to approximately HK$945.2 million), which is equivalent to the audited adjusted net asset value of the Target Companies (calculated by (a) deducting the book value of the US Properties as at 31 December 2022 from the net asset value of the Target Companies as shown in the audited statements of financial position of the Target Companies as at 31 December 2022; and (b) adding the fair value of the US Properties as at 31 March 2023 as set out in Valuation Report); (iii) cash and cash equivalents of the Target Companies as at the date of Completion is the same as that shown in the audited statements of financial position of each of the Target Companies as at 31 December 2022; and (iv) no other deduction in relation to the calculation of the Settlement Sum shall be made. After full and final settlement of all outstanding accrued interests on the Debt C including and up to the date of Completion and partial settlement of the outstanding principal of the Debt C upon

Completion, the remaining outstanding principal amount of the Debt C will remain as other loans of the Group. The Company will announce the final amount of reversal of the accumulative provision upon Completion.

REASONS FOR AND BENEFITS OF THE SETTLEMENT ARRANGEMENT

The Company has been discussing with the management of the Tohigh Group in relation to settlement of the outstanding principal and interests accrued on the Debt C, including but not limited to assessing the feasibility of potential settlement options such as (a) settlement in cash; (b) obtaining other assets for settlement; and (c) filing winding-up petition against the Borrower. After conducting enquiries with the management of the Tohigh Group, the Company was advised that the Tohigh Group has not attempted to sell the US Properties and the US Properties may be offered to partially settle the outstanding amount of Debt C. Accordingly, the Company and its professional advisors have been carrying out due diligence on the Target Companies and the US Properties, including having conducted legal due diligence on the Target Companies and land titles of the US Properties, physical site visit on each US Properties, financial due diligence and audit on the financial statements of the Target Companies. According to the latest title report as to the legal title of the US Properties which has been reviewed and confirmed by the Company's US legal advisers, and the legal report prepared by the Company's BVI legal advisers, the US Properties are directly wholly-owned by the Target Companies; and the Sale Shares and the US Properties are free from Encumbrances. Further, the Board has taken into consideration of the latest financial position of Oceanwide Holdings including the pre-restructuring process and potential formal restructuring process on Oceanwide Holdings as announced by the Company on 18 May 2023, and considered the Settlement Arrangement only involves the transfer of assets which are not held by Oceanwide Holdings or its subsidiaries and therefore are not subject to these processes.

Considering, among others, (i) the Borrower is not expected to be able to fully or partially settle the outstanding principal and the accrued interests on the Debt C by cash in the foreseeable future; (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 the Borrower; and (iii) the management of Tohigh Group has been cooperative in working with the Company in pursuing the Settlement Arrangement, the Company is of the view that the Settlement Arrangement would be a reasonable and acceptable approach. The Company has also considered requesting the Borrower to sell the US Properties and use such proceeds to repay the Company. However, given the uncertainty as to the timing and amount of sale by the Borrower and the fact that Debt C is unsecured, the Company considers that it is in the interest to the Company and the Shareholders for the Company to enter into the Settlement Arrangement as soon as possible, which enables earmarking the US Properties as tangible assets as a feasible settlement option. The Company plans to monetize the US Properties by reselling the Target Companies after Completion, subject to further assessment of the market conditions closer to the time of Completion.

As the Target Companies are investment holding companies of the US Properties which only incur expenses, including, among others, the maintenance costs and US real property taxes, in relation to the US Properties, the Target Companies incurred net loss for the years ended 31 December 2021 and 2022. Despite the net loss position of the Target Companies, which will be consolidated into the financial statements of the Group upon Completion, the Target Companies are in a net asset position based on the audited statements of financial position of the Target Companies as at 31 December 2022 and the Board is of the view that the Settlement Arrangement would enable the Group to settle all outstanding accrued interests on the Debt C including and up to the date of Completion and part of the outstanding principal of the Debt C with tangible assets and the financial position of the Company would be improved after Completion by reducing the loan receivables of the Group and reducing the credit exposure associated with the Debt C. As at the date of this circular, the Group has not received any repayment in relation to the settlement of outstanding principal and interest accrued on the Debt C. The Group has made provision equivalent to approximately 75% of the outstanding principal and interest accrued on the Debt C as at 31 December 2022 in its audited consolidated accounts for the year ended 31 December 2022. As such, taking into account (i) the net asset value of the Target Companies as at 31 December 2022; and adjusted by (ii) the fair value of the US Properties as at 31 March 2023 of US$122.5 million (equivalent to approximately HK$955.5 million) as set out in the Valuation Report, the Board (excluding the independent non-executive Directors who will be advised by the Independent Financial Adviser with regard to the Settlement Arrangement) considered that the entering into of the Settlement Arrangement is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

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 COHG AND TONGHAI INTERNATIONAL DEVELOPMENT

(a) COHG

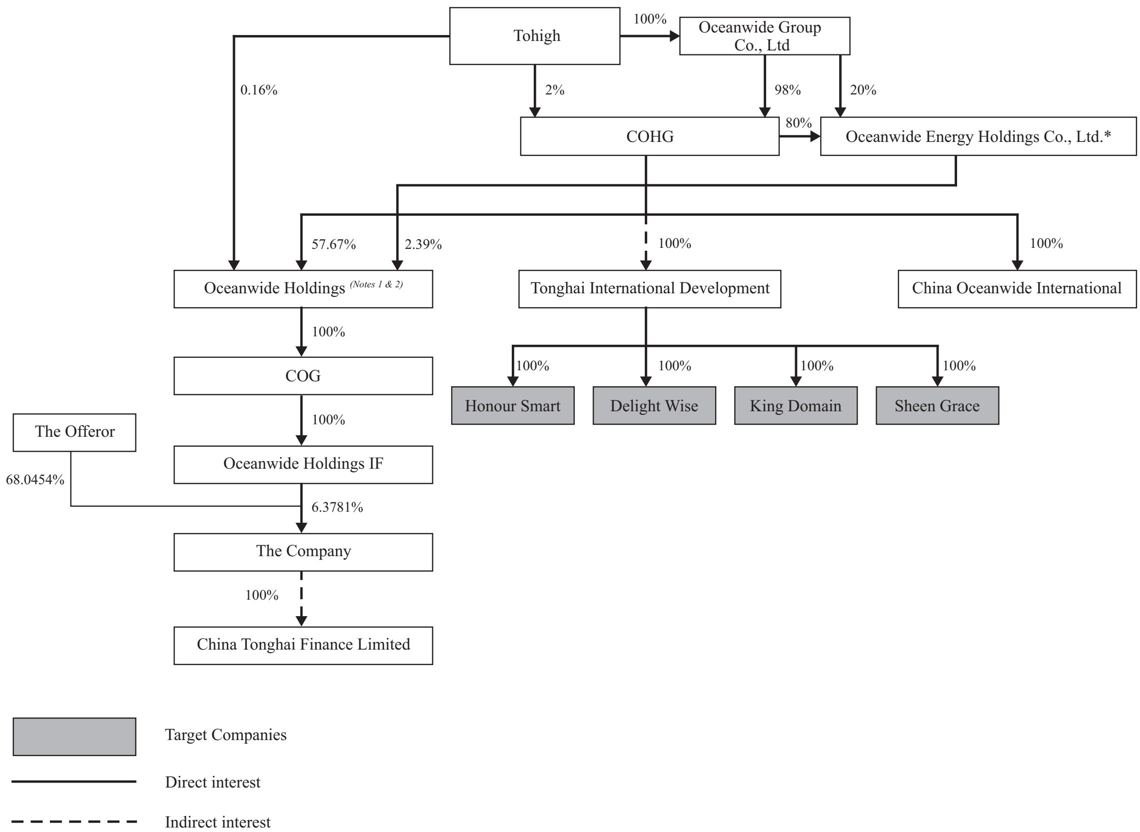
COHG is a company incorporated in the PRC with limited liability. Its principal business is investment holding. COHG is an indirect shareholder of the Company and the ultimate beneficial owner of COHG is Mr. LU Zhiqiang.

(b) Tonghai International Development

Tonghai International Development is a company incorporated in the BVI with limited liability. The principal business of Tonghai International Development is investment holding. It is indirectly wholly-owned by COHG.

(c) Simplified shareholding structure

Set out below is the simplified shareholding structure of the Tohigh Group and the Company immediately prior to Completion:

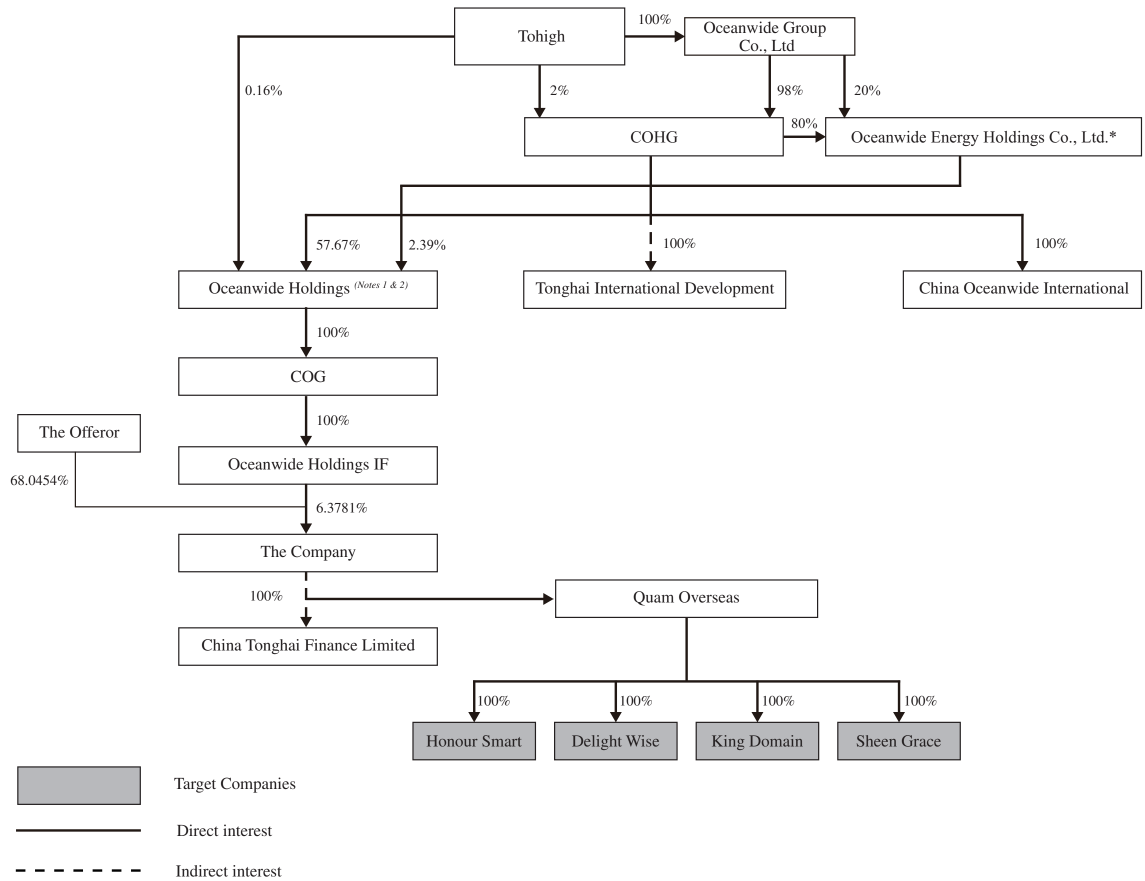


Notes:

1. As at the Latest Practicable Date, COHG and Oceanwide Energy Holdings Co., Ltd.* directly owns approximately 57.67% and 2.39% of the issued shares of Oceanwide Holdings, respectively. Both COHG and Oceanwide Energy Holdings Co., Ltd.* are indirectly wholly-owned by Tohigh.

2. As at the Latest Practicable Date, saved as disclosed in Note 1, 0.16% interest in the issued share capital of Oceanwide Holdings was directly and indirectly owned by Tohigh (through Tohigh Property Investment Management Co., Ltd.*(通海置業投資管理有限公司), Huaxin Capital Investment Management Co., Ltd.*(華馨資本投資管理有限公司), Beijing Dongfeng Xinghuo Real Estate Co., Ltd.*(北京東風星火置業有限公司), Oceanwide Gardening Technique Engineering Co., Ltd*(泛海園藝技術工程有限公司), Beijing Oriental Oasis Sports & Leisure Co., Ltd*(北京東方綠洲體育休閒有限公司), Tohigh Investment Group Co., Ltd.*(通海投資集團有限公司) and Tohigh Equity Investment Co., Ltd(通海股權投資股份有限公司)).

Set out below is the simplified shareholding structure of the Tohigh Group and the Company immediately after Completion:



Notes:

1. As at the Latest Practicable Date, COHG and Oceanwide Energy Holdings Co., Ltd.* directly owns approximately 57.67% and 2.39% of the issued shares of Oceanwide Holdings, respectively. Both COHG and Oceanwide Energy Holdings Co., Ltd.* are indirectly wholly-owned by Tohigh.

2. As at the Latest Practicable Date, saved as disclosed in Note 1, 0.16% interest in the issued share capital of Oceanwide Holdings was directly and indirectly owned by Tohigh (through Tohigh Property Investment Management Co., Ltd.*(通海置業投資管理有限公司), Huaxin Capital Investment Management Co., Ltd.*(華馨資本投資管理有限公司), Beijing Dongfeng Xinghuo Real Estate Co., Ltd.*(北京東風星火置業有限公司), Oceanwide Gardening Technique Engineering Co., Ltd*(泛海園藝技術工程有限公司), Beijing Oriental Oasis Sports & Leisure Co., Ltd*(北京東方綠洲體育休閒有限公司), Tohigh Investment Group Co., Ltd.*(通海投資集團有限公司) and Tohigh Equity Investment Co., Ltd(通海股權投資股份有限公司)).

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio under the Listing Rules in respect of the transactions contemplated under the Settlement Arrangement (including the transfer of the Target Companies to the Group) exceeds 25% but all are less than 100%, the Settlement Arrangement constitutes a major transaction of the Company and is subject to reporting, announcement, circular, and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

TAKEOVERS CODE IMPLICATIONS

Special Deal

As the Settlement Arrangement constitutes an arrangement between the Company and COHG, being an indirect Shareholder, during the Offer Period and such arrangement will confer benefits to COHG which will not be extended to all other Shareholders, the Settlement Arrangement constitutes a special deal under Rule 25 of the Takeovers Code.

Accordingly, the Settlement Arrangement will require the consent of the Executive. The Company has made an application to the Executive for consent to the Settlement Arrangement pursuant to Note 4 to Rule 25 of the Takeovers Code. Such consent, if granted, is expected to be subject to (i) the Independent Financial Adviser publicly stating in its opinion that the terms of the Settlement Agreement and the transactions contemplated thereunder are fair and reasonable and (ii) the approval of the Settlement Arrangement by the Independent Shareholders who are not involved in and/or interested in the Settlement Arrangement (otherwise than solely as Shareholders) at the SGM.

Frustrating Action

Pursuant to Rule 4 of the Takeovers Code, as the Settlement Arrangement, which involves the transfer of the Target Companies to the Group, and which is a transaction other than in the ordinary course of business of the Company during the Offer Period, constitutes a frustrating action and therefore, it is subject to the approval of the Shareholders in a general meeting unless a waiver has been obtained from the Executive. The Company has obtained the written consent from the Offeror in respect of the Settlement Arrangement. Further, the Company has applied to the Executive for 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 frustrating action constituted by the Settlement Arrangement pursuant to Note 1 to Rule 4 of the Takeovers Code.

Profit Forecast

Pursuant to Rule 14.58(6) and (7) of the Listing Rules, the Company is required to disclose the unaudited financial information of the Target Companies in the Announcement. Pursuant to Rule 10 of the Takeovers Code, disclosure of the unaudited financial information of the Target Companies constitutes a profit forecast and should be reported on by the Independent Financial Adviser and auditors pursuant to Rule 10 of the Takeovers Code, and the reports must be included in this circular in accordance with Rule 10.4 of the Takeovers Code (the "**Reports**"). However, a full set of the audited financial information relating to the Target Companies covering the three years ended 31 December 2020, 2021 and 2022 prepared by the auditor under Hong Kong Financial Reporting Standards is set out on pages IIA-1 to IID-17 of this circular, as such the requirement of the Reports under Rule 10 of the Takeovers Code will no longer apply.

THE SGM AND PROXY ARRANGEMENT

A notice convening the SGM to be held at Artyzen Club, 401A, 4/F Shun Tak Centre (near China Merchants Tower), 200 Connaught Road Central, Hong Kong on Thursday, 20 July 2023 at 11:00 a.m. is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for use at the SGM and at any adjournment thereof is enclosed with this circular. Whether or not you are able to attend the SGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at 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 SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment should you so wish.

The SGM Chairman will be a member of the Independent Board Committee that is independent of the Company and who does not hold any Shares or is otherwise involved in and/or interested in the Settlement Arrangement and the transactions contemplated thereunder at the SGM.

VOTING AT THE SGM

As at the date of this circular:

(a) COHG is an indirect shareholder of the Company. COHG directly and indirectly (through Oceanwide Energy Holdings Co., Ltd.*（泛海能源控股股份有限公司）) owns as to approximately 60.06% of Oceanwide Holdings, which indirectly wholly-owns Oceanwide Holdings IF. Oceanwide Holdings IF holds 395,254,732 Shares, representing approximately 6.38% of the total issued share capital of the Company;

(b) the Offeror is a controlling shareholder of the Company and COHG is a party acting in concert with the Offeror in respect of the Offer. The Offeror holds 4,216,809,571 Shares, representing approximately 68.05% of the total issued share capital of the Company; and

(c) Mr. LAM, being the controlling shareholder of the Offeror and a Director, is a shareholder of the Company and he holds 113,072,833 Shares, representing approximately 1.82% of the total issued share capital of the Company.

As Oceanwide Holdings IF, the Offeror, Mr. LU Zhiqiang, Ms. LU, Mr. LAM, Mr. HAN and their respective parties acting in concert are involved in and/or interested in the Settlement Arrangement (otherwise than solely as shareholders), they will abstain from voting on the shareholders' resolution to approve the Settlement Arrangement and the transactions contemplated thereunder at the SGM.

As at the date of this circular, except for Oceanwide Holdings IF, the Offeror, Mr. LAM, Mr. HAN and their respective parties acting in concert with each of them, no other Shareholder is required to abstain from voting in respect of the shareholders' resolutions to approve the Settlement Arrangement and the transactions contemplated thereunder at the SGM.

Record Date

The Board has fixed 4:30 p.m. on Friday, 14 July 2023 as the record time and date for ascertaining Shareholders' entitlement to attend and vote at the SGM. All transfers of Shares accompanied by the relevant share certificates must be lodged with the 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 Friday, 14 July 2023.

RECOMMENDATIONS

The Directors (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser) are of the opinion that the Settlement Agreement and the transactions thereunder are conducted in the ordinary and usual course of business of the Group, the terms of the Settlement Agreement and the transactions thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM in respect of the Settlement Agreement and the transactions thereunder.

You are advised to read the letter from the Independent Board Committee set out on pages 27 to 28 of this circular and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 29 to 56 of this circular before deciding whether or not to vote in favour of the resolutions to be proposed at the SGM to approve the Settlement Agreement and the transactions thereunder.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular. As the Completion is conditional upon fulfilment or waiver (as the case may be) of the conditions precedent to the Settlement Agreement, the Settlement Arrangement may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

By order of the Board of
China Tonghai International Financial Limited
HAN Xiaosheng
Co-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)

28 June 2023

To the Independent Shareholders

Dear Sir or Madam,

MAJOR ACQUISITION AND SPECIAL DEAL IN RELATION TO THE SETTLEMENT ARRANGEMENT

We refer to the circular of the Company to the Shareholders dated 28 June 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 Independent Board Committee, comprising all of the independent non-executive Directors, has been formed by the Board for the purpose of advising the Independent Shareholders in respect of the Settlement Agreement and the transactions thereunder, details of which are set out in the letter from the Board in the Circular. Trinity Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Details of the advice from Trinity Corporate Finance Limited, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 29 to 56 of the Circular.

Having considered the terms of the Settlement Agreement and the transactions contemplated thereunder, the principal factors and reasons considered by the Independent Financial Adviser and the advice of the Independent Financial Adviser, we consider that the transactions contemplated under the Settlement Agreement are conducted in the ordinary and usual course of business of the Group, the terms of Settlement Agreement are fair and reasonable 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 SGM in respect of the Settlement Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Independent Board Committee

Mr. Roy LO Wa Kei
Independent Non-executive Director

Mr. LIU Jipeng
Independent Non-executive Director

TRINITY

Trinity Corporate Finance Limited

Unit 102B, 1st Floor, Building 5W,
Hong Kong Science Park,
New Territories,
Hong Kong.

28 June 2023

To the Independent Board Committee and the Independent Shareholders of
China Tonghai International Financial Limited

Dear Sirs,

MAJOR ACQUISITION AND SPECIAL DEAL IN RELATION TO THE SETTLEMENT ARRANGEMENT

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the Settlement Arrangement, details of which are set out in the Letter from the Board (the "**Letter from the Board**") in the Company's circular dated 28 June 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 otherwise requires.

On 28 April 2023, the Company entered into the Settlement Agreement with Quam Overseas (a wholly-owned subsidiary of the Company), COHG and Tonghai International Development, pursuant to which Tonghai International Development (as a transferor) has conditionally agreed to transfer the Sale Shares, being 100% of the issued shares of the Target Companies and free from all Encumbrances and with all rights attached to the Sale Shares as at Completion, to Quam Overseas (as the transferee) with effect from Completion, in full and final settlement of all outstanding accrued interests on the Debt C including and up to the date of Completion and settlement of part of outstanding principal of the Debt C.

As the highest applicable percentage ratio under the Listing Rules in respect of the transactions contemplated under the Settlement Arrangement (including the transfer of the Target Companies to the Group) exceeds 25% but all are less than 100%, the Settlement Arrangement constitutes a major transaction of the Company and is subject to reporting, announcement, circular, and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of the Circular, (a) COHG is an indirect shareholder of the Company. COHG directly and indirectly (through Oceanwide Energy Holdings Co., Ltd. owns as to approximately 60.06% of Oceanwide Holdings, which indirectly wholly-owns Oceanwide Holdings IF. Oceanwide Holdings IF is the Shareholder which holds 395,254,732 Shares, representing approximately 6.38% of the total issued share capital of the Company. As at the date of the Circular, Oceanwide Holdings IF was wholly-owned by COG, which was wholly-owned by Oceanwide Holdings. For details of the shareholding of Oceanwide Holdings IF, please refer to the "Definitions" section of the Circular and the section headed "A. Background of the Group, COHG and Tonghai International Development" below; (b) the Offeror is a controlling shareholder of the Company and COHG is a party acting in concert with the Offeror in respect of the Offer. The Offeror holds 4,216,809,571 Shares, representing approximately 68.05% of the total issued share capital of the Company; and (c) Mr. LAM, being the controlling shareholder of the Offeror and a Director, is a shareholder of the Company and he holds 113,072,833 Shares, representing approximately 1.82% of the total issued share capital of the Company.

As Oceanwide Holdings IF, the Offeror, Mr. LU Zhiqiang, Ms. LU, Mr. LAM, Mr. HAN and their respective parties acting in concert are involved in and/or interested in the Settlement Arrangement (otherwise than solely as Shareholders), they will abstain from voting on the shareholders' resolution to approve the Settlement Arrangement and the transactions contemplated thereunder at the SGM.

As at the date of the Circular, except for Oceanwide Holdings IF, the Offeror, Mr. LAM, Mr. HAN and their respective parties acting in concert with each of them, no other Shareholder is required to abstain from voting in respect of the shareholders' resolutions to approve the Settlement Arrangement and the transactions contemplated thereunder at the SGM.

As the Settlement Arrangement constitutes an arrangement between the Company and COHG, being an indirect Shareholder, during the Offer Period and such arrangement will confer benefits to COHG which will not be extended to all other Shareholders, the Settlement Arrangement constitutes a special deal under Rule 25 of the Takeovers Code.

Accordingly, the Settlement Arrangement will require the consent of the Executive. The Company has made an application to the Executive for consent to the Settlement Arrangement pursuant to Note 4 to Rule 25 of the Takeovers Code. Such consent, if granted, is expected to be subject to (i) the Independent Financial Adviser publicly states that in its opinion that the terms of the Settlement Agreement and the transactions contemplated thereunder are fair and reasonable and (ii) the approval of the Settlement Arrangement by the Independent Shareholders who are not involved in and/or interested in the Settlement Arrangement (otherwise than solely as Shareholders) at the SGM.

An Independent Board Committee (which comprises Mr. Roy LO Wa Kei and Mr. LIU Jipeng, being all the independent non-executive Directors) has been formed to advise the Independent Shareholders in respect of the Settlement Agreement and the transactions contemplated thereunder. Trinity Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

The SGM Chairman will be a member of the Independent Board Committee that is independent of the Company and who does not hold any Shares or is otherwise involved in and/or interested in the Settlement Arrangement and the transactions contemplated thereunder at the SGM.

As at the Latest Practicable Date, Trinity Corporate Finance Limited did not have any relationships or interests with the Company, the Offeror or any other parties in respect of the Settlement Arrangement that could reasonably be regarded as relevant to the independence of Trinity Corporate Finance Limited. As at the Latest Practicable Date, Trinity Corporate Finance Limited was not associated nor connected with the Company, the Offeror or any other parties in respect of the Settlement Arrangement, or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company, the Offeror or any other parties in respect of the Settlement Arrangement, or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them. During the past two years immediately preceding and up to the Latest Practicable Date, save for this appointment as the Independent Financial Adviser, there were no other engagements between Trinity Corporate Finance Limited and the Company, the Offeror or any other parties in respect of the Settlement Arrangement, or their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them. Accordingly, we consider that we are independent pursuant to Rule 2 of the Takeovers Code and Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to give independent advices on the Settlement Arrangement and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company, including and not limited to the valuation report on the US Properties set out in Appendix VI of the Circular (the "**Valuation Report**"). We have also reviewed the scope of work of the engagement letter and the background and experience of the valuer, Masterpiece Valuation Advisory Limited (the "**Valuer**"), who has issued the Valuation Report, and consider that the scope of the engagement letter is appropriate for our reference purposes herein and the Valuer is sufficiently experienced and qualified to provide their expert opinion. We have no reason to believe that any information and representations relied on by us in forming our opinion, including the Valuation Report, is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular, which have been provided by the Company, the Directors and the management of the Company and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true as at the Latest Practicable Date and should there be any material changes to our opinion after the despatch of the Circular and up to the date of the SGM, Shareholders would be notified as soon as practicable.

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

We consider that we have been provided with, and we have reviewed sufficient information to reach an informed view, to justify relying on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Company. We have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or any parties involved in the Settlement Arrangement or their future prospects. We also have not conducted any independent investigation regarding the legal titles or physical conditions of the US Properties.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Settlement Arrangement and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes other than our role as the Independent Financial Adviser, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion regarding the Settlement Arrangement, we have taken into account the following principal factors and reasons:

A. Background of the Group, COHG and Tonghai International Development

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.

(a) COHG

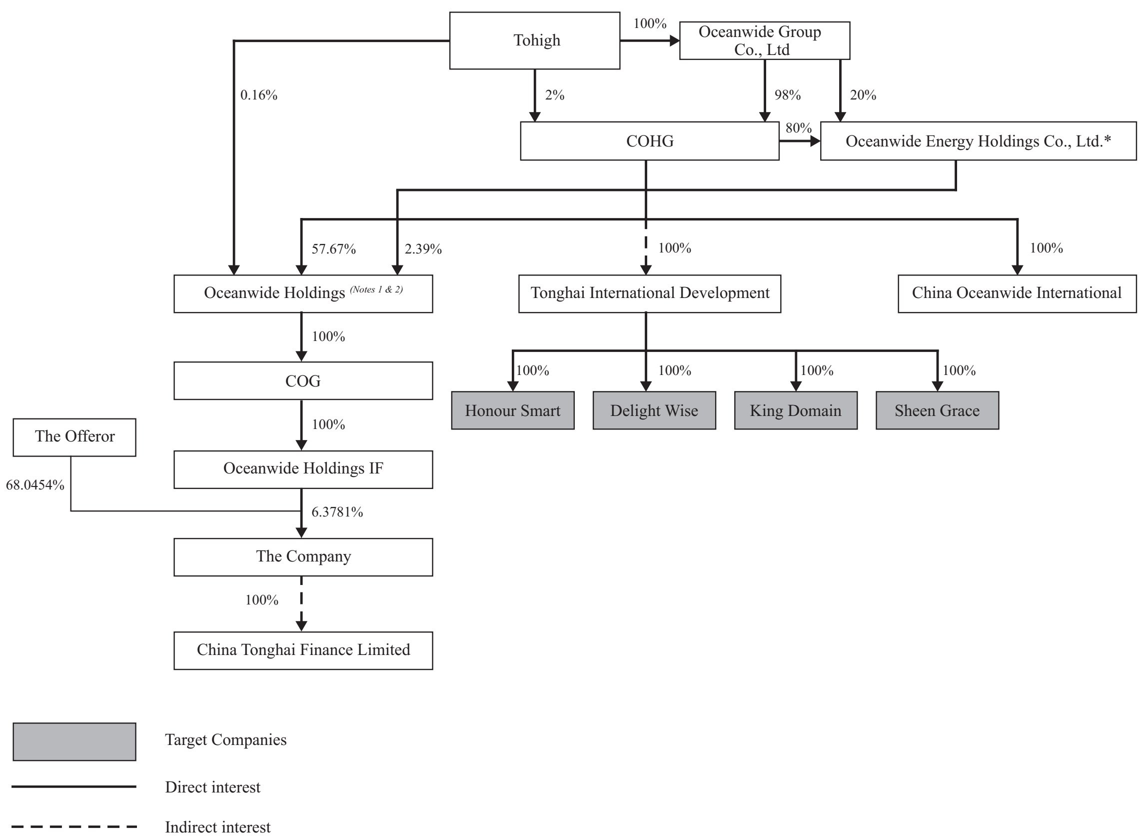
COHG is a company incorporated in the PRC with limited liability. Its principal business is investment holding. COHG is an indirect shareholder of the Company and the ultimate beneficial owner of COHG is Mr. LU Zhiqiang.

(b) Tonghai International Development

Tonghai International Development is a company incorporated in the BVI with limited liability. The principal business of Tonghai International Development is investment holding. It is indirectly wholly-owned by COHG.

(c) Simplified shareholding structure

Set out below is the simplified shareholding structure of the Tohigh Group and the Company immediately prior to Completion:

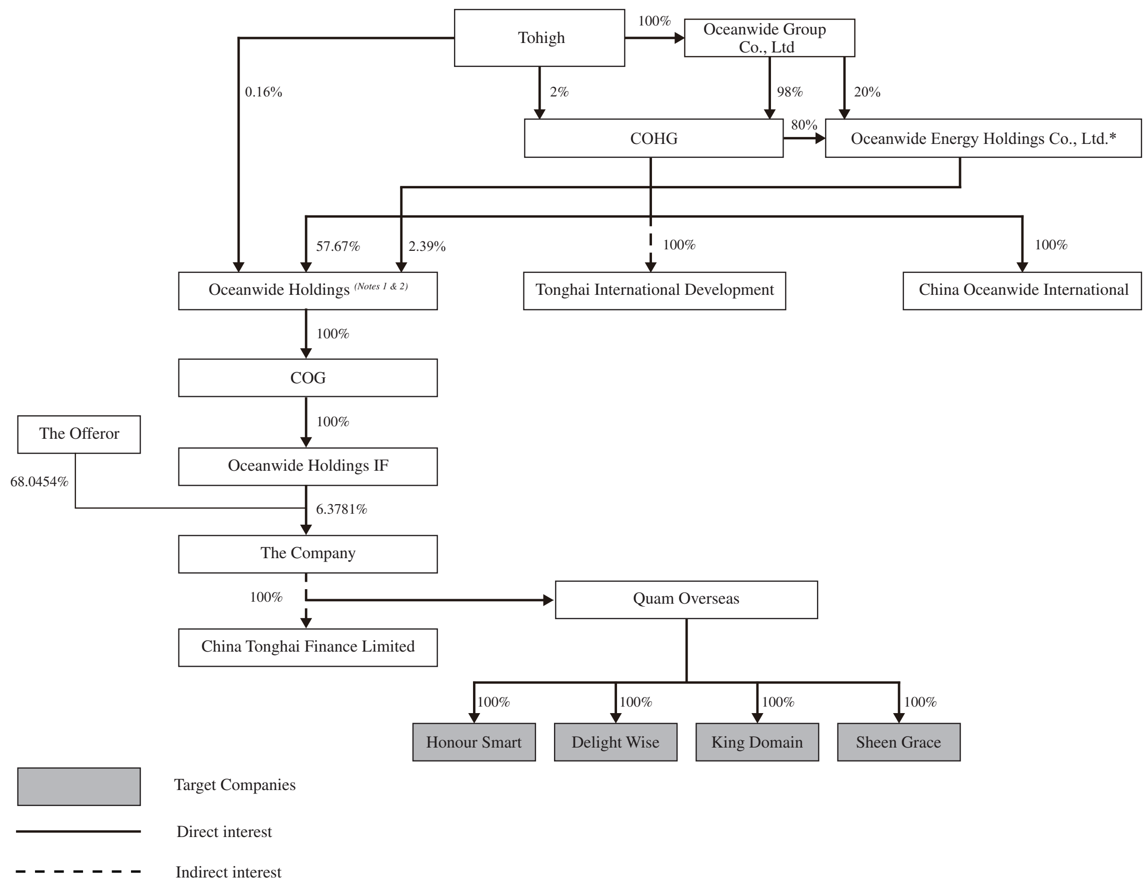


Notes:

1. As at the Latest Practicable Date, COHG and Oceanwide Energy Holdings Co., Ltd. directly owns approximately 57.67% and 2.39% of the issued shares of Oceanwide Holdings, respectively. Both COHG and Oceanwide Energy Holdings Co., Ltd. are indirectly wholly-owned by Tohigh.

2. As at the Latest Practicable Date, saved as disclosed in Note 1, 0.16% interest in the issued share capital of Oceanwide Holdings was directly and indirectly owned by Tohigh (through Tohigh Property Investment Management Co., Ltd., Huaxin Capital Investment Management Co., Ltd., Beijing Dongfeng Xinghuo Real Estate Co.,Ltd., Oceanwide Gardening Technique Engineering Co., Ltd, Beijing Oriental Oasis Sports & Leisure Co., Ltd, Tohigh Investment Group Co., Ltd. and Tohigh Equity Investment Co., Ltd).

Set out below is the simplified shareholding structure of the Tohigh Group and the Company immediately after the Completion:



Notes:

1. As at the Latest Practicable Date, COHG and Oceanwide Energy Holdings Co., Ltd. directly owns approximately 57.67% and 2.39% of the issued shares of Oceanwide Holdings, respectively. Both COHG and Oceanwide Energy Holdings Co., Ltd. are indirectly wholly-owned by Tohigh.

2. As at the Latest Practicable Date, saved as disclosed in Note 1, 0.16% interest in the issued share capital of Oceanwide Holdings was directly and indirectly owned by Tohigh (through Tohigh Property Investment Management Co., Ltd., Huaxin Capital Investment Management Co., Ltd., Beijing Dongfeng Xinghuo Real Estate Co.,Ltd., Oceanwide Gardening Technique Engineering Co., Ltd, Beijing Oriental Oasis Sports & Leisure Co., Ltd, Tohigh Investment Group Co., Ltd. and Tohigh Equity Investment Co., Ltd).

B. The Tohigh Framework Agreements

According to the Letter from the Board, reference is made to the announcements of the Company dated 21 September 2017 and 30 August 2019, in relation to the Tohigh Framework Agreements entered into between the Company and Tohigh, pursuant to which, among other things, the Group shall provide guarantees, secured or unsecured financings and/or loans, including margin financing, acting as arranger, agent or lead lender of syndicated loans to Tohigh and the Tohigh Group or vice versa.

As at the Latest Practicable Date, the outstanding principal and interests owing from the Borrower to China Tonghai Finance Limited, an indirectly wholly-owned subsidiary of the Company, amounted to approximately HK$1,369.6 million, being the gross amount before netting off the provisions made on the Debt C. The Borrower, China Oceanwide International Investment Company Limited, is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of COHG.

According to management of the Company, the provision of loans is one of the principal businesses of the Group and the provision of loans to the Tohigh Group allows the Group to capture their financing needs and to generate additional income for the Group. As far as we understand, the Group has provided loans to the Tohigh Group from time to time in accordance with the terms of the Tohigh Framework Agreements.

The Tohigh Framework Agreements and the relevant annual caps of the continuing connected transactions were approved by the then independent shareholders at the special general meetings of the Company held on 20 November 2017, 11 October 2019 and 26 February 2021. The provision of loans to the Tohigh Group from time to time all falls within the limit of the respective maximum daily outstanding balances of financial assistance.

We do not express any opinion regarding the Tohigh Framework Agreements, except to note that the Tohigh Framework Agreements, together with the relevant annual caps of the continuing connected transactions, were approved by the then Independent Shareholders at the special general meetings stated above and the balance of the outstanding principal and interests owing from the Borrower to the Group amounted to approximately HK$1,369.6 million as at the Latest Practicable Date.

C. Principal Terms of the Settlement Agreement

As mentioned above, on 28 April 2023, the Company entered into the Settlement Agreement with Quam Overseas (a wholly-owned subsidiary of the Company), COHG and Tonghai International Development, pursuant to which Tonghai International Development (as a transferor) has conditionally agreed to transfer the Sale Shares, being 100% of the issued shares of the Target Companies and free from all Encumbrances and with all rights attached to the Sale Shares as at Completion, to Quam Overseas (as the transferee) with effect from Completion, in full and final settlement of all outstanding accrued interest on the Debt C including and up to the date of Completion and settlement of part of outstanding principal of the Debt C.

We note that the principal terms of the Settlement Agreement are as follows:

Date:	28 April 2023
Parties:	(1) Quam Overseas, as the transferee; (2) Tonghai International Development, as the transferor; (3) the Company, as the creditor of the Debt C; and (4) COHG, which has agreed to settle part of the Debt C for and on behalf of the Borrower. COHG and Tonghai International Development and their respective ultimate beneficial owner(s) are Independent Third Party(ies) save that COHG who indirectly holds 6.38% of the issued Shares as at the date of the Circular.
Subject matter:	Pursuant to the Settlement Agreement, Tonghai International Development (as a transferor) has conditionally agreed to transfer the Sale Shares, being 100% of the issued shares of the Target Companies and free from all Encumbrances and with all rights attached to the Sale Shares as at Completion, to Quam Overseas (as the transferee) with effect from the Completion, in full and final settlement of all outstanding accrued interests on the Debt C including and up to the date of Completion and settlement of part of outstanding principal of the Debt C. After (i) full and final settlement of all outstanding accrued interests on Debt C including and up to the date of Completion and (ii) partial settlement of the outstanding principal of the Debt C upon Completion, the remaining outstanding principal amount of the Debt C will remain as other loans of the Group and will accrue interest based on the original interest rates of the loans as set out in the respective loan agreements (the "**Original Interest Rate(s)**"). After discussion with the Borrower, the Company has decided not to charge default interests nor penalties on the Debt C.

Basis of calculation of the Settlement Sum:	The Settlement Sum shall be determined based on the following:

A= B +/- C – D – E

Whereas:

A = Settlement Sum.

B = adjusted net asset value of the Target Companies. Such amount shall be calculated by (i) deducting the book value of the US Properties as at 31 December 2022 from the net asset value of the Target Companies as shown in the Audited Accounts; and (ii) adding the fair value of the US Properties as at 31 March 2023 as set out in Valuation Report.

C = the amount equivalent to cash and cash equivalents of the Target Companies as at Completion Date minus cash and cash equivalents of the Target Companies as shown in the Audited Accounts. In the event the amount of C is negative, such amount shall be subtracted from B.

D = the amount of US real property and documentary transfer tax or any other taxation in connection with the US Properties which Quam Overseas or the Company has agreed to pay or bear on behalf of the Target Companies at Completion.

E = any due and outstanding outgoings payable by the Target Companies in connection with the US Properties and the Target Companies, including government rent and rates, utilities expenses, management fees, and other regular services or utilities supplied to the US Properties or the Target Companies accruing up to and including the date of Completion, which have been notified to Quam Overseas or the Company but which remain outstanding as at the date of Completion.

The maximum Settlement Sum shall be all outstanding principal and interests accrued on the Debt C including and up to the date of Completion.

For illustration purposes only, as at the Latest Practicable Date, based on the audited adjusted net asset value of the Target Companies (calculated by (a) deducting the book value of the US Properties as at 31 December 2022 from the net asset value of the Target Companies as shown in the audited statements of financial position of the Target Companies as at 31 December 2022; and (b) adding the fair value of the US Properties as at 31 March 2023 as set out in Valuation Report); and assuming that (i) cash and cash equivalents of the Target Companies as at the date of Completion is the same as that shown in the audited statements of financial position of each of the Target Companies as at 31 December 2022; (ii) there is no US real property and documentary transfer tax or any other taxation in relation to the Settlement Arrangement at Completion; and (iii) there is no outgoings payable by the Target Companies in connection with the US Properties and the Target Companies accruing up to and including the date of Completion, the Settlement Sum would amount to approximately US$121.2 million (equivalent to approximately HK$945.2 million).

The final amount of the Settlement Sum shall be confirmed in writing by the Company as notice to Tonghai International Development within 5 business days of the date of Completion.

The terms of the Settlement Agreement including the Settlement Sum were negotiated on an arm's length basis. The Directors (excluding the independent non-executive Directors who are advised by us herein) consider that the terms of the Settlement Agreement are fair and reasonable due to the following reasons:

(i) the Target Companies are investment holding companies and the assets of which primarily consists of the US Properties;

(ii) the Settlement Sum shall take into account the net asset value of the Target Companies as shown in the Audited Accounts and the Audited Accounts will be prepared in accordance with the Hong Kong Financial Reporting Standards; and

(iii) based on the Valuation Report, the fair value of the US Properties as at 31 March 2023 was US$122.5 million (equivalent to approximately HK$955.5 million). The fair value of the US Properties as at 31 March 2023 as set out in the Valuation Report was determined using the market approach. The text of the Valuation Report is set forth in Appendix VI to the Circular.

We have reviewed the above basis of calculation of Settlement Sum and consider that it is fair and reasonable as it takes into account of various factors for adjustment, including mainly the fair value of the US Properties as stated in the Valuation Report and deducting any agreed adjustments for cash and cash equivalents and tax or other expense items as at Completion. In other words, it is fair and reasonable that any tax or other expense items which were due and owing prior to Completion will be deducted from the adjusted net asset value of the Target Companies to arrive at the Settlement Sum.

Conditions: Completion is conditional upon the satisfaction (or, if applicable, waiver) of the following conditions:

a) the passing of all resolutions by the Independent Shareholders who are not involved in or interested in the Settlement Arrangement (otherwise than solely as a Shareholder) at the SGM approving the entering into of the Settlement Agreement and any other documents referred to in the Settlement Agreement and the performance of the transaction contemplated under the Settlement Agreement and any other documents referred to in the Settlement Agreement in accordance with Rule 25 of the Takeovers Code, the relevant provisions in the Listing Rules, the bye-laws of the Company and applicable laws;

b) the Company having obtained the waiver under Rule 4 and consent under Rule 25 of the Takeovers Code from the Executive regarding the entering of the Settlement Agreement and any other documents referred to in the Settlement Agreement and the performance of the transactions contemplated thereunder;

c) COHG and Tonghai International Development having obtained all necessary internal approvals and consents for the entering into the Settlement Agreement and any other documents referred to in the Settlement Agreement and the fulfilment of the obligations thereunder;

d) COHG and Tonghai International Development having obtained all necessary external approvals and consents for the entering into of the Settlement Agreement and any other documents referred to in the Settlement Agreement and the fulfilment of the obligations thereunder;

e) the Company being satisfied with the due diligence results of the Target Companies and each of the US Properties;

f) the Company having received, and having been satisfied with, the content of the title report reviewed and confirmed by the US legal advisers as to the title of the US Properties;

g) the Company having received, and having been satisfied with, the content of the legal report prepared by the BVI legal advisers on the due diligence of Tonghai International Development and the Target Companies; and

h) the warranties given by COHG and Tonghai International Development set out in the Settlement Agreement remaining true, accurate and not misleading and there have been no breaches of the obligations and undertakings set out in the Settlement Agreement.

Save for condition (h) under the Settlement Agreement which can only be waived by the Company, all other Conditions are not waivable pursuant to the Settlement Agreement. Any waiver of the condition (h) shall be by notice in writing by the Company to COHG and Tonghai International Development and may be subject to such terms and conditions as the Company may specify and agreed to by COHG and Tonghai International Development.

If all the Conditions are not satisfied or waived (as the case may be) on the Long Stop Date, unless otherwise specified in the Settlement Agreement, the Company may by written notice to COHG and Tonghai International Development elect to terminate the Settlement Agreement, and all rights and obligations of the parties under the Settlement Agreement shall terminate, but without prejudice to the accrued rights and obligations of the parties before that termination.

As at the Latest Practicable Date, none of the above conditions have been fulfilled nor waived. As at the Latest Practicable Date, the Company has substantially completed its due diligence of the Target Companies and the US Properties. The title report in relation to the US Properties and the legal report on Tonghai International Development and the Target Companies will be updated prior to Completion.

As at the Latest Practicable Date, the Company is not aware of (i) any warranties given by COHG and Tonghai International Development set out in the Settlement Agreement that are untrue, inaccurate or misleading; or (ii) any breaches of the obligations and undertakings set out in the Settlement Agreement by COHG and Tonghai International Development.

As at the Latest Practicable Date, the Company is not aware of any necessary external approvals and consents required to be obtained by COHG and Tonghai International Development. However, the Company has reserved the right to not proceed with Completion in the event that the Company becomes aware that COHG or Tonghai International Development are required to obtain any external approvals and consents under condition (d) after the signing of the Settlement Agreement but are not obtained prior to Completion.

Completion:	Completion will take place on the fifth (5th) business day after fulfilment or granting of waiver (if applicable) of all Conditions, or such other date as the parties to the Settlement Agreement may agree in writing. Apart from the Conditions, the Completion is not subject to other conditions. Pursuant to the Settlement Agreement, the transfer of the Sale Shares will be completed and possession of the US Properties, will be obtained, in each case, by the Company at Completion. The US Properties will be vacant at Completion Upon Completion, all outstanding accrued interest on the Debt C including and up to the date of Completion and part of outstanding principal of the Debt C will be settled and the Target Companies will become wholly-owned subsidiaries of the Company and the assets, liabilities and financial results of the Target Companies will be consolidated into the consolidated financial statements of the Company.

D. Information on Debt C

As mentioned above, as at the Latest Practicable Date, the outstanding amount of the principal together with all accrued interests owing from the Borrower to the Group, including Debt C, was approximately HK$1,369.6 million.

Set out below is a summary of the principal terms of the Debt C:

Borrower of Debt C	First drawn down dates	Principal amount *(HK$'000)*	Interest rate *(per annum)*	Maturity dates
China Oceanwide International	Dates fall between the period from 12 February 2018 to 3 March 2021	678,000	10.5%	28 January 2022
		200,000	10.5%	31 March 2022
		3,000	12.0%	31 March 2022
		141,241	12.0%	30 June 2022
		12,000	12.0%	30 June 2022
		45,000	10.0%	31 December 2022
		12,500	10.0%	31 December 2022
		10,000	10.0%	31 December 2022
		1,101,741		

We note that the interest rates and maturity dates of the above debt ranges from 10% to 12% per annum and 28 January 2022 to 31 December 2022 respectively. According to the table above, loans with principal amounts of HK$678 million and HK$200 million, constituting around 80% of all loans bear interest at 10.5% per annum.

According to the Letter from the Board, for illustration purposes only, the table below sets out the order of settlement of the Debt C, assuming that (i) the Completion takes place on 31 July 2023; (ii) the Settlement Sum is approximately US$121.2 million (equivalent to approximately HK$945.2 million), which is equivalent to the audited adjusted net asset value of the Target Companies (calculated by (a) deducting the book value of the US Properties as at 31 December 2022 from the net asset value of the Target Companies as shown in the audited statements of financial position of the Target Companies as at 31 December 2022; and (b) adding the fair value of the US Properties as at 31 March 2023 as set out in Valuation Report); (iii) cash and cash equivalents of the Target Companies as at the date of Completion is the same as that shown in the audited statements of financial position of each of the Target Companies as at 31 December 2022; and (iv) no other deduction in relation to the calculation of the Settlement Sum shall be made. According to the terms of the Settlement Agreement, the Settlement Sum will settle all outstanding accrued interests on Debt C including and up to the date of Completion first, followed by part of the outstanding principal.

After full and final settlement of all outstanding accrued interests on the Debt C up to 31 July 2023 of approximately HK$279.2 million, which is calculated based on the interest rate of the loans as set out in the respective loan agreements as set out in the table below, the remaining portion of the Settlement Sum of approximately HK$666.0 million will be used to settle part of the outstanding principal of the Debt C in the following order:

Borrower	Settlement order	Principal amount	Accrued interests on Debt C up to 31 July 2023	Principal amount and accrued interests on Debt C up to 31 July 2023 settled by the Settlement Sum	Outstanding principal amount* upon completion of the Settlement Arrangement	Interest rate	Maturity dates
		(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(per annum)*	
China Oceanwide International	1	3,000	841	3,841	–	12.0%	31 March 2022
	2	10,000	1,583	11,584	–	10.0%	31 December 2022
	3	12,000	3,006	15,006	–	12.0%	30 June 2022
	4	12,500	1,979	14,479	–	10.0%	31 December 2022
	5	45,000	7,126	52,126	–	10.0%	31 December 2022
	6	141,241	35,384	176,625	–	12.0%	30 June 2022
	7	200,000	50,774	250,774	–	10.5%	31 March 2022
	8	678,000	178,463	420,807	435,656	10.5%	28 January 2022
		1,101,741	279,157	945,242	435,656		

**Note:* The outstanding principal and interests on the Debt C is the gross amount before netting off the provisions made on the Debt C.

According to the Letter from the Board, as the aforesaid scenario is for illustration purposes only, it should not be considered as the actual Settlement Sum to be settled pursuant to the Settlement Arrangement upon Completion. On this basis, we understand that the outstanding principal amount upon completion of the Settlement Arrangement if the above scenario takes place is approximately HK$435.7 million, being the balance of the debt which matured on 28 January 2022 bearing an interest rate of 10.5% per annum.

We note that the balance of the debt owing from the Borrower, if the above scenario takes place, is in respect of the debt with the oldest maturity date on 28 January 2022 and bearing an interest rate of 10.5%, towards the lower end of the range of interest rates. Also, as mentioned above, we note that the majority of all loans constituting around 80% of all loans, bear an interest rate of 10.5% per annum. We consider that it is fair and reasonable for the Company to discuss the order of settlement with the Borrower on an arm's length basis so long as the accrued interests are calculated based on the interest rate of the loans according to the respective loan agreements as set out in the table above.

Also, according to the Letter from the Board, all the loans under Debt C are unsecured. As at the Latest Practicable Date, the principal amount and interests accrued on Debt C up to the maturity date are overdue. The Company has the right to charge default interest in accordance with the original terms of Debt C. After arm's length discussion with the Borrower for the purpose of entering into the Settlement Arrangement which will enable substantial settlement of Debt C, the Company has agreed not to charge default interests on the part settled by the Settlement Arrangement. For the remaining outstanding principal amount of Debt C, the Company reserves the right to charge default interests in accordance with the original terms.

We consider that it is fair and reasonable for the Company not to charge default interests on the part settled by the Settlement Arrangement as the Company is able to recover a significant portion of Debt C.

For the remaining outstanding principal amount of Debt C, after payment of the Settlement Sum, we note that the Company reserves the right to charge default interests in accordance with the original terms and we consider that it is fair and reasonable for the Company and the Independent Shareholders that the Company reserves such right to charge default interests for the remaining outstanding principal amount, as it does not modify the Company's existing rights under the remaining principal amount of Debt C.

As set out in the section headed "B. The Tohigh Framework Agreement" above, the Group shall provide guarantees, secured or unsecured financings and/or loans, including margin financing, acting as arranger, agent or lead lender of syndicated loans to Tohigh and the Tohigh Group or vice versa and such transactions have been approved by the Independent Shareholders at the special general meetings stated in that section. We do not express any opinion in relation to the terms of Debt C, except to note that the provision of unsecured loans to Tohigh and the Tohigh Group is within the scope of approved transactions under the Tohigh Framework Agreements.

E. Information on the Target Companies and the US Properties

(a) Principal businesses of the Target Companies

(i) King Domain

King Domain is a limited liability company incorporated in the BVI. The principal business of King Domain is investment holding. It is directly wholly-owned by Tonghai International Development which in turn is indirectly wholly-owned by COHG, an indirect Shareholder. US Property I is owned by King Domain.

(ii) Honour Smart

Honour Smart is a limited liability company incorporated in the BVI. The principal business of Honour Smart is investment holding. It is directly wholly-owned by Tonghai International Development which in turn is indirectly wholly-owned by COHG, an indirect Shareholder. US Property II is owned by Honour Smart.

(iii) Delight Wise

Delight Wise is a limited liability company incorporated in the BVI. The principal business of Delight Wise is investment holding. It is directly wholly-owned by Tonghai International Development which in turn is indirectly wholly-owned by COHG, an indirect Shareholder. US Property III is owned by Delight Wise.

(iv) Sheen Grace

Sheen Grace is a limited liability company incorporated in the BVI. The principal business of Sheen Grace is investment holding. It is directly wholly-owned by Tonghai International Development which in turn is indirectly wholly-owned by COHG, an indirect Shareholder. US Property IV is owned by Sheen Grace.

(b) Financial information of the Target Companies

As at the Latest Practicable Date, each of the Target Companies is a wholly-owned subsidiary of Tonghai International Development. The audited aggregate net asset value of the Target Companies as at 31 December 2022 was approximately HK$458.8 million.

The tables below set out the summary of key financial data extracted from the Audited Accounts of the Target Companies for the year ended 31 December 2020, 31 December 2021 and 31 December 2022:

(i) King Domain

	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2022
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Revenue	–	–	–
Net loss	(1,802)	(1,802)	(1,802)

As at 31 December 2022, the audited net asset value of King Domain was approximately HK$162.3 million.

(ii) Honour Smart

	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2022
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Revenue	–	–	–
Net loss	(440)	(440)	(440)

As at 31 December 2022, the audited net asset value of Honour Smart was approximately HK$30.3 million.

(iii) Delight Wise

	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2022
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Revenue	–	–	–
Net loss	(21,996)	(21,996)	(21,996)

As at 31 December 2022, the audited net asset value of Delight Wise was approximately HK$237.1 million.

(iv) Sheen Grace

	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2022
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Revenue	–	–	–
Net loss	(524)	(524)	(524)

As at 31 December 2022, the audited net asset value of Sheen Grace was approximately HK$29.1 million.

As shown in the tables above, all of the four investment holding companies did not generate any revenue as the US Properties were owner-occupied and were not rented out for generating rental revenue. According to the Company, the US Properties will be vacant at Completion. The net loss positions were a result of the maintenance and tax costs incurred for the respective properties. Given that the nature and business of the Target Companies are investment holding of the respective US Properties and were owner-occupied and therefore did not generate any rental revenue, we consider it is fair and reasonable to use the adjusted net asset value to settle part of Debt C on a dollar-to-dollar basis even though the Target Companies were loss-making as such loss-making situation has no bearing on the adjusted net asset value of the US Properties. For an analysis of the fair value of the US Properties as at 31 March 2023, Independent Shareholders can refer to the Valuation Report set out in Appendix VI herein. We are of the view that the fact that the Target Companies are loss-making has no impact on the settlement of Debt C as such belong to profit and loss items and have no impact on the adjusted net asset value of the US Properties.

Based on our discussion with the Company, we understand that the Company has previously considered requesting the Borrower to sell the US Properties and use such proceeds to repay the Company. However, given the uncertainty as to the timing and amount of sale by the Borrower and the fact that the Debt C is unsecured, the Company considers that it is in the interests of the Company and the Shareholders that the Company enters into the Settlement Arrangement as soon as possible, which enables earmarking the US Properties as tangible assets as a feasible settlement option.

We concur with management of the Company that since the timing for the successful disposal of the US Properties by the Borrower is uncertain, it is in the interests of the Company and the Independent Shareholders as a whole that the Company enters into the Settlement Agreement as soon as possible to secure the repayment arrangement forthwith on the basis that the Settlement Sum is adjusted, among other things, to take into account of the latest fair value of the US Properties.

We have discussed with management of the Company and understand that the Company intends to resell the US Properties if and when they consider that the market situation is suitable in order to improve the Company's cash position. Also, the Company may consider the alternative to rent out the US Properties to generate rental revenue if and when the management considers the circumstances are appropriate to do so. According to our further enquiries with the Company, we understand that the Company's intention is mainly to monetize the US Properties by reselling the Target Companies after Completion, subject to further assessment of the market conditions closer to the time of Completion. The Company will only consider the alternative of renting out the properties in case the market conditions are not conducive to the sale, and the amount of rental income to be generated and timing of renting will largely depend on the market environment at that time. Therefore, it is difficult for the Company to make an accurate estimation at present about the expected amount of rental income to be generated from the US Properties or about the expected timing for the US Properties to be rented out.

We consider that since the Company has the discretion to decide whether and when, to resell any of the US Properties or to rent out any of the US Properties, at a timing which the Company considers most beneficial financially, the Settlement Arrangement and the Settlement Agreement are therefore in the interests of the Company and the Independent Shareholders as a whole.

(c) Particulars of the US Properties

The table below sets out the acquisition details of the US Properties:

Property	Date of acquisition by the Target Companies	Percentage acquired by the Target Companies *(%)*	Original acquisition cost incurred by the relevant vendors	Fair Value in existing state based on the Valuation Report as at 31 March 2023 *(US$'000)*	Approximate % increase on per sq. ft. basis
US Property I	February 2014	100.0	US$26.1 million (approximately HK$203.6 million)	28,700	10.0
US Property II	July 2014	100.0	US$5.3 million (approximately HK$41.3 million)	9,900	86.8
US Property III	September 2014	100.0	US$22.8 million (approximately HK$177.8 million)	76,700	236.4
US Property IV	August 2014	100.0	US$5.7 million (approximately HK$44.5 million)	7,200	26.3

We note that all of the US Properties were acquired by the relevant vendors in 2014 and US Property I was held for over 9 years and US Property II, III and IV were held for almost 9 years. The acquisitions were all for 100% interests therein. We have compared the acquisition costs against the fair value of the respective properties as set out in the Valuation Report and the approximate percentage increases for US Property I, II, III and IV are 10.0%, 86.8%, 236.4% and 26.3% respectively. The highest percentage increase was for US Property III which was 236.4%. Although both US Property I and US Property III were acquired for similar cost, at US$25 million and US$22.8 million respectively, and both properties were in the County of San Mateo, the main reason for the significant increase of US Property III compared to US Property I is that the Gross Building Area of US Property III (34,639 sq. ft.) is 155.5% larger than US Property I (13,558 sq. ft.).

As all the US Properties are located in the County of San Mateo in the US, we consider that the use of US Properties for settlement of Debt C is fair and reasonable as it avoids any foreign exchange risks because the HK$/US$ exchange rate is pegged under the Linked Exchange Rate System ("**LERS**") implemented by the Hong Kong Monetary Authority since 17 October 1983, and the Company will not incur any risk of foreign exchange fluctuations when it decides to sell or rent out the respective US Properties in due course. The LERS ensures that the Hong Kong dollar exchange rate remains stable within the band of HK$7.75-7.85 to one US$ (www.hkma.gov.hk).

The table below sets out particulars of the US Properties:

Property	**Location**	**Type of Property**	**Particular of Occupancy** *(Note)*	**Site Area** *(acre)*	**Gross Building Area** *(sq.ft.)*	**Fair Value in existing state based on the Valuation Report as at 31 March 2023** *(US$'000)*
US Property I	250 Atherton Avenue, Atherton, CA 94027, County of San Mateo, State of California, the US	Single family residential use	Owner-occupied	2.53	13,558	28,700
US Property II	25 Longview Court, Hillsborough, CA 94010, County of San Mateo, State of California, the US	Single family residential use	Owner-occupied	0.59	5,700	9,900
US Property III	40 Verbalee Lane, Hillsborough, CA 94010, County of San Mateo, State of California, the US	Single family residential use	Owner-occupied	5.91	34,639	76,700
US Property IV	1111 Tournament Drive, Hillsborough, CA 94010, County of San Mateo, State of California, the US	Single family residential use	Owner-occupied	0.71	6,520	7,200

Note: As at the Latest Practicable Date, all gross building area of the US Properties are owner-occupied. The US Properties will be vacant at Completion.

As set out above, all the 4 US Properties are owner-occupied single family residential properties in the County of San Mateo in the State of California in the US. As a result, no revenue is generated from the US Properties.

We have reviewed the Valuation Report and note that the fair value in existing state ascribed to US Property I, US Property II, US Property III and US Property IV as at 31 March 2023 are US$28.7 million, US$9.9 million, US$76.7 million and US$7.2 million respectively, representing a total valuation of US$122.5 million. This is equivalent to the fair value in existing state 100% interest attributable to the Target Companies as at 31 March 2023.

According to the Valuation Report set out in Appendix VI, the valuation of the US Properties was made on the basis of market approach which is generally by comparing recent market evidence of similar properties located in the neighbourhood area of the property and adjustments are considered to reflect the differences in various aspects including market conditions, size, location, time, age, quality, and any other relevant factors when comparing such sales against the property. According to the Valuer, this approach is commonly used to value properties where reliable market evidence is available. We consider that it is fair and reasonable for the valuations to be made on the above basis under the market approach as the property market in the State of California in the US is an active property market and there are sufficient sale and purchase transactions to make a comparison.

We have also reviewed the Valuation Report and note that the potential US tax liabilities which could arise from any subsequent sale of the US Properties, based on current tax laws and regulations in the US, include:

– California documentary transfer tax at approximately 0.11% of the fair market property value of the US Properties at the time of transfer and in relation to the US Properties located in the town of Hillsborough, there is an additional tax of 30 US cents per US$1,000 on the fair market value of such US Properties;

– California corporate income and franchise tax up to 8.84% on the gain on the sale of the US Properties;

– US federal branch profits tax at 30% on the gain on the sale of the US Properties; and

– US federal corporate income tax rate at 21% on taxable gain.

We understand that in the event that the Group disposes the US Properties and assuming that there is no change to the relevant tax laws and regulations in the US, it is likely that the relevant tax liabilities will be crystallised upon sale of the US Properties. According to our further enquiries with the Company, we understand that the Company's intention is mainly to resell the US Properties by way of transferring the shares of their holding companies to minimize the potential US tax liabilities (including stamp duties, if any) and currently, the Company estimated that the potential US tax liabilities may amount to approximately US$28,000 upon the sale of the US Properties based on the fair value in existing state in accordance with the Valuation Report as at 31 March 2023. Shareholders should note that the above estimated amount of US tax liabilities upon sale of the US Properties are for illustrative purposes only and the exact amount of which can only be ascertained subject to finalization of the sale.

Also, as set out in the Valuation Report, site inspection of the exteriors and, where possible, the interiors of the US Properties were done through live stream. However, the Valuer has not carried out an investigation on site to determine the suitability of ground conditions and services for any development thereon and the valuation has been prepared on the assumption that these aspects are satisfactory. The Valuer has further assumed that there is no significant pollution or contamination in the locality which may affect any future developments. Moreover, no structural surveys have been undertaken, but in the course of their inspection, they did not note any serious defects. The Valuer is not, however, able to report whether the Property is free of rot, infestation, or any other structural defects and no tests were carried out on any of the utility services. As the Settlement Agreement is subject to the condition, among other things, that the Company is satisfied with the due diligence results of the Target Companies and each of the US Properties, we consider that the scope of work of the Valuer subject to the above limitations is fair and reasonable.

We have also reviewed the property sales comparables for the US Properties selected by the Valuer as set out in the Valuation Report and consider that the comparables selected were fair and reasonable. We also consider that it is fair and reasonable for the valuations to be made on the basis of the average unit rate of the comparables of US$2,117 per sq. ft., US$1,737 per sq. ft., US$2,214 per sq. ft. and US$1,104 per sq. ft. on gross building area for US Property I, US Property II, US Property III and US Property IV respectively.

In addition, we have independently checked the historical trends of the property market in the State of California in the US and have reviewed the historical data for "Median Prices of Existing Single Family Homes" from January 2014 to April 2023 (www.car.org/marketdata/data/housingdata) compiled by the California Association of Realtors ("**CAR**"), a real estate trade association in the US which is independent of the Company, the Valuer and us as the Independent Financial Adviser. Since the County sales data provided by CAR were generated from a survey of more than 90 associations of realtors throughout the California state, and represented statistics of existing single-family homes, we consider that such data has been derived with objectivity. According to our review, the median price of single family homes for the County of San Mateo was US$955,000 in January 2014 and increased by 106.28% to US$1,970,000 in April 2023.

The median price of single family homes in the County of San Mateo is also the highest of all the counties in April 2023, followed by the County of Santa Barbara at US$1.8 million, the County of Marin at US$1.79 million and the County of San Francisco at US$1.59 million.

As all the US Properties are located in the County of San Mateo, we consider that the prospects and residential property market for the US Properties, barring unforeseen circumstances, should be favourable to the Company, and we consider that the use of the US Properties for the Settlement Arrangement is fair and reasonable. Also, with respect to the above data obtained from the independent source of CAR, we as the Independent Financial Adviser consider we are in compliance with paragraph 5.3 of the "Corporate Finance Adviser Code of Conduct" (October 2013) issued by the Securities & Futures Commission, in relation to the reliance on work by experts or other professionals, on the basis that (a) we have undertaken reasonableness checks to assess the relevant background and experience of CAR and are satisfied that reliance could fairly be placed on their work, and that (b) we have reviewed and discussed with the Company about the above data obtained from CAR, including the qualifications, bases and assumptions adopted by CAR, and are satisfied that such data has been derived with due care and objectivity and on a reasonable basis.

F. Reasons for and Benefits of the Settlement Arrangement

According to the Letter from the Board, the Company has been discussing with the management of the Tohigh Group in relation to settlement of the outstanding principal and interests accrued on the Debt C, including but not limited to assessing the feasibility of potential settlement options such as (a) settlement in cash ; (b) obtaining other assets for settlement; and (c) filing winding-up petition against the Borrower. After conducting enquiries with the management of the Tohigh Group, the Company was advised that the Tohigh Group has not attempted to sell the US Properties and the US Properties may be offered to partially settle the outstanding amount of Debt C. Accordingly, the Company and its professional advisors have been carrying out due diligence on the Target Companies and the US Properties, including having conducted legal due diligence on the Target Companies and reviewed land title search reports, certificate of incumbency, certificate of good standing and purchase agreements of the US Properties, physical site visit on each of the US Properties, financial due diligence and audit on the financial statements of the Target Companies. According to the latest title report as to the legal title of the US Properties which has been reviewed and confirmed by the Company's US legal advisers, and the legal report prepared by the Company's BVI legal advisers, the US Properties are directly wholly-owned by the Target Companies; and the Sale Shares and the US Properties are free from Encumbrances. Further, the Board has taken into consideration of the latest financial position of Oceanwide Holdings including the pre-restructuring process and potential formal restructuring process on Oceanwide Holdings as announced by the Company on 18 May 2023, and considered the Settlement Arrangement only involves the transfer of assets which are not held by Oceanwide Holdings or its subsidiaries and therefore are not subject to these processes.

Considering among others, (i) the Borrower is not expected to be able to fully or partially settle the outstanding principal and the accrued interests on the Debt C by cash in the foreseeable future; (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 the Borrower, and (iii) the management of Tohigh Group has been cooperative in working with the Company in pursuing the Settlement Arrangement, the Company is of the view that the Settlement Arrangement would be a reasonable and acceptable approach. The Company has also considered requesting the Borrower to sell the US Properties and use such proceeds to repay the Company. However, given the uncertainty as to the timing and amount of sale by the Borrower and the fact that the Debt C is unsecured, the Company considers that it is in the interests of the Company and the Shareholders that the Company enters into the Settlement Arrangement as soon as possible, which enables earmarking the US Properties as tangible assets as a feasible settlement option. The Company plans to monetize the US Properties by reselling the Target Companies after Completion, subject to further assessment of the market conditions closer to the time of Completion.

As the Target Companies are investment holding companies of the US Properties which only incur expenses, including, among others, the maintenance costs and US real property taxes, in relation to the US Properties, the Target Companies incurred net loss for the years ended 31 December 2021 and 2022. Despite the net loss position of the Target Companies, which will be consolidated into the financial statements of the Group upon Completion, the Target Companies are in a net asset position based on the audited statements of financial position of the Target Companies as at 31 December 2022 and the Board is of the view that the Settlement Arrangement would enable the Group to settle all outstanding accrued interests on the Debt C including and up to the date of Completion and part of the outstanding principal of the Debt C with tangible assets and the financial position of the Company would be improved after Completion by reducing the loan receivables of the Group and reducing the credit exposure associated with the Debt C.

As at the date of the Circular, the Group has not received any repayment in relation to the settlement of outstanding principal and interest accrued on the Debt C. We have reviewed the 2022 Annual Report of the Company and noted that the Group has sent payment reminders to former connected parties, including the Borrower, before the maturity date, and further payment reminders were also sent to such parties every 2-3 months afterwards after they failed to repay on maturity date. The Group's risk management department monitors the risk level of the loan portfolio regularly and provide updates to executive Directors on a monthly basis and the Group's senior management has frequently discussed, at least on monthly basis, with the Executive Committee of the Company on the recovery actions.

The Group has made provision equivalent to approximately 75% of the outstanding principal and interest accrued on the Debt C as at 31 December 2022 in its audited consolidated accounts for the year ended 31 December 2022. We have reviewed the 2022 Annual Report of the Company and noted that the expected credit loss ("**ECL**") provision rates for the Group's former connected parties' loans and bonds in 2022 ranged from 75% to 85%. The 2022 Annual Report of the Company also disclosed that, for the purpose of impairment assessment, other loans, unlisted debt securities and advances to customers for corporate actions of the Group are classified as "stage 1, 2 and 3". According to the prevailing accounting standards, the Borrower's loan belonged to "stage 3" loan which has significant increase in credit risk of the financial instrument since initial recognition and was considered as credit-impaired, and the accumulative ECL% of the Borrower's loan was identified as 75%. We also noted that the basis of the Group's impairment assessment for each of the loans and the ECL model has taken into account the following: 1) expected life and contractual terms of a financial instrument; 2) market probability of default; 3) market loss given default or discounted recovery rate; and 4) forward-looking market data.

As such, taking into account (i) the net asset value of the Target Companies as at 31 December 2022; and adjusted by (ii) the fair value of the US Properties as at 31 March 2023 of US$122.5 million (equivalent to approximately HK$955.5 million) as set out in the Valuation Report, and that the fair value of the US Properties as stated in the Valuation Report set out in Appendix VI to the Circular being sufficient to settle approximately 60% of Debt C, which was already considered by the management of the Company to belong to a "stage 3" category of loan for the purposes of impairment assessment, the Board (excluding the independent non-executive Directors, who are advised by us with regard to the Settlement Arrangement and provide their views in the Circular after taking into account of our advice) considered that the entering into of the Settlement Arrangement is fair and reasonable and in the interest of the Company and the Shareholders as a whole. On the basis of the above analysis, we concur with the management of the Company that reaching the Settlement Agreement is beneficial to the Company and the Independent Shareholders as a whole as the Debt C was considered by the management to belong to a "stage 3" loan with significant increase in the credit risk of the financial instrument since initial recognition and was considered as credit-impaired having regard to factors including the probability of default.

G. Possible Financial Effects of the Settlement Arrangement

Upon Completion, the Target Companies will become indirect wholly-owned subsidiaries of the Company, and the results, assets and liabilities of the Target Companies will be consolidated into the financial statements of the Group. In addition, part of the outstanding amount of principal and all interests accrued on the Debt C including and up to the date of Completion will be settled by the Settlement Sum.

As there were previous provisions made on Debt C, a gain is expected to be recognised due to reversal of the accumulative provision made up to 31 December 2022 on the outstanding principal and interests accrued on the Debt C that are settled upon Completion. The gain is therefore not an immediate cash inflow of the Company. It is expected the amount of reversal will be HK$591.4 million, assuming that (i) the Completion takes place on 31 July 2023; (ii) the Settlement Sum is approximately US$121.2 million (equivalent to approximately HK$945.2 million), which is equivalent to the audited adjusted net asset value of the Target Companies (calculated by (a) deducting the book value of the US Properties as at 31 December 2022 from the net asset value of the Target Companies as shown in the audited statements of financial position of the Target Companies as at 31 December 2022; and (b) adding the fair value of the US Properties as at 31 March 2023 as set out in Valuation Report); (iii) cash and cash equivalents of the Target Companies as at the date of Completion is the same as that shown in the audited statements of financial position of each of the Target Companies as at 31 December 2022; and (iv) no other deduction in relation to the calculation of the Settlement Sum shall be made.

After full and final settlement of all outstanding accrued interests on the Debt C including and up to the date of Completion and partial settlement of the outstanding principal of the Debt C upon Completion, the remaining outstanding principal amount of the Debt C will remain as other loans of the Group. The Company will announce the final amount of reversal of the accumulative provision upon Completion.

Also, as mentioned above, apart from resale of the US Properties if and when the market situation is suitable in order to improve the Company's cash position, the Company may also consider to rent out the US Properties to generate rental revenue if the management considers the circumstances are appropriate. We consider that this is fair and reasonable as the US Properties are not subject to mortgage or other loans and the potential rental income will only be beneficial to the cash flow position of the Company.

We consider that the possible financial effects of the Settlement Arrangement as stated above are fair and reasonable so far as Independent Shareholders are concerned as the Settlement Agreement will enable the Company to recover substantial provisions which have provided in the past and which would otherwise have crystallised if repayment or settlement is not made, especially due to the fact that all loans under Debt C are unsecured and the Company considers that the Borrower is not expected to be able to fully or partially settle the outstanding principal and the accrued interests on Debt C in the foreseeable future.

RECOMMENDATION

Having considered the principal factors and reasons referred to above, in particular:

(1) The principal terms of the Settlement Agreement that enable the Company to have the discretion to decide whether and when, to resell any of the US Properties or to rent out any of the US Properties, at a timing which the Company considers most beneficial financially. Apart from resale of the US Properties if and when the market situation is suitable in order to improve the Company's cash position, the Company may also consider the alternative to rent out the US Properties to generate rental revenue if and when the management considers the circumstances are appropriate to do so, and given the US Properties are not subject to mortgage or other loans, the potential rental income (if any) will only be beneficial to the cash flow position of the Company;

(2) the fair value of the US Properties as stated in the Valuation Report set out in Appendix VI to the Circular being sufficient to settle a significant portion of Debt C, which was already considered by the management of the Company to belong to a "stage 3" category of loan for the purposes of impairment assessment;

(3) the historical data with respect to "Median Prices of Existing Single Family Homes" for the County of San Mateo from January 2014 to April 2023 compiled by CAR which indicated that the prospects and residential property market for the US Properties, barring unforeseen circumstances, should be favourable to the Company;

(4) that the remaining outstanding principal amount of Debt C upon Completion of the Settlement Arrangement will carry interest at the Original Interest Rates; and

(5) that the possible financial effects of the Settlement Arrangement will result in a gain to be recognised due to reversal of the accumulative provision made up to 31 December 2022 on the outstanding principal and interests accrued on the Debt C that are settled upon Completion, which is expected to be approximately HK$591.4 million, on the assumptions and basis set out above,

we are of the opinion that the terms of the Settlement Agreement and the Settlement Arrangement are on normal commercial terms or better and are fair and reasonable so far as the Independent Shareholders are concerned, and the Settlement Agreement and Settlement Arrangement are in the ordinary and usual course of business of the Group, and the said terms of the Settlement Agreement and Settlement Arrangement are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we would advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to approve the Settlement Agreement and the Settlement Arrangement at the SGM.

Yours faithfully,
For and on behalf of
Trinity Corporate Finance Limited
Joanne Pong
Responsible Officer

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 2020, 2021 and 2022.

	For the year ended 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Total revenue	1,104,615	857,822	(177,818)
Other income/(loss)	15,902	15,110	(73,417)
Direct costs	(165,747)	(141,838)	(103,824)
Staff costs	(255,215)	(186,178)	(165,883)
Depreciation and amortisation	(48,243)	(45,807)	(41,940)
Expected credit loss net charges	(372,627)	(2,582,604)	(916,544)
Finance costs			
– Interest on borrowings	(105,713)	(59,717)	(49,078)
– Interest on lease liabilities	(4,111)	(2,725)	(1,277)
Other operating expenses	(53,662)	(55,325)	(53,841)
Share of result of an associate	(206)	526	(556)
Share of results of joint ventures	(1,873)	1,552	–
Profit/(loss) before tax	113,120	(2,199,184)	(1,584,178)
Tax credit/(expense)	(9,870)	(61,393)	514
Net profit/(loss) attributable to equity holders of the Company	103,250	(2,260,577)	(1,583,664)
	HK cent(s)	*HK cent(s)*	*HK cent(s)*
Earnings/(loss) per share for net profit/(loss) attributable to equity holders of the Company			
– Basic and diluted	2	(37)	(26)
Dividend per share	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 2020, 31 December 2021 and 31 December 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.

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 three years ended 31 December 2019, 31 December 2020 and 31 December 2021 did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

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 financial years ended 31 December 2020, 2021 and 2022 were disclosed in the annual reports of the Company for the financial years ended 31 December 2020 (pages 96 to 206), 2021 (pages 94 to 206) and 2022 (pages 118 to 226).

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:

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 annual report (for the year ended 31 December 2022):
https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042701625.pdf

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

3. INDEBTEDNESS

At the close of business on 30 April 2023, being the Latest Indebtedness Date, the indebtedness of the Group was as follows:

Borrowings

Bank loans, other borrowings and lease liabilities totaling approximately HK$819,783,000, comprising:

(a) Bank loans, which were:

	HK$'000
Secured and guaranteed by the Company*	200,263
Secured and guaranteed by former ultimate controlling Shareholder**	329,785
	530,048

* *These bank loans were secured by marketable securities as at 30 April 2023 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 Group as at 30 April 2023, certain listed Shares held by former immediate controlling Shareholder and certain former fellow subsidiary's listed shares held by its immediate controlling shareholder. These bank loans were also guaranteed by former ultimate controlling Shareholder and a wholly-owned subsidiary of the Company.*

(b) Other borrowings, which were:

	HK$'000
Secured and unguaranteed*	104,194
Unsecured and unguaranteed	147,304
	251,498

* *These other borrowings were secured by listed equity securities and cash deposits held by the Group as at 30 April 2023*

(c) Unsecured and unguaranteed lease liabilities of approximately HK$38,237,000.

Commitments

As at the close of business on 30 April 2023, the Group had capital commitments which were contracted of HK$9,003,000 and contractual amounts of loan commitment of HK$8,000,000. The Group had no hire purchase commitments as at 30 April 2023.

Contingent liabilities

As at 30 April 2023, the Group had no material contingent liabilities.

Disclaimers

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 30 April 2023. 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 30 April 2022 and up to Latest Practicable Date.

4. WORKING CAPITAL

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 Hong Kong has relaxed all COVID-19 restriction measures and the Hong Kong economy is expected to stage a visible rebound in 2023, the global economic outlook is still challenging following the recent failures of certain banks, the interest rate trend and battle against inflation.

Nonetheless, the negative influence on the Group's business resulting from the financial difficulties is now removed and the Group can now strive to strengthen its recurring brokerage, corporate finance and asset management businesses, and improving its system efficiency and service quality. The Group will also closely monitor its loan portfolio and focus on loan recovery.

6. MATERIAL CHANGE

The Directors confirm that there had been no material change in the financial or trading position or outlook of the Group since 31 December 2022, 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.

The following is the text of a report set out on pages IIA-1 to IIA-3, received from the Company's reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F,
Gloucester Tower,
The Landmark,
11 Pedder Street,
Central, Hong Kong SAR

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF KING DOMAIN LIMITED

To the Directors of China Tonghai International Financial Limited

Introduction

We report on the historical financial information of King Domain Limited ("**King Domain**") set out on pages IIA-4 to IIA-17, which comprises the statements of financial position of King Domain as at 31 December 2020, 2021 and 2022 and the statements of profit or loss and other comprehensive income, the statements of changes in equity for each of the years ended 31 December 2020, 2021 and 2022 (the "**Relevant Periods**"), and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages IIA-4 to IIA-17, forms an integral part of this report, which has been prepared for inclusion in the circular of China Tonghai International Financial Limited (the "**Company**") dated 28 June 2023 (the "**Circular**") in connection with the proposed acquisition of the Target Companies by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of King Domain's financial position as at 31 December 2020, 2021 and 2022 and of King Domain's financial performance for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page IIA-4 have been made.

Dividends

We confirm that in respect of the Relevant Periods that no dividends have been paid by the King Domain in respect of the Relevant Periods.

No historical financial statements for King Domain

No statutory financial statements have been prepared for King Domain since its date of incorporation.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Shek Lui
Practising Certificate Number: P05895

Hong Kong, 28 June 2023

HISTORICAL FINANCIAL INFORMATION OF KING DOMAIN

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report was prepared based on financial statements of King Domain for the Relevant Periods, of which were prepared by the directors of King Domain. The financial statements were audited by HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand ("**HK$'000**") except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended 31 December		
		2020	2021	2022
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Revenue		–	–	–
Other income	*6*	2,546	2,420	4,069
Administrative expenses		(4,348)	(4,222)	(5,871)
Loss before tax	*9*	(1,802)	(1,802)	(1,802)
Income tax expense	*8*	–	–	–
Total comprehensive loss for the year		(1,802)	(1,802)	(1,802)

STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2020	2021	2022
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property and equipment	*10*	168,945	167,143	165,341
		168,945	167,143	165,341
Current assets				
Bank and cash balances	*4*	–	–	–
Current liabilities				
Accruals and other payables		3,048	3,048	3,048
Net current liabilities		3,048	3,048	3,048
Total assets less current liabilities		165,897	164,095	162,293
Non-current liabilities		–	–	–
NET ASSETS		165,897	164,095	162,293
Capital and reserves				
Share capital	*11*	390	390	390
Reserves		165,507	163,705	161,903
TOTAL EQUITY		165,897	164,095	162,293

STATEMENTS OF CHANGES IN EQUITY

	Share capital *HK$'000*	Capital reserve *HK$'000* *(Note 11)*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2020	390	203,210	(35,901)	167,699
Total comprehensive income for the year	–	–	(1,802)	(1,802)
At 31 December 2020 and 1 January 2021	390	203,210	(37,703)	165,897
Total comprehensive income for the year	–	–	(1,802)	(1,802)
At 31 December 2021 and 1 January 2022	390	203,210	(39,505)	164,095
Total comprehensive income for the year	–	–	(1,802)	(1,802)
At 31 December 2022	390	203,210	(41,307)	162,293

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

King Domain was incorporated in the British Virgin Islands ("**BVI**") with limited liability. The address of its registered office is Portcullis Chambers, 4th Floor, Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola VG1110, BVI.

The principal business of King Domain is an investment holding company.

In the opinion of the directors of King Domain, King Domain is directly wholly-owned by Tonghai International Development Limited, who hold 100% equity interests in King Domain and it is indirectly wholly-owned by China Oceanwide Holdings Group Co., Ltd. ("**COHG**"), the indirect Shareholder.

King Domain is an investment holding company which are currently holding one property ("**US Property I**") in San Mateo County, California, United States of America.

The financial statements are presented in Hong Kong dollars ("**HK$**"), which is different from the Company's functional currency of US dollars ("**US$**"). For the convenience of the financial statements' users, the financial statements are presented in HK$, as this presentation is more useful for its current and potential investors.

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

The Historical Financial Information has been prepared and presented in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis.

3. ADOPTION OF NEW AND REVISED HKFRSS

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. For the purpose of preparing the Historical Financial Information, King Domain has consistently adopted all HKFRSs that are relevant to its operations and are effective for the Relevant Periods.

New and revised HKFRSs in issue but not yet effective

King Domain has not early applied new and revised HKFRSs, the HKICPA has issued a number of amendments, which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to King Domain.

	Effective for accounting periods beginning on or after
HKFRS 17, Insurance contracts	1 January 2023
Amendments to HKAS 1, Presentation of financial statements: Classification of liabilities as current or non-current	1 January 2024
Amendments to HKAS 1, Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies	1 January 2023
Amendments to HKAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates	1 January 2023
Amendments to HKAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to HKFRS 16, Lease: Lease liability in a sale and leaseback	1 January 2024
Amendment to HKFRS 10 and HKAS 28, Sales or Contribution of Asset between an Investor and its Associate or Joint Venture	A date to be determined
Amendment to HKAS 1, Non-Current Liabilities with Covenants	1 January 2024

King Domain is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far King Domain has concluded that the adoption of them is unlikely to have a significant impact on the financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information have been prepared under the historical cost convention.

(a) Foreign currency translation

In the Historical Financial Statements of the King Domain foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of and from the reporting date translation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the foreign exchange rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the foreign exchange rate at the date of the transaction.

In the Historical Financial Statements of King Domain, presented in a currency different from the Company's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rate at the reporting date. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in exchange reserve in equity.

(b) Property and equipment

Property and equipment are carried at cost less any accumulated depreciation and impairment losses if any.

Freehold lands are not depreciated and are measured at cost less subsequent accumulated impairment losses.

Depreciation on property and equipment is provided to write off the cost less their estimated residual value over their estimated useful lives, using the straight-line method, as follows:

Buildings	40 years
Furniture, fixtures and equipment	5 to 10 years

The assets' estimated residual value, depreciation method and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal of an item of property and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss on the date of retirement or disposal.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to King Domain and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance, are charged to profit or loss of the financial period in which they are incurred.

(c) Cash and cash equivalents

During the Relevant Periods, King Domain did not have any cash and cash equivalents comprise cash on hand.

(d) Share capital

Ordinary shares are classified as equity.

King Domain is authorized to issues 50,000 shares of one class with a par value of US$1.00 each.

(e) Provisions and contingent liabilities

Provisions are recognised when King Domain has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to be required to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the present obligation is disclosed as a contingent liability, unless the possibility of outflow of economic benefits is remote. Possible obligations that arise from past events, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of King Domain, are also disclosed as contingent liabilities unless the possibility of an outflow of economic benefits is remote.

(f) Impairment of non-financial assets

Property and equipment are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risk specific to the asset for which the future cash flow estimates have not been adjusted.

An impairment loss is recognised as an expense immediately for the amount by which the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. Impairment loss recognised for CGU, to which goodwill has been allocated, is credited initially to the carrying amount of goodwill. Any remaining impairment loss is allocated pro rata to the other assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, if measurable, and value in use, if determinable. An impairment loss recognised for goodwill is not reversed in a subsequent period.

An impairment loss for an asset other than goodwill is reversed if there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased, there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised. Reversal of impairment loss is recognised immediately in profit or loss.

(g) Taxation

Income taxes comprise current tax and movement in deferred tax.

Current income tax assets and/or liabilities comprise those claims from or obligations to taxation authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the period.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary differences arise from goodwill or initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow the manner in which King Domain expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Current tax and changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity, respectively.

Current tax assets and current tax liabilities are presented in net if, and only if, (a) King Domain has a legally enforceable right to set off the recognised amounts; and (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Target Company presents deferred tax assets and deferred tax liabilities in net if, and only if, (a) King Domain has a legally enforceable right to set off current tax assets against current tax liabilities; and (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(h) Events after the reporting period

Events after the reporting period that provide additional information about King Domain's position at the end of the reporting period are adjusting events and are reflected in the Historical Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Historical Financial Information when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

(a) Use of estimation and judgements

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumption concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, which are in respect of impairment, depreciation and estimation of useful life of properties.

Useful lives of property and equipment

In accordance with HKAS 16, King Domain estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. Directors also performs annual reviews on whether the assumptions made on useful lives continue to be valid. Such reviews take into account the technological changes, prospective economic utilisation and physical condition of the assets concerned.

(b) Cash flow statement

A cash flow statement has not been prepared because King Domain did not have any cash flows during the Relevant Periods nor did it have any cash or cash equivalents during the Relevant Periods.

6. OTHER INCOME

	For the year ended 31 December		
	2020	2021	2022
	HK$'000	*HK$'000*	*HK$'000*
Waiver of liabilities			
– Relating to the expenses incurred from property during the year	2,546	2,420	4,069

7. DIRECTOR'S EMOLUMENTS

	For the year ended 31 December		
	2020	2021	2022
	HK$'000	*HK$'000*	*HK$'000*
DIRECTOR			
LIU Jinyang			
– Fee	–	–	–
– Other emoluments:	–	–	–
Salaries, allowances and benefits in kind	–	–	–
Retirement benefits	–	–	–
Total	–	–	–

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

During the Relevant Periods, no remuneration was paid by King Domain to the directors as an inducement to join or upon joining the Group.

8. TAX EXPENSE

The provision for the California's corporate franchise/income tax is measured by 8.84% of the corporation's net income during the Relevant Periods as apportioned to California, but the tax cannot be less than the minimum annual tax (currently US$800). No California's corporate franchise/income tax is imposed in related to the transfer of shares of King Domain as a result of this Acquisition. The minimum annual tax is for the privilege of exercising the corporate franchise in California, and it is not contingent upon the corporation's engaging in any profitable activities. While the federal corporate income tax rate in USA is 21.0% on its taxable gain.

During the Relevant Periods, no disposal of property incurred, the federal corporate tax rate did not apply.

During the Relevant Periods, the Company has no unused tax losses and no deferred tax asset has been recognised.

9. PROFIT/(LOSS) FOR THE YEAR

Profit/(loss) for the year from continuing operations has been arrived at after charging:

	For the year ended 31 December		
	2020	2021	2022
	HK$'000	*HK$'000*	*HK$'000*
Property tax	2,432	2,420	3,808
Depreciation on property	1,802	1,802	1,802

10. PROPERTY AND EQUIPMENT

	Land	Building	Furniture	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost				
At 1 January 2020	131,109	72,098	3	203,210
Additions	–	–	–	–
At 31 December 2020 and 1 January 2021	131,109	72,098	3	203,210
Additions	–	–	–	–
At 31 December 2021 and 1 January 2022	131,109	72,098	3	203,210
Additions	–	–	–	–
At 31 December 2022	131,109	72,098	3	203,210
Accumulated depreciation and impairment				
At 1 January 2020	–	(32,460)	(3)	(32,463)
Charge for the year	–	(1,802)	–	(1,802)
At 31 December 2020 and 1 January 2021	–	(34,262)	(3)	(34,265)
Charge for the year	–	(1,802)	–	(1,802)
At 31 December 2021 and 1 January 2022	–	(36,064)	(3)	(36,067)
Charge for the year	–	(1,802)	–	(1,802)
At 31 December 2022	–	(37,866)	(3)	(37,869)
Carrying amount				
At 31 December 2020	131,109	37,836	–	168,945
At 31 December 2021	131,109	36,034	–	167,143
At 31 December 2022	131,109	34,232	–	165,341

11. SHARE CAPITAL

Issued share capital

	2020			2021			2022		
	Number of Shares	Amount *HK$'000*	Capital reserve *HK$'000*	Number of Shares	Amount *HK$'000*	Capital reserve *HK$'000*	Number of Shares	Amount *HK$'000*	Capital reserve *HK$'000*
Ordinary shares of US$1.0 each issued									
At 1 January	50,000	390	203,210	50,000	390	203,210	50,000	390	203,210
As at 31 December	50,000	390	203,210	50,000	390	203,210	50,000	390	203,210

In accordance with section 37(1) of the BVI Business Companies Act 2004 (the "**BVI Companies Act**"), the ordinary shares of King Domain has a par value of US$1.0 each.

The capital reserve of HK$203.2 lion represents the capital contribution in respect to the acquisition of US Property I at the date of Acquisition from shareholders to the Company.

Movement of the reserves for the years ended 31 December 2020, 2021 and 2022 is presented in the statement of changes in equity of the financial statements.

12. RELATED PARTY TRANSACTIONS

King Domain had no material transactions with its related parties during the Relevant Periods.

13. CAPITAL MANAGEMENT

The primary objective of King Domain's capital management is to safeguard King Domain's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

King Domain manages its capital structure and make adjustments to it, in right of changes in economic conditions. To maintain or adjust the capital structure, King Domain may adjust its dividend payment to shareholders, return capital to shareholder or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2020, 2021 and 2022. King Domain is not subject to any externally imposed capital requirements.

14. SIGNIFICANT SUBSEQUENT EVENTS

Other than those as disclosed elsewhere in the Historical Financial Information, no significant subsequent events undertaken by King Domain after 31 December 2022.

15. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of King Domain has been prepared in respect of any period subsequent to 31 December 2022.

The following is the text of a report set out on pages IIB-1 to IIB-3, received from the Company's reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

HLB 國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F,
Gloucester Tower,
The Landmark,
11 Pedder Street,
Central, Hong Kong SAR

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF HONOUR SMART INVESTMENTS LIMITED

To the Directors of China Tonghai International Financial Limited

Introduction

We report on the historical financial information of Honour Smart Investments Limited ("**Honour Smart**") set out on pages IIB-4 to IIB-17, which comprises the statements of financial position of Honour Smart as at 31 December 2022, 2021 and 2020 and the statements of profit or loss and other comprehensive income, the statements of changes in equity for each of the years ended 31 December 2022, 2021 and 2020 (the "**Relevant Periods**"), and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages IIB-4 to IIB-17, forms an integral part of this report, which has been prepared for inclusion in the circular of China Tonghai International Financial Limited (the "**Company**") dated 28 June 2023 (the "**Circular**") in connection with the proposed acquisition of the Target Companies by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of Honour Smart's financial position as at 31 December 2020, 2021 and 2022 and of Honour Smart's financial performance for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page IIB-4 have been made.

Dividends

We confirm that in respect of the Relevant Periods that no dividends have been paid by Honour Smart in respect of the Relevant Periods.

No historical financial statements for Honour Smart

No statutory financial statements have been prepared for Honour Smart since its date of incorporation.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Shek Lui
Practising Certificate Number: P05895

Hong Kong, 28 June 2023

HISTORICAL FINANCIAL INFORMATION OF HONOUR SMART

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report was prepared based on financial statements of Honour Smart for the Relevant Periods, of which were prepared by the directors of Honour Smart. The financial statements were audited by HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand ("**HK$'000**") except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended 31 December		
		2020	**2021**	**2022**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Revenue		–	–	–
Other income	*6*	541	537	952
Administrative expenses		(981)	(977)	(1,392)
Loss before tax	*9*	(440)	(440)	(440)
Income tax expense	*8*	–	–	–
Total comprehensive loss for the year		(440)	(440)	(440)

STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2020	2021	2022
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property and equipment	*10*	31,819	31,379	30,939
		31,819	31,379	30,939
Current assets				
Bank and cash balances	*4*	–	–	–
Current liabilities				
Accruals and other payables		616	616	616
Net current liabilities		616	616	616
Total assets less current liabilities		31,203	30,763	30,323
Non-current liabilities		–	–	–
NET ASSETS		31,203	30,763	30,323
Capital and reserves				
Share capital	*11*	41,755	41,755	41,755
Reserves		(10,552)	(10,992)	(11,432)
TOTAL EQUITY		31,203	30,763	30,323

STATEMENTS OF CHANGES IN EQUITY

	Share capital *HK$'000* *(note 11)*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2020	41,755	(10,112)	31,643
Total comprehensive income for the year	–	(440)	(440)
At 31 December 2020 and 1 January 2021	41,755	(10,552)	31,203
Total comprehensive income for the year	–	(440)	(440)
At 31 December 2021 and 1 January 2022	41,755	(10,992)	30,763
Total comprehensive income for the year	–	(440)	(440)
At 31 December 2022	41,755	(11,432)	30,323

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Honour Smart was incorporated in the British Virgin Islands ("**BVI**") with limited liability. The address of its registered office is Portcullis Chambers, 4th Floor, Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola VG1110, BVI.

The principal business of Honour Smart is an investment holding company.

In the opinion of the directors of Honour Smart, Honour Smart is directly wholly-owned by Tonghai International Development Limited, who hold 100% equity interests in Honour Smart and it is indirectly wholly-owned by China Oceanwide Holdings Group Co., Ltd. ("**COHG**"), the indirect Shareholder.

Honour Smart is an investment holding company which are currently holding one property ("**US Property II**") in San Mateo County, California, United States of America.

The financial statements are presented in Hong Kong dollars ("**HK$**"), which is different from the Company's functional currency of US dollars ("**US$**"). For the convenience of the financial statements' users, the financial statements are presented in HK$, as this presentation is more useful for its current and potential investors.

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

The Historical Financial Information has been prepared and presented in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"), Hong Kong Accounting Standards ("**HKAS**") and Interpretations. The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis.

3. ADOPTION OF NEW AND REVISED HKFRSS

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. For the purpose of preparing the Historical Financial Information, Honour Smart has consistently adopted all HKFRSs that are relevant to its operations and are effective for the Relevant Periods.

New and revised HKFRSs in issue but not yet effective

Honour Smart has not early applied new and revised HKFRSs, the HKICPA has issued a number of amendments, which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to Honour Smart.

	Effective for accounting periods beginning on or after
HKFRS 17, Insurance contracts	1 January 2023
Amendments to HKAS 1, Presentation of financial statements: Classification of liabilities as current or non-current	1 January 2024
Amendments to HKAS 1, Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies	1 January 2023
Amendments to HKAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates	1 January 2023
Amendments to HKAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to HKFRS 16, Lease: Lease liability in a sale and leaseback	1 January 2024
Amendment to HKFRS 10 and HKAS 28, Sales or Contribution of Asset between an Investor and its Associate or Joint Venture	A date to be determined
Amendment to HKAS 1, Non-Current Liabilities with Covenants	1 January 2024

Honour Smart is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far Honour Smart has concluded that the adoption of them is unlikely to have a significant impact on the financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information have been prepared under the historical cost convention.

The significant accounting policies applied in the preparation of the Historical Financial Information are set out below.

(a) Foreign currency translation

In the Historical Financial Statements of Honour Smart foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of and from the reporting date translation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the foreign exchange rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the foreign exchange rate at the date of the transaction.

In the Historical Financial Statements of Honour Smart, presented in a currency different from the Company's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rate at the reporting date. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in exchange reserve in equity.

(b) Property and equipment

Property and equipment are carried at cost less any accumulated depreciation and impairment losses if any.

Freehold lands are not depreciated and are measured at cost less subsequent accumulated impairment losses.

Depreciation on property and equipment is provided to write off the cost less their estimated residual value over their estimated useful lives, using the straight-line method, as follows:

Buildings	40 years
Furniture, fixtures and equipment	5 to 10 years

The assets' estimated residual value, depreciation method and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal of an item of property and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss on the date of retirement or disposal.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Honour Smart and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance, are charged to profit or loss of the financial period in which they are incurred.

(c) Cash and cash equivalents

During the Relevant Periods, Honour Smart did not have any cash and cash equivalents comprise cash on hand.

(d) Share capital

Ordinary shares are classified as equity.

(e) Provisions and contingent liabilities

Provisions are recognised when Honour Smart has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to be required to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the present obligation is disclosed as a contingent liability, unless the possibility of outflow of economic benefits is remote. Possible obligations that arise from past events, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Honour Smart, are also disclosed as contingent liabilities unless the possibility of an outflow of economic benefits is remote.

(f) Impairment of non-financial assets

Property and equipment are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risk specific to the asset for which the future cash flow estimates have not been adjusted.

An impairment loss is recognised as an expense immediately for the amount by which the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. Impairment loss recognised for CGU, to which goodwill has been allocated, is credited initially to the carrying amount of goodwill. Any remaining impairment loss is allocated pro rata to the other assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, if measurable, and value in use, if determinable. An impairment loss recognised for goodwill is not reversed in a subsequent period.

An impairment loss for an asset other than goodwill is reversed if there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased, there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised. Reversal of impairment loss is recognised immediately in profit or loss.

(g) Taxation

Income taxes comprise current tax and movement in deferred tax.

Current income tax assets and/or liabilities comprise those claims from or obligations to taxation authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the period.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary differences arise from goodwill or initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow the manner in which Honour Smart expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Current tax and changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity, respectively.

Current tax assets and current tax liabilities are presented in net if, and only if, (a) Honour Smart has a legally enforceable right to set off the recognised amounts; and (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Target Company presents deferred tax assets and deferred tax liabilities in net if, and only if, (a) Honour Smart has a legally enforceable right to set off current tax assets against current tax liabilities; and (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(h) Events after the reporting period

Events after the reporting period that provide additional information about Honour Smart's position at the end of the reporting period are adjusting events and are reflected in the Historical Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Historical Financial Information when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

(a) Use of estimation and judgements

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumption concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, which are in respect of impairment, depreciation and estimation of useful life of properties.

Useful lives of property and equipment

In accordance with HKAS 16, Honour Smart estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. Directors also performs annual reviews on whether the assumptions made on useful lives continue to be valid. Such reviews take into account the technological changes, prospective economic utilisation and physical condition of the assets concerned.

(b) Cash flow statement

A cash flow statement has not been prepared because Honour Smart did not have any cash flows during the Relevant Periods nor did it have any cash or cash equivalents during the Relevant Periods.

6. OTHER INCOME

	For the year ended 31 December		
	2020	2021	2022
	HK$'000	*HK$'000*	*HK$'000*
Waiver of liabilities			
– Relating to the expenses incurred from property during the year	541	537	952

7. DIRECTOR'S EMOLUMENTS

	For the year ended 31 December		
	2020	2021	2022
	HK$'000	*HK$'000*	*HK$'000*
DIRECTOR			
LIU Jinyang			
– Fee	–	–	–
– Other emoluments:	–	–	–
Salaries, allowances and benefits in kind	–	–	–
Retirement benefits	–	–	–
Total	–	–	–

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

During the Relevant Periods, no remuneration was paid by Honour Smart to the directors as an inducement to join or upon joining the Group.

8. TAX EXPENSE

The provision for the California's corporate franchise/income tax is measured by 8.84% of the corporation's net income during the Relevant Periods as apportioned to California, but the tax cannot be less than the minimum annual tax (currently US$800). No California's corporate franchise/income tax is imposed in related to the transfer of shares of Honour Smart as a result of this Acquisition. The minimum annual tax is for the privilege of exercising the corporate franchise in California, and it is not contingent upon the corporation's engaging in any profitable activities. While the federal corporate income tax rate in USA is 21.0% on its taxable gain.

During the Relevant Periods, no disposal of property incurred, the federal corporate tax rate did not apply.

During the Relevant Periods, the Company has no unused tax losses and no deferred tax asset has been recognised.

9. PROFIT/(LOSS) FOR THE YEAR

Profit/(loss) for the year from continuing operations has been arrived at after charging:

	For the year ended 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Property tax	527	537	783
Depreciation on property	440	440	440

10. PROPERTY AND EQUIPMENT

	Land	**Building**	**Furniture**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost				
At 1 January 2020	23,464	17,599	692	41,755
Additions	–	–	–	–
At 31 December 2020 and 1 January 2021	23,464	17,599	692	41,755
Additions	–	–	–	–
At 31 December 2021 and 1 January 2022	23,464	17,599	692	41,755
Additions	–	–	–	–
At 31 December 2022	23,464	17,599	692	41,755
Accumulated depreciation and impairment				
At 1 January 2020	–	(8,804)	(692)	(9,496)
Charge for the year	–	(440)	–	(440)
At 31 December 2020 and 1 January 2021	–	(9,244)	(692)	(9,936)
Charge for the year	–	(440)	–	(440)
At 31 December 2021 and 1 January 2022	–	(9,684)	(692)	(10,376)
Charge for the year	–	(440)	–	(440)
At 31 December 2022	–	(10,124)	(692)	(10,816)
Carrying amount				
At 31 December 2020	23,464	8,355	–	31,819
At 31 December 2021	23,464	7,915	–	31,379
At 31 December 2022	23,464	7,475	–	30,939

11. SHARE CAPITAL

Issued share capital

	2020		2021		2022	
	Number of Shares	Share capital *HK$'000*	Number of Shares	Share capital *HK$'000*	Number of Shares	Share capital *HK$'000*
Ordinary shares issued						
At 1 January	50,000	41,755	50,000	41,755	50,000	41,755
As at 31 December	50,000	41,755	50,000	41,755	50,000	41,755

The ordinary shares of Honour Smart have no par value.

The share capital of HK$41.8 million represents the capital contribution in respect to the acquisition of US Property II the date of Acquisition from shareholders to the Company.

Movement of the reserves for the years ended 31 December 2020, 2021 and 2022 is presented in the statement of changes in equity of the financial statements.

12. RELATED PARTY TRANSACTIONS

Honour Smart had no material transactions with its related parties during the Relevant Periods.

13. CAPITAL MANAGEMENT

The primary objective of Honour Smart's capital management is to safeguard Honour Smart's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

Honour Smart manages its capital structure and make adjustments to it, in right of changes in economic conditions. To maintain or adjust the capital structure, Honour Smart may adjust its dividend payment to shareholders, return capital to shareholder or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2020, 2021 and 2022. Honour Smart is not subject to any externally imposed capital requirements.

14. SIGNIFICANT SUBSEQUENT EVENTS

Other than those as disclosed elsewhere in the Historical Financial Information, no significant subsequent events undertaken by Honour Smart after 31 December 2022.

15. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Honour Smart has been prepared in respect of any period subsequent to 31 December 2022.

The following is the text of a report set out on pages IIC-1 to IIC-3, received from the Company's reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F,
Gloucester Tower,
The Landmark,
11 Pedder Street,
Central, Hong Kong SAR

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF DELIGHT WISE INVESTMENTS LIMITED

To the Directors of China Tonghai International Financial Limited

Introduction

We report on the historical financial information of Delight Wise Investments Limited ("**Delight Wise")** set out on pages IIC-4 to IIC-17, which comprises the statements of financial position of Delight Wise as at 31 December 2020, 2021 and 2022 and the statements of profit or loss and other comprehensive income, the statements of changes in equity for each of the years ended 31 December 2020, 2021 and 2022 (the "**Relevant Periods**"), and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages IIC-4 to IIC-17, forms an integral part of this report, which has been prepared for inclusion in the circular of China Tonghai International Financial Limited (the "**Company**") dated 28 June 2023 (the "**Circular**") in connection with the proposed acquisition of the Target Companies by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of Delight Wise's financial position as at 31 December 2020, 2021 and 2022 and of Delight Wise's financial performance for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page IIC-4 have been made.

Dividends

We confirm that in respect of the Relevant Periods that no dividends have been paid by Delight Wise in respect of the Relevant Periods.

No historical financial statements for Delight Wise

No statutory financial statements have been prepared for Delight Wise since its date of incorporation.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Shek Lui
Practising Certificate Number: P05895

Hong Kong, 28 June 2023

HISTORICAL FINANCIAL INFORMATION OF DELIGHT WISE

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report was prepared based on financial statements of Delight Wise for the Relevant Periods, of which were prepared by the directors of Delight Wise. The financial statements were audited by HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand ("**HK$'000**") except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended 31 December		
		2020	**2021**	**2022**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Revenue		–	–	–
Other income	*6*	2,169	2,199	3,078
Administrative expenses		(24,165)	(24,195)	(25,074)
Loss before tax	*9*	(21,996)	(21,996)	(21,996)
Income tax expense	*8*	–	–	–
Total comprehensive loss for the year		(21,996)	(21,996)	(21,996)

STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2020	**2021**	**2022**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property and equipment	*10*	286,972	264,976	242,980
		286,972	264,976	242,980
Current assets				
Bank and cash balances	*4*	–	–	–
Current liabilities				
Accruals and other payables		5,928	5,928	5,928
Net current liabilities		5,928	5,928	5,928
Total assets less current liabilities		281,044	259,048	237,052
Non-current liabilities		–	–	–
NET ASSETS		281,044	259,048	237,052
Capital and reserves				
Share capital	*11*	403,915	403,915	403,915
Reserves		(122,871)	(144,867)	(166,863)
TOTAL EQUITY		281,044	259,048	237,052

STATEMENTS OF CHANGES IN EQUITY

	Share capital *HK$'000* *(note 11)*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2020	403,915	(100,875)	303,040
Total comprehensive income for the year	–	(21,996)	(21,996)
At 31 December 2020 and 1 January 2021	403,915	(122,871)	281,044
Total comprehensive income for the year	–	(21,996)	(21,996)
At 31 December 2021 and 1 January 2022	403,915	(144,867)	259,048
Total comprehensive income for the year	–	(21,996)	(21,996)
At 31 December 2022	403,915	(166,863)	237,052

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Delight Wise was incorporated in the British Virgin Islands ("**BVI**") with limited liability. The address of its registered office is Portcullis Chambers, 4th Floor, Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola VG1110, BVI.

The principal business of Delight Wise is an investment holding company.

In the opinion of the directors of Delight Wise, Delight Wise is directly wholly-owned by Tonghai International Development Limited, who hold 100% equity interests in Delight Wise and it is indirectly wholly-owned by China Oceanwide Holdings Group Co., Ltd. ("**COHG**"), the indirect Shareholder.

Delight Wise is an investment holding company which are currently holding one property ("**US Property III.**") in San Mateo County, California, United States of America.

The financial statements are presented in Hong Kong dollars ("**HK$**"), which is different from the Company's functional currency of US dollars ("**US$**"). For the convenience of the financial statements' users, the financial statements are presented in HK$, as this presentation is more useful for its current and potential investors.

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

The Historical Financial Information has been prepared and presented in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"), Hong Kong Accounting Standards ("**HKAS**") and Interpretations. The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis.

3. ADOPTION OF NEW AND REVISED HKFRSS

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. For the purpose of preparing the Historical Financial Information, Delight Wise has consistently adopted all HKFRSs that are relevant to its operations and are effective for the Relevant Periods.

New and revised HKFRSs in issue but not yet effective

Delight Wise has not early applied new and revised HKFRSs, the HKICPA has issued a number of amendments, which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to Delight Wise.

	Effective for accounting periods beginning on or after
HKFRS 17, Insurance contracts	1 January 2023
Amendments to HKAS 1, Presentation of financial statements: Classification of liabilities as current or non-current	1 January 2024
Amendments to HKAS 1, Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies	1 January 2023
Amendments to HKAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates	1 January 2023
Amendments to HKAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
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Amendment to HKFRS 10 and HKAS 28, Sales or Contribution of Asset between an Investor and its Associate or Joint Venture	A date to be determined
Amendment to HKAS 1, Non-Current Liabilities with Covenants	1 January 2024

Delight Wise is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far Delight Wise has concluded that the adoption of them is unlikely to have a significant impact on the financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information have been prepared under the historical cost convention.

The significant accounting policies applied in the preparation of the Historical Financial Information are set out below.

(a) Foreign currency translation

In the Historical Financial Statements of Delight Wise foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of and from the reporting date translation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the foreign exchange rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the foreign exchange rate at the date of the transaction.

In the Historical Financial Statements of Delight Wise, presented in a currency different from the Company's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rate at the reporting date. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in exchange reserve in equity.

(b) Property and equipment

Property and equipment are carried at cost less any accumulated depreciation and impairment losses if any.

Freehold lands are not depreciated and are measured at cost less subsequent accumulated impairment losses.

Depreciation on property and equipment is provided to write off the cost less their estimated residual value over their estimated useful lives, using the straight-line method, as follows:

Buildings and fixtures	10 year to 40 years
Furniture and equipment	5 to 10 years

The assets' estimated residual value, depreciation method and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date

The gain or loss arising on retirement or disposal of an item of property and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss on the date of retirement or disposal.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Delight Wise and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance, are charged to profit or loss of the financial period in which they are incurred.

(c) Cash and cash equivalents

During the Relevant Periods, Delight Wise did not have any cash and cash equivalents comprise cash on hand.

(d) Share capital

Ordinary shares are classified as equity.

(e) Provisions and contingent liabilities

Provisions are recognised when Delight Wise has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to be required to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the present obligation is disclosed as a contingent liability, unless the possibility of outflow of economic benefits is remote. Possible obligations that arise from past events, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Delight Wise, are also disclosed as contingent liabilities unless the possibility of an outflow of economic benefits is remote.

(f) Impairment of non-financial assets

Property and equipment are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risk specific to the asset for which the future cash flow estimates have not been adjusted.

An impairment loss is recognised as an expense immediately for the amount by which the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. Impairment loss recognised for CGU, to which goodwill has been allocated, is credited initially to the carrying amount of goodwill. Any remaining impairment loss is allocated pro rata to the other assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, if measurable, and value in use, if determinable. An impairment loss recognised for goodwill is not reversed in a subsequent period.

An impairment loss for an asset other than goodwill is reversed if there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased, there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised. Reversal of impairment loss is recognised immediately in profit or loss.

(g) Taxation

Income taxes comprise current tax and movement in deferred tax.

Current income tax assets and/or liabilities comprise those claims from or obligations to taxation authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the period.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary differences arise from goodwill or initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow the manner in which Delight Wise expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Current tax and changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity, respectively.

Current tax assets and current tax liabilities are presented in net if, and only if, (a) Delight Wise has a legally enforceable right to set off the recognised amounts; and (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Target Company presents deferred tax assets and deferred tax liabilities in net if, and only if, (a) Delight Wise has a legally enforceable right to set off current tax assets against current tax liabilities; and (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(h) Events after the reporting period

Events after the reporting period that provide additional information about Delight Wise's position at the end of the reporting period are adjusting events and are reflected in the Historical Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Historical Financial Information when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

(a) Use of estimation and judgements

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumption concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, which are in respect of impairment, depreciation and estimation of useful life of properties.

Useful lives of property and equipment

In accordance with HKAS 16, Delight Wise estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. Directors also performs annual reviews on whether the assumptions made on useful lives continue to be valid. Such reviews take into account the technological changes, prospective economic utilisation and physical condition of the assets concerned.

(b) Cash flow statement

A cash flow statement has not been prepared because Delight Wise did not have any cash flows during the Relevant Periods nor did it have any cash or cash equivalents during the Relevant Periods.

6. OTHER INCOME

	For the year ended 31 December		
	2020	2021	2022
	HK$'000	*HK$'000*	*HK$'000*
Waiver of liabilities			
– Relating to the expenses incurred from property during the year	2,169	2,199	3,078

7. DIRECTOR'S EMOLUMENTS

	For the year ended 31 December		
	2020	2021	2022
	HK$'000	*HK$'000*	*HK$'000*
DIRECTOR			
LIU Jinyang			
– Fee	–	–	–
– Other emoluments:	–	–	–
Salaries, allowances and benefits in kind	–	–	–
Retirement benefits	–	–	–
Total	–	–	–

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

During the Relevant Periods, no remuneration was paid by Delight Wise to the directors as an inducement to join or upon joining the Group.

8. TAX EXPENSE

The provision for the California's corporate franchise/income tax is measured by 8.84% of the corporation's net income during the Relevant Periods as apportioned to California, but the tax cannot be less than the minimum annual tax (currently US$800). No California's corporate franchise/income tax is imposed in related to the transfer of shares of Delight Wise as a result of this Acquisition. The minimum annual tax is for the privilege of exercising the corporate franchise in California, and it is not contingent upon the corporation's engaging in any profitable activities. While the federal corporate income tax rate in USA is 21.0% on its taxable gain.

During the Relevant Periods, no disposal of property incurred, the federal corporate tax rate did not apply.

During the Relevant Periods, the Company has no unused tax losses and no deferred tax asset has been recognised.

9. PROFIT/(LOSS) FOR THE YEAR

Profit/(loss) for the year from continuing operations has been arrived at after charging:

	For the year ended 31 December		
	2020	2021	2022
	HK$'000	*HK$'000*	*HK$'000*
Property tax	2,157	2,198	2,506
Depreciation on property	21,996	21,996	21,996

10. PROPERTY AND EQUIPMENT

	Land	Building and fixtures	Furniture	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost				
At 1 January 2020	89,008	308,968	5,939	403,915
Additions	–	–	–	–
At 31 December 2020 and 1 January 2021	89,008	308,968	5,939	403,915
Additions	–	–	–	–
At 31 December 2021 and 1 January 2022	89,008	308,968	5,939	403,915
Additions	–	–	–	–
At 31 December 2022	89,008	308,968	5,939	403,915
Accumulated depreciation and impairment				
At 1 January 2020	–	(89,008)	(5,939)	(94,947)
Charge for the year	–	(21,996)	–	(21,996)
At 31 December 2020 and 1 January 2021	–	111,004	(5,939)	(116,943)
Charge for the year	–	(21,996)	–	(21,996)
At 31 December 2021 and 1 January 2022	–	133,000	(5,939)	(138,939)
Charge for the year	–	(21,996)	–	(21,996)
At 31 December 2022	–	154,996	(5,939)	(160,935)
Carrying amount				
At 31 December 2020	89,008	197,964	–	286,972
At 31 December 2021	89,008	175,968	–	264,976
At 31 December 2022	89,008	153,972	–	242,980

11. SHARE CAPITAL

Issued share capital

	2020		2021		2022	
	Number of Shares	Share capital *HK$'000*	Number of Shares	Share capital *HK$'000*	Number of Shares	Share capital *HK$'000*
Ordinary shares issued						
At 1 January	50,000	403,915	50,000	403,915	50,000	403,915
As at 31 December	50,000	403,915	50,000	403,915	50,000	403,915

The ordinary shares of Delight Wise have no par value.

The share capital of HK$403.9 million represents the capital contribution in respect to the acquisition of US Property III at the date of Acquisition from shareholders to the Company.

Movement of the reserves for the years ended 31 December 2020, 2021and 2022 is presented in the statement of changes in equity of the financial statements.

12. RELATED PARTY TRANSACTIONS

Delight Wise had no material transactions with its related parties during the Relevant Periods.

13. CAPITAL MANAGEMENT

The primary objective of Delight Wise's capital management is to safeguard Delight Wise's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

Delight Wise manages its capital structure and make adjustments to it, in right of changes in economic conditions. To maintain or adjust the capital structure, Delight Wise may adjust its dividend payment to shareholders, return capital to shareholder or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2020, 2021 and 2022. Delight Wise is not subject to any externally imposed capital requirements.

14. SIGNIFICANT SUBSEQUENT EVENTS

Other than those as disclosed elsewhere in the Historical Financial Information, no significant subsequent events undertaken by Delight Wise after 31 December 2022.

15. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Delight Wise has been prepared in respect of any period subsequent to 31 December 2022.

The following is the text of a report set out on pages IID-1 to IID-3, received from the Company's reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F,
Gloucester Tower,
The Landmark,
11 Pedder Street,
Central, Hong Kong SAR

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF SHEEN GRACE INVESTMENTS LIMITED

To the Directors of China Tonghai International Financial Limited

Introduction

We report on the historical financial information of Sheen Grace Investments Limited ("**Sheen Grace**") set out on pages IID-4 to IID-17, which comprises the statements of financial position of Sheen Grace as at 31 December 2020, 2021 and 2022 and the statements of profit or loss and other comprehensive income, statements of changes in equity for each of the years ended 31 December 2020, 2021 and 2022 (the "**Relevant Periods**"), and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages IID-4 to IID-17, forms an integral part of this report, which has been prepared for inclusion in the circular of China Tonghai International Financial Limited (the "**Company**") dated 28 June 2023 (the "**Circular**") in connection with the proposed acquisition of the Target Companies by the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of Sheen Grace's financial position as at 31 December 2020, 2021 and 2022 and of Sheen Grace's financial performance for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page IID-4 have been made.

Dividends

We confirm that in respect of the Relevant Periods that no dividends have been paid by Sheen Grace in respect of the Relevant Periods.

No historical financial statements for Sheen Grace

No statutory financial statements have been prepared for Sheen Grace since its date of incorporation.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Shek Lui
Practising Certificate Number: P05895

Hong Kong, 28 June 2023

HISTORICAL FINANCIAL INFORMATION OF SHEEN GRACE

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report was prepared based on financial statements of Sheen Grace for the Relevant Periods, of which were prepared by the directors of Sheen Grace. The financial statements were audited by HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand ("**HK$'000**") except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended 31 December		
		2020	**2021**	**2022**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Revenue		–	–	–
Other income	*6*	584	579	864
Administrative expenses		(1,108)	(1,103)	(1,388)
Loss before tax	*9*	(524)	(524)	(524)
Income tax expense	*8*	–	–	–
Total comprehensive loss for the year		(524)	(524)	(524)

STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2020	**2021**	**2022**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property and equipment	*10*	30,772	30,248	29,724
		30,772	30,248	29,724
Current assets				
Bank and cash balances	*4*	–	–	–
Current liabilities				
Accrual and other payables		666	666	666
Net current liabilities		666	666	666
Total assets less current liabilities		30,106	29,582	29,058
Non-current liabilities		–	–	–
NET ASSETS		30,106	29,582	29,058
Capital and reserves				
Share capital	*11*	44,393	44,393	44,393
Reserves		(14,287)	(14,811)	(15,335)
TOTAL EQUITY		30,106	29,582	29,058

STATEMENTS OF CHANGES IN EQUITY

	Share capital *HK$'000* *(note 11)*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2020	44,393	(13,763)	30,630
Total comprehensive income for the year	–	(524)	(524)
At 31 December 2020 and 1 January 2021	44,393	(14,287)	30,106
Total comprehensive income for the year	–	(524)	(524)
At 31 December 2021 and 1 January 2022	44,393	(14,811)	29,582
Total comprehensive income for the year	–	(524)	(524)
At 31 December 2022	44,393	(15,335)	29,058

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Sheen Grace was incorporated in the British Virgin Islands ("**BVI**") with limited liability. The address of its registered office is Portcullis Chambers, 4th Floor, Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola VG1110, BVI.

The principal business of Sheen Grace is an investment holding company.

In the opinion of the directors of Sheen Grace, Sheen Grace is directly wholly-owned by Tonghai International Development Limited, who hold 100% equity interests in Sheen Grace and it is indirectly wholly-owned by China Oceanwide Holdings Group Co., Ltd. ("**COHG**"), the indirect Shareholder.

Sheen Grace is an investment holding company which are currently holding one property ("**US Property IV**") in San Mateo County, California, United States of America.

The financial statements are presented in Hong Kong dollars ("**HK$**"), which is different from the Company's functional currency of US dollars ("**US$**"). For the convenience of the financial statements' users, the financial statements are presented in HK$, as this presentation is more useful for its current and potential investors.

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

The Historical Financial Information has been prepared and presented in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"), Hong Kong Accounting Standards ("**HKAS**") and Interpretations. The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis.

3. ADOPTION OF NEW AND REVISED HKFRSS

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. For the purpose of preparing the Historical Financial Information, Sheen Grace has consistently adopted all HKFRSs that are relevant to its operations and are effective for the Relevant Periods.

New and revised HKFRSs in issue but not yet effective

Sheen Grace has not early applied new and revised HKFRSs, the HKICPA has issued a number of amendments, which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to Sheen Grace.

	Effective for accounting periods beginning on or after
HKFRS 17, Insurance contracts	1 January 2023
Amendments to HKAS 1, Presentation of financial statements: Classification of liabilities as current or non-current	1 January 2024
Amendments to HKAS 1, Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies	1 January 2023
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Amendments to HKAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to HKFRS 16, Lease: Lease liability in a sale and leaseback	1 January 2024
Amendment to HKFRS 10 and HKAS 28, Sales or Contribution of Asset between an Investor and its Associate or Joint Venture	A date to be determined
Amendment to HKAS 1, Non-Current Liabilities with Covenants	1 January 2024

Sheen Grace is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far Sheen Grace has concluded that the adoption of them is unlikely to have a significant impact on the financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information have been prepared under the historical cost convention.

The significant accounting policies applied in the preparation of the Historical Financial Information are set out below.

(a) Foreign currency translation

In the Historical Financial Statements of Sheen Grace foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of and from the reporting date translation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the foreign exchange rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the foreign exchange rate at the date of the transaction.

In the Historical Financial Statements of Sheen Grace, presented in a currency different from the Company's presentation currency, have been converted into HK$. Assets and liabilities have been translated into HK$ at the closing rate at the reporting date. Income and expenses have been converted into HK$ at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in exchange reserve in equity.

(b) Property and equipment

Property and equipment are carried at cost less any accumulated depreciation and impairment losses if any.

Freehold lands are not depreciated and are measured at cost less subsequent accumulated impairment losses.

Depreciation on property and equipment is provided to write off the cost less their estimated residual value over their estimated useful lives, using the straight-line method, as follows:

Buildings	40 years
Furniture, fixtures and equipment	5 to 10 years

The assets' estimated residual value, depreciation method and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal of an item of property and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss on the date of retirement or disposal.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Sheen Grace and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance, are charged to profit or loss of the financial period in which they are incurred.

(c) Cash and cash equivalents

During the Relevant Periods, Sheen Grace did not have any cash and cash equivalents comprise cash on hand.

(d) Share capital

Ordinary shares are classified as equity.

(e) Provisions and contingent liabilities

Provisions are recognised when Sheen Grace has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to be required to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the present obligation is disclosed as a contingent liability, unless the possibility of outflow of economic benefits is remote. Possible obligations that arise from past events, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Sheen Grace, are also disclosed as contingent liabilities unless the possibility of an outflow of economic benefits is remote.

(f) Impairment of non-financial assets

Property and equipment are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risk specific to the asset for which the future cash flow estimates have not been adjusted.

An impairment loss is recognised as an expense immediately for the amount by which the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. Impairment loss recognised for CGU, to which goodwill has been allocated, is credited initially to the carrying amount of goodwill. Any remaining impairment loss is allocated pro rata to the other assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, if measurable, and value in use, if determinable. An impairment loss recognised for goodwill is not reversed in a subsequent period.

An impairment loss for an asset other than goodwill is reversed if there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased, there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised. Reversal of impairment loss is recognised immediately in profit or loss.

(g) Taxation

Income taxes comprise current tax and movement in deferred tax.

Current income tax assets and/or liabilities comprise those claims from or obligations to taxation authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the period.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary differences arise from goodwill or initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow the manner in which Sheen Grace expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Current tax and changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity, respectively.

Current tax assets and current tax liabilities are presented in net if, and only if, (a) Sheen Grace has a legally enforceable right to set off the recognised amounts; and (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Target Company presents deferred tax assets and deferred tax liabilities in net if, and only if, (a) Sheen Grace has a legally enforceable right to set off current tax assets against current tax liabilities; and (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(h) Events after the reporting period

Events after the reporting period that provide additional information about Sheen Grace's position at the end of the reporting period are adjusting events and are reflected in the Historical Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Historical Financial Information when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

(a) Use of estimation and judgements

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumption concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, which are in respect of impairment, depreciation and estimation of useful life of properties.

Useful lives of property and equipment

In accordance with HKAS 16, Sheen Grace estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. Directors also performs annual reviews on whether the assumptions made on useful lives continue to be valid. Such reviews take into account the technological changes, prospective economic utilisation and physical condition of the assets concerned.

(b) Cash flow statement

A cash flow statement has not been prepared because Sheen Grace did not have any cash flows during the Relevant Periods nor did it have any cash or cash equivalents during the Relevant Periods.

6. OTHER INCOME

	For the year ended 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Waiver of liabilities			
– Relating to the expenses incurred from property during the year	584	579	864

7. DIRECTOR'S EMOLUMENTS

	For the year ended 31 December		
	2020	**2021**	**2022**
	HK$'000	HK$'000	HK$'000
DIRECTOR			
LIU Jinyang			
– Fee	–	–	–
– Other emoluments:	–	–	–
Salaries, allowances and benefits in kind	–	–	–
Retirement benefits	–	–	–
Total	–	–	–

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

During the Relevant Periods, no remuneration was paid by Sheen Grace to the directors as an inducement to join or upon joining the Group.

8. TAX EXPENSE

The provision for the California's corporate franchise/income tax is measured by 8.84% of the corporation's net income during the Relevant Periods as apportioned to California, but the tax cannot be less than the minimum annual tax (currently US$800). No California's corporate franchise/income tax is imposed in related to the transfer of shares of Sheen Grace as a result of this Acquisition. The minimum annual tax is for the privilege of exercising the corporate franchise in California, and it is not contingent upon the corporation's engaging in any profitable activities. While the federal corporate income tax rate in USA is 21.0% on its taxable gain.

During the Relevant Periods, no disposal of property incurred, the federal corporate tax rate did not apply.

During the Relevant Periods, the Company has no unused tax losses and no deferred tax asset has been recognised.

9. PROFIT/(LOSS) FOR THE YEAR

Profit/(loss) for the year from continuing operations has been arrived at after charging:

	For the year ended 31 December		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Property tax	567	578	700
Depreciation on property	524	524	524

10. PROPERTY AND EQUIPMENT

	Land	**Building**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Cost			
At 1 January 2020	23,447	20,946	44,393
Additions	–	–	–
At 31 December 2020 and 1 January 2021	23,447	20,946	44,393
Additions	–	–	–
At 31 December 2021 and 1 January 2022	23,447	20,946	44,393
Additions	–	–	–
At 31 December 2022	23,447	20,946	44,393
Accumulated depreciation and impairment			
At 1 January 2020	–	(13,097)	(13,097)
Charge for the year	–	(524)	(524)
At 31 December 2020 and 1 January 2021	–	(13,621)	(13,621)
Charge for the year	–	(524)	(524)
At 31 December 2021 and 1 January 2022	–	(14,145)	(14,145)
Charge for the year	–	(524)	(524)
At 31 December 2022	–	(14,669)	(14,669)
Carrying amount			
At 31 December 2020	23,447	7,325	30,772
At 31 December 2021	23,447	6,801	30,248
At 31 December 2022	23,447	6,277	29,724

11. SHARE CAPITAL

Issued share capital

	2020		2021		2022	
	Number of Shares	Share capital	Number of Shares	Share capital	Number of Shares	Share capital
		HK$'000		*HK$'000*		*HK$'000*
Ordinary shares issued						
At 1 January	50,000	44,393	50,000	44,393	50,000	44,393
As at 31 December	**50,000**	**44,393**	**50,000**	**44,393**	**50,000**	**44,393**

The ordinary shares of Sheen Grace have no par value.

The share capital of HK$44.4 million represents the capital contribution in respect to the acquisition of US Property IV at the date of Acquisition to the Company.

Movement of the reserves for the years ended 31 December 2020, 2021 and 2022 is presented in the statement of changes in equity of the financial statements.

12. RELATED PARTY TRANSACTIONS

Sheen Grace had no material transactions with its related parties during the Relevant Periods.

13. CAPITAL MANAGEMENT

The primary objective of Sheen Grace's capital management is to safeguard Sheen Grace's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

Sheen Grace manages its capital structure and make adjustments to it, in right of changes in economic conditions. To maintain or adjust the capital structure, Sheen Grace may adjust its dividend payment to shareholders, return capital to shareholder or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2020, 2021 and 2022. Sheen Grace is not subject to any externally imposed capital requirements.

14. SIGNIFICANT SUBSEQUENT EVENTS

Other than those as disclosed elsewhere in the Historical Financial Information, no significant subsequent events undertaken by Sheen Grace after 31 December 2022

15. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Sheen Grace has been prepared in respect of any period subsequent to 31 December 2022.

*Set out below is the management discussion and analysis of the Target Companies for the three years ended 31 December 2020 (the "**FY2020**"), 2021 (the "**FY2021**") and 2022 (the "**FY2022**") (collectively, the "**Relevant Period**"), for the purpose of this Appendix only.*

BUSINESS REVIEW

The Target Companies are King Domain, Honour Smart, Delight Wise and Sheen Grace, which are incorporated in the BVI with limited liability. The Target Companies are investment holding companies. Their principal assets are the US Properties. Among the Target Companies, (i) King Domain directly owns US Property I; (ii) Honour Smart directly owns US Property II; (iii) Delight Wise directly owns US Property III; and (iv) Sheen Grace directly owns US Property IV. As of the date of this Circular, each if the Target Companies directly wholly-owned by Tonghai International Development which in turn is indirectly wholly-owned by COHG, the indirect Shareholders.

FINANCIAL REVIEW

INCOME AND EXPENSE

(A) King Domain

The table below sets out the financial information of King Domain for the Relevant Period:

	Year ended 31 December		
	2020	**2021**	**2022**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Other income	2,546	2,420	4,069
Administrative expenses	(4,348)	(4,222)	(5,871)
Net Loss	**(1,802)**	**(1,802)**	**(1,802)**

For the Relevant Period, as King Domain was investment holding companies, no income was generated from King Domain. Other income represents waiver of liabilities relating to the administrative expenses incurred from property, such as properties tax, insurance and legal and professional fees, as such expenses were paid by a personnel of its property management company (an Independent Third Party) on behalf of King Domain and King Domain does not need to repay such expenses. After Completion, such expenses will be borne by the Company. The net loss equal to the depreciation.

(B) Honour Smart

The table below sets out the financial information of Honour Smart for the Relevant Period:

	Year ended 31 December		
	2020	**2021**	**2022**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Other income	541	537	952
Administrative expenses	(981)	(977)	(1,392)
Net Loss	**(440)**	**(440)**	**(440)**

For the Relevant Period, as Honour Smart was investment holding companies, no income was generated from Honour Smart. Other income represents waiver of liabilities relating to the administrative expenses incurred from property, such as properties tax, insurance and legal and professional fees, as such expenses were paid by a personnel of its property management company (an Independent Third Party) on behalf of Honour Smart and Honour Smart does not need to repay such expenses. After Completion, such expenses will be borne by the Company. The net loss equal to the depreciation.

(C) Delight Wise

The table below sets out the financial information of Delight Wise for the Relevant Period:

	Year ended 31 December		
	2020	**2021**	**2022**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Other income	2,169	2,199	3,078
Administrative expenses	(24,165)	(24,195)	(25,074)
Net Loss	**(21,996)**	**(21,996)**	**(21,996)**

For the Relevant Period, as Delight Wise was investment holding companies, no income was generated from Delight Wise. Other income represents waiver of liabilities relating to the administrative expenses incurred from property, such as properties tax, insurance and legal and professional fees, as such expenses were paid by a personnel of its property management company (an Independent Third Party) on behalf of Delight Wise and Delight Wise does not need to repay such expenses. After Completion, such expenses will be borne by the Company. The net loss equal to the depreciation.

(D) Sheen Grace

The table below sets out the financial information of Sheen Grace for the Relevant Period:

	Year ended 31 December		
	2020	**2021**	**2022**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Other income	584	579	864
Administrative expenses	(1,108)	(1,103)	(1,388)
Net Loss	**(524)**	**(524)**	**(524)**

For the Relevant Period, as Sheen Grace was investment holding companies, no income was generated from Sheen Grace. Other income represents waiver of liabilities relating to the administrative expenses incurred from property, such as properties tax, insurance and legal and professional fees, as such expenses were paid by a personnel of its property management company (an Independent Third Party) on behalf of Sheen Grace and Sheen Grace does not need to repay such expenses. After Completion, such expenses will be borne by the Company. The net loss equal to the depreciation.

SEGMENT INFORMATION

During the Track Record Period, the Target Companies are investment holdings companies. As such, no segmental information thereof is presented.

LIQUIDITY AND FINANCIAL RESOURCES

(A) King Domain

As at 31 December 2020, 31 December 2021 and 31 December 2022, the net assets of King Domain were as follow:

	As at 31 December		
	2020	**2021**	**2022**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Assets			
Property and equipment	168,945	167,143	165,341
Liabilities			
Accruals and other payables	3,048	3,048	3,048
Net assets	**165,897**	**164,095**	**162,293**

The depreciation of land use rights of US Property I were on a straight-line basis over the unexpired land use period of 40 years.

As at 31 December 2020, 31 December 2021 and 31 December 2022, the accruals and other payables were mainly attributable to the repair and maintenance of US Property I.

(B) Honour Smart

As at 31 December 2020, 31 December 2021 and 31 December 2022, the net assets of the Honour Smart were as follow:

	As at 31 December		
	2020	**2021**	**2022**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Assets			
Property and equipment	31,819	31,379	30,939
Liabilities			
Accruals and other payables	616	616	616
Net assets	**31,203**	**30,763**	**30,323**

The depreciation of land use rights of US Property II were on a straight-line basis over the unexpired land use period of 40 years.

As at 31 December 2020, 31 December 2021 and 31 December 2022, the accruals and other payables were mainly attributable to the repair and maintenance of US Property II.

(C) Delight Wise

As at 31 December 2020, 31 December 2021 and 31 December 2022, the net assets of Delight Wise were as follow:

	As at 31 December		
	2020	**2021**	**2022**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Assets			
Property and equipment	286,972	264,976	242,980
Liabilities			
Accruals and other payables	5,928	5,928	5,928
Net assets	**281,044**	**259,048**	**237,052**

The depreciation of leasehold improvement of US Property III were on a straight-line basis over the period of 10 years.

As at 31 December 2020, 31 December 2021 and 31 December 2022, the accruals and other payables were mainly attributable to the repair and maintenance of US Property III.

(D) Sheen Grace

As at 31 December 2020, 31 December 2021 and 31 December 2022, the net assets of Sheen Grace were as follow:

	As at 31 December		
	2020	**2021**	**2022**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Assets			
Property and equipment	30,722	30,248	29,724
Liabilities			
Accruals and other payables	666	666	666
Net assets	**30,106**	**29,582**	**29,058**

The depreciation of land use rights of US Property IV were on a straight-line basis over the unexpired land use period of 40 years.

As at 31 December 2020, 31 December 2021 and 31 December 2022, the accruals and other payables were mainly attributable to the repair and maintenance of US Property IV.

During Track Record Period, The Target Companies did not have any financial instruments for hedging purposes

FUTURE PLANS OF MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the Relevant Period, save as the US Properties, the Target Companies did not hold any significant investment, and the Target Companies did not have any future plans for material investments or capital assets.

SIGNIFICANT INVESTMENT

As at 31 December 2020, 31 December 2021 and 31 December 2022, the Target Companies did not have any significant investment.

COMMITMENTS

As at 31 December 2020, 31 December 2021 and 31 December 2022, the Target Companies did not have any significant capital commitment.

MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES, ASSOCIATES OR JOINT VENTURES

For the year ended 31 December 2020, 31 December 2021 and 31 December 2022, the Target Companies made no material acquisition or disposal of subsidiaries, associates and joint ventures.

CONTINGENT LIABILITIES

The Target Companies did not have any material contingent liabilities as at 31 December 2020, 31 December 2021 and 31 December 2022.

FOREIGN EXCHANGE EXPOSURE

During the Relevant Period, the Target Companies were not exposed to any material foreign currency risk as most of its business transactions, assets and liabilities were denominated in US$. Hence, During the Relevant Period, the Target Companies did not have any formal hedging policies and no financial instrument was used for hedging purpose.

MORTGAGES AND CHARGES

As at 31 December 2020, 31 December 2021 and 31 December 2022, there were no charge on assets.

1. RESPONSIBILITY STATEMENT

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

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	Approximate percentage of shareholding in the Shares in issue *(Note 2)*
Mr. HAN	Interest of controlled Corporation	4,216,809,571 *(Note 1)*	68.05%
Mr. LAM	Beneficial owner	113,072,833	1.82%
	Interest of controlled Corporation	4,216,809,571 *(Note 1)*	68.05%

(ii) Long positions in the shares of associated corporation of the Company

The Offeror (note 1)

Name of Director	Capacity	Number of shares in the Offeror	Approximate percentage of shareholding in the Offeror *(Note 3)*
Mr. HAN	Beneficial owner	490	49%
Mr. LAM	Beneficial owner	510	51%

(iii) Interest in the debentures of the Company

Name of Director	Nature of interest	Amount of debenture
Mr. FANG Zhou	Personal interest	HK$1,000,000

Notes:

1. The Offeror is the beneficial owner of 4,216,809,571 Shares and it 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 4,216,809,571 Shares.

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

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 and other persons

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 Position in the Shares

Name of holder of Shares/ underlying Shares	Capacity	Number of Shares and underlying Shares held	Approximate percentage of total interests in the Shares in issue *(Note 10)*
The Offeror	Beneficial owner	4,216,809,571 *(Note 1)*	68.05%
Mr. LU Zhiqiang ("**Mr. LU**")	Interest of controlled corporations	395,254,732 *(Note 2)*	6.38%
Tohigh	Interest of controlled corporations	395,254,732 *(Note 3)*	6.38%
Oceanwide Group Co., Ltd.* （泛海集團有限公司）	Interest of controlled corporations	395,254,732 *(Note 4)*	6.38%
COHG	Interest of controlled corporations	395,254,732 *(Note 5)*	6.38%
Oceanwide Holdings	Interest of controlled corporations	395,254,732 *(Note 6)*	6.38%
COG	Interest of controlled corporations	395,254,732 *(Note 6)*	6.38%
Oceanwide Holdings IF	Beneficial owner	395,254,732 *(Note 6)*	6.38%
Haitong Securities Co., Ltd.	Interest of controlled corporations	4,100,000,000 *(Note 7)*	66.16%
Haitong International Holdings Limited	Interest of controlled corporations	4,100,000,000 *(Note 8)*	66.16%

Name of holder of Shares/ underlying Shares	Capacity	Number of Shares and underlying Shares held	Approximate percentage of total interests in the Shares in issue *(Note 10)*
Haitong International Securities Group Limited	Interest of controlled corporations	4,100,000,000 *(Note 9)*	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 Offeror is the beneficial owner of 4,216,809,571 Shares and it is owned as to 51% by Mr. LAM and 49% by Mr. HAN.

2. Mr. LU held more than one third of the voting power at general meetings of Tohigh. By virtue of the SFO, Mr. LU is deemed to be interested in all the Shares in which Tohigh is interested.

3. Tohigh held the entire issued share capital of Oceanwide Group Co., Ltd.*（泛海集團有限公司）. By virtue of the SFO, Tohigh is deemed to be interested in all the Shares held by Oceanwide Group Co., Ltd.*（泛海集團有限公司）.

4. Oceanwide Group Co., Ltd.*（泛海集團有限公司）held 98% interest in the issued share capital of COHG. By virtue of the SFO, Oceanwide Group Co., Ltd.*（泛海集團有限公司）is deemed to be interested in all the Shares held by COHG.

5. COHG directly and indirectly held 60.06% interest in the issued share capital of Oceanwide Holdings. By virtue of the SFO, COHG is deemed to be interested in all the Shares held by Oceanwide Holdings.

6. Oceanwide Holdings IF is a wholly-owned subsidiary of COG, which in turn is a wholly-owned subsidiary of Oceanwide Holdings. By virtue of the SFO, COG and Oceanwide Holdings are deemed to be interested in 395,254,732 Shares.

7. 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.

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

9. 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 Investment Solutions Limited.

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

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

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	The Offeror	director
Mr. LAM	The Offeror	director
Mr. LIU Hongwei	COHG	director and vice president
	COG	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 2022, 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 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 in relation to the extension of loans in the principal 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 loan in the principal 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 loan in the principal 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 principal amount of HK$234.2 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 second 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 as assignee pursuant to which the assignors have conditionally agreed to sell and the assignee has conditionally agreed to purchase the outstanding principal amount and 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 as borrower under the facility. Details of the deed of assignment 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. The annual caps for the fees charged by China Tonghai Securities Limited from the connected persons under the connected dealing services for the financial year ended 31 December 2022, financial years ending 31 December 2023 and 31 December 2024 are HK$30 million, HK$30 million and HK$30 million respectively. The maximum daily outstanding balance of the connected margin loans granted by China Tonghai Securities Limited to the connected persons for the financial year ended 31 December 2022, financial years ending 31 December 2023 and 31 December 2024 are HK$116 million, HK$116 million and HK$116 million respectively. 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 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; and

(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 million and US$103 million and settle any outstanding interest accrued on such debt up to the date of 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 million 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.

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
Trinity Corporate Finance Limited	A licensed corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO
Masterpiece Valuation Advisory Limited	Qualified independent valuer in Hong Kong

Each of Trinity and Masterpiece Valuation Advisory Limited 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 in this circular.

As at the Latest Practicable Date, each of the Independent Financial Adviser and the valuer 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 2022 (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 5/F and 24/F (Rooms 2401 and 2412), Wing On Centre, 111 Connaught 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; and

(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 20 July 2023:

(i) the Tohigh Framework Agreements;

(ii) the Settlement Agreement;

(iii) the letter from Trinity to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 29 to 56 of this circular;

(iv) the accountant's report of the Target Companies, the text of which is set out in Appendix IIA, Appendix IIB, Appendix IIC and Appendix IID to this circular;

(v) the report of the unaudited proforma financial information of the Group, the text of which is set out in Appendix V to this circular;

(vi) the valuation report, the text of which is set out in Appendix VI to this circular; and

(vii) the written consents from the Independent Financial Adviser and the valuer referred to in the section headed "expert and consent" in this appendix.

(A) REPORT FROM THE REPORTING ACCOUNTANTS

The following is the text of a report received from the reporting accountants, HLB Hodgson Impey Cheng Limited ("HLB"), Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this circular

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F,
Gloucester Tower,
The Landmark,
11 Pedder Street,
Central, Hong Kong SAR

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of China Tonghai International Financial Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Tonghai International Financial Limited (the "**Company**") and its subsidiaries, (collectively referred to as the "**Group**") including i) King Domain Limited ("**King Domain**"); ii) Honour Smart Investments Limited ("**Honour Smart**"); iii) Delight Wise Investments Limited ("**Delight Wise**") and iv) Sheen Grace Investments Limited ("**Sheen Grace**"), respectively (the "**Target Companies**") (together with the Target Companies hereinafter referred to as the "**Enlarged Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only.

The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 31 December 2022 and related notes as set out in Part B of Appendix V to the circular issued by the Company dated 28 June 2023 (the "**Circular**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described in Part B of Appendix V of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of acquisition of the entire issued share capital of 4 BVI holding companies for 4 residential properties respectively located in USA (the "**Acquisition**") on the Group's consolidated assets and liabilities as at 31 December 2022 as if the Acquisition had taken place at 31 December 2022 pursuant to Settlement Agreement. As part of this process, information about the Group's consolidated assets and liabilities has been extracted by the Directors from the Group's consolidated financial statements on which an audit report has been published for the year ended 31 December 2022.

Directors' Responsibilities for the unaudited pro forma financial information

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

Our Independence and Quality Management

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

Our firm applies Hong Kong Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

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

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

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

The purpose of unaudited pro forma financial information included in the circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2022 would have been as presented.

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

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

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

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

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

Opinion

In our opinion:

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

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

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

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Shek Lui
Practising Certificate Number: P05895

31/F, Gloucester Tower, The Landmark,
11 Pedder Street,
Central, Hong Kong SAR

28 June 2023

(B) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(1) Introduction to the unaudited pro forma financial information

The unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group (the "**Unaudited Pro Forma Financial Information**") set out below has been prepared by the Directors in accordance with rule 4.29 of the Listing Rules with reference to AG7 and is solely for the purpose to illustrate the effect of the Acquisition on the Group's assets and liabilities as at 31 December 2022 as if the Acquisition had been completed.

The Unaudited Pro Forma Financial Information is prepared based on (i) the consolidated statement of financial position of the Group as at 31 December 2022 which has been extracted from the published annual report of the Company for the year ended 30 December 2022; and (ii) the audited consolidated statement of financial position of the Target Companies as at 31 December 2022 which have been extracted from the accountants' report thereon set out in Appendix IIA to IID to this circular, after making pro forma adjustments relating to the Acquisition that are (i) directly attributable to the Acquisition; and (ii) factually supportable as if the Acquisition had been completed as at 31 December 2022.

The Unaudited Pro Forma Financial Information is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. As a result of the hypothetical nature of the Unaudited Pro Forma Financial Information, it may not give a true picture of the actual financial position of the Enlarged Group that would have been attained had the Acquisition been completed as at 31 December 2022.

Furthermore, the Unaudited Pro Forma Financial Information does not purport to predict the Enlarged Group's future financial position.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group, as incorporated by reference in Appendix I to this circular and other financial information included elsewhere in this circular.

(2) Unaudited pro forma consolidated statement of assets and liabilities

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

	The Group	The Target Companies				Pro forma	The Enlarged
		King Domain	Honour Smart	Delight Wise	Sheen Grace	adjustments	Group
	As at 31 December 2022	As at 31 December 2022					
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	(Note 1)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 3, 4, 5, 7, 8 & 9)	
Non-current assets							
Financial assets held for trading	41,219	–	–	–	–	–	41,219
Financial assets not held for trading	4,210	–	–	–	–	–	4,210
Other loans	58,962	–	–	–	–	–	58,962
Interests in an associate	1,874	–	–	–	–	–	1,874
Goodwill and other intangible assets	17,960	–	–	–	–	–	17,960
Other assets	22,811	–	–	–	–	–	22,811
Property and equipment and investment property	68,536	165,341	30,939	242,980	29,724	486,516	1,024,036
Deferred tax assets	15,214	–	–	–	–	–	15,214
	230,786	165,341	30,939	242,980	29,724	486,516	1,186,286
Current assets							
Cash and cash equivalents	195,206	–	–	–	–	–	195,206
Bank balances held on behalf of clients	1,123,090	–	–	–	–	–	1,123,090
Financial assets held for trading	583,802	–	–	–	–	–	583,802
Financial assets not held for trading	184,279	–	–	–	–	–	184,279
Loans to margin clients	670,496	–	–	–	–	–	670,496
Advances to customers for corporate actions	47,633	–	–	–	–	–	47,633
Other loans	1,050,267	–	–	–	–	(194,087)	856,180
Reverse repurchase agreements	2,084	–	–	–	–	–	2,084
Accounts receivable	494,320	–	–	–	–	–	494,320
Prepayments, deposits and other receivables	96,124	–	–	–	–	–	96,124
	4,447,301	–	–	–	–	(194,087)	4,253,214
Current liabilities							
Bank and other borrowings	905,545	–	–	–	–	–	905,545
Accounts payable	1,534,134	–	–	–	–	–	1,534,134
Contract liabilities	5,259	–	–	–	–	–	5,259
Lease liabilities	21,701	–	–	–	–	–	21,701
Accruals and other payables	164,036	3,048	616	5,928	666	3,436	177,730
Tax payables	5,744	–	–	–	–	–	5,744
	2,636,419	**3,048**	**616**	**5,928**	**666**	**3,436**	**2,650,113**
Net current assets/(liabilities)	**1,810,882**	**(3,048)**	**(616)**	**(5,928)**	**(666)**	**(197,523)**	**1,603,101**
Total assets less current liabilities	**2,041,668**	**162,293**	**30,323**	**237,052**	**29,058**	**288,993**	**2,789,387**
Non-current liabilities							
Lease liabilities	27,070	–	–	–	–	–	27,070
Deferred tax liabilities	2,992	–	–	–	–	–	2,992
	30,062	**–**	**–**	**–**	**–**	**–**	**30,062**
Net Assets	**2,011,606**	**162,293**	**30,323**	**237,052**	**29,058**	**288,993**	**2,759,325**

Notes to Unaudited Pro Forma Financial Information of the Enlarged Group

1. The amounts are extracted from the consolidated statement of financial position of the Group as at 31 December 2022 as set out in the published annual report of the Group for the year ended 31 December 2022.

2. The amounts are extracted from consolidated audited statement of financial position of each the Target Companies (as defined in the circular) as at 31 December 2022 as set out in Appendix IIA to IID to this circular without adjustment.

3. Assume the Completion takes place on 31 July 2023 and the exchange rate is US$1.00 to HK$7.80 at Completion.

4. The market values of investment properties of the Target Companies as at the Completion Date of the Acquisition will be determined by the Directors with reference to the valuations carried out by an independent professional qualified valuer of the Company and details of respective fair value of the investment properties of Target Companies set out in Appendix VI to this circular. The directors of the Group confirmed that the US Properties held by Target Companies are held for long term investment purpose to generate rental incomes or long-term capital appreciation.

5. The adjustment reflects the combination effects of i) settlement sum of part of outstanding principal and interest accrued of Debt C including and up to the date of Completion Date of approximately HK$945.2 million, equivalent to US$121.2 million; ii) reversal of respective expected credit losses provision on both principal and interest components provided of the Group on the Debt C as at 31 December 2022 in aggregate of approximately HK$591.4 million; iii) recognition of outstanding accrued interests on the Debt C including and up to the date of Completion of approximately HK$159.8 million; and iv) adjustment for acquisition-related costs with estimated amounts of HK$3.4 million in aggregate for each of the Target Companies (including fees to legal advisers, financial adviser, reporting accountants, valuer, printer and other expenses).

The Acquisition is not accounted for as a business combination as defined in Hong Kong Financial Reporting Standard 3 Business Combination but as an asset acquisition. The Group shall identify and recognize the individual identifiable assets acquired and liabilities assumed. The consideration of the Acquisition shall be allocated to the individual identifiable assets and liabilities of each of the Target Companies on the basis of their relative fair values at the date of the Acquisition, and, for the purpose of this pro forma financial information, the fair values as at 31 March 2023 pursuant to Settlement Agreement. The fair values of the identifiable assets and liabilities of Target Companies are subject to change upon the completion of the Acquisition. Consequently, the actual allocation of the cost of Acquisition at the date of Acquisition will likely result in different amounts from those stated in this pro forma financial information. The pro forma adjustments made represent the aggregate fair value adjustments of HK$486.5 million equivalent to US$62.4million on the 4 US Properties hold by each of the Target Companies were recognized as property and equipment under cost model at Target Companies' company level as set out in Appendix IIA to IID to this circular without adjustment.

Details of the fair values of each of the US Properties as at 31 March 2023 as set out in Appendix VI valuation report to this circular

Pursuant to the Settlement Agreement dated 28 April 2023, 100% of the issued shares of the Target Companies to be transferred from Tonghai International Development to Quam Overseas to settle outstanding accrued interests on the Debt C and part of outstanding principal of the Debt C including and up to the date of Completion that will be settled by way of transfer of Sale Shares at Completion by Tonghai International Development to Quam Overseas in accordance with the terms and conditions of the Settlement Agreement at the initial settlement sum is approximately US$121.2 million (equivalent to approximately HK$945.2 million). The initial settlement sum is equivalent to the audited adjusted net asset values of the Target Companies (calculated by (a) deducting the book values of the US Properties as at 31 December 2022 from the net asset values of the Target Companies as shown in the audited statement of financial position of the Target Companies as at 31 December 2022; and (b) adding the fair values of the 4 US Properties as at 31 March 2023 as set out in Valuation Report); and (c) no other deduction in relation to the calculation of the Settlement Sum shall be made.

6. No other adjustments have been made to reflect any trading results or other transactions of the Group and of the Target Companies entered into subsequent to 31 December 2022.

7. The amount of settlement sum of part of the outstanding principal and interest accrual of Debt C disclosed in the Announcement was approximately HK$967.6 million (equivalent to approximately US$123.4 million at an exchange rate of US$1 to HK$7.85), representing a difference of approximately HK$22.4 million (equivalent to approximately US$2.2 million) as compared to the amount disclosed in this circular of HK$945.2 million (equivalent to approximately US$121.2 million at an exchange rate of US$1 to HK$7.8). The discrepancy was mainly due to the (i) difference between the audited aggregate adjusted net asset value of the Target Companies as at 31 December 2022 of approximately US$121.2 million used for the calculation of settlement sum in this circular and the unaudited value of approximately US$123.4 million used for the calculation of settlement sum in the Announcement; and (ii) the different exchange rate applied as stated above.

8. The amount of reversal of the accumulative provision made up to 31 December 2022 on the outstanding principal and interests accrued on Debt C disclosed in the Announcement was approximately HK$623.0 million, representing a difference of approximately HK$31.6 million as compared to the amount disclosed in this circular of approximately HK$591.4 million. The discrepancy was mainly due to the amount disclosed in the Announcement was estimated based on the then settlement sum of approximately HK$967.6 million and assuming the Completion takes place on 31 May 2023. Given the change in the settlement sum as explained above and the delay in Completion (currently assumed to be 31 July 2023), which resulting in additional interests to be accrued, the estimated amount of reversal of the provision in relation to Debt C decreased to approximately HK$591.4 million as disclosed in this circular.

9. The accruals and payables refers to estimated professional fees incurred in relation to the completion of the Acquisition, which mainly include the fees to Hong Kong and overseas legal advisers of approximately HK$1.0 million, US tax expert of approximately HK$0.7 million, property valuer of approximately HK$0.5 million, reporting accountant of approximately HK$0.7 million, independent financial adviser and printer of approximately HK$0.4 million in aggregate and other miscellaneous administrative expenses. The estimated costs of the professional fees and miscellaneous expenses in relation to the completion of the Acquisition such as expenses related to the hosting of the SGM are estimated based on the terms and conditions stated in the existing service agreements of the professional parties, such as the Company's Hong Kong and BVI lawyers, property valuer, printer and reporting accountant.

The following is the text of a letter, a valuation summary, and valuation certificates prepared for the purpose of inclusion in this circular by Masterpiece Valuation Advisory Limited, an independent valuer, in connection with its valuation as of 31 March 2023 of the property interests held by the Target Companies.

Masterpiece Valuation
睿力評估咨詢

Suite 403, 93-103 Wing Lok Street,
Sheung Wan, Hong Kong

WEB: www.mpval.com

28 June 2023

The Board of Directors
China Tonghai International Financial Limited
5/F and 24/F (Rooms 2401 and 2412)
Wing On Centre, 111 Connaught Road Central,
Hong Kong

Dear Sirs/Madams,

INSTRUCTIONS

In accordance with the instructions of China Tonghai International Financial Limited (the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**") for us to carry out the valuation of the property interests located in the County of San Mateo, State of California, the United States of America (the "**USA**") held by King Domain Limited, Honour Smart Investments Limited, Delight Wise Investments Limited and Sheen Grace Investments Limited (the "**Target Companies**"). We confirm that we have carried out the inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the fair value (the "**Fair Value**") of the property interests as of 31 March 2023 (the "**Valuation Date**").

VALUATION STANDARDS

In valuing the property interests, we have complied with all the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), Rule 11 of the Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission, the HKIS Valuation Standards (2020 Edition) published by the Hong Kong Institute of Surveyors and the International Valuation Standards published and revised from time to time by the International Valuation Standards Council.

BASIS OF VALUATION

Our valuation is carried out on a Fair Value basis, which is defined as "*the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date*".

POTENTIAL TAX LIABILITIES

As advised by the Group, who were advised by its US legal advisers, the potential US tax liabilities which would arise from any subsequent sale of the US Properties, based on current tax laws and regulations in the US, include:

– California documentary transfer tax at approximately 0.11% of the fair market property value of the US Properties at the time of transfer and in relation to the US Properties located in the town of Hillsborough, there is an additional tax of 30 US cents per US$1,000 on the fair market value of such US Properties;

– California corporate income and franchise tax up to 8.84% on the gain on the sale of the US Properties;

– US federal branch profits tax at 30% on the gain on the sale of the US Properties; and

– US federal corporate income tax rate at 21% on taxable gain.

Based on the discussion with the management of the Company, we understand that the Company's intention is mainly to monetize the US Properties by reselling the Target Companies after Completion, subject to further assessment of the market conditions closer to the time of Completion. In the event that the Group disposes the US Properties and assuming that there is no change to the relevant tax laws and regulations in the US, it is likely that the relevant tax liabilities will be crystallised upon sale of the US Properties.

VALUATION ASSUMPTIONS

Our valuation of the property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value or costs of sale and purchase or offset for any associated taxes.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Based on the latest title report as the legal title of the US Properties which has been reviewed and confirmed by the US legal advisers, the properties are free from encumbrances, restrictions, and outgoings of an onerous nature, which could affect their values.

No environmental impact study has been ordered or made.

We have also assumed that there was not any material change on the building conditions and ground conditions of the subject property between the date of our inspection and the Valuation Date.

VALUATION METHODOLOGY

In the course of our valuation, unless otherwise stated, we have valued the properties in their designated uses with the understanding that the properties will be used as such (hereafter referred to as "continued uses").

In valuing the property interests, we have valued by market approach which is generally by comparing recent market evidence of similar properties located in the neighbourhood area of the property. Adjustments are considered to reflect the differences in various aspects including market conditions, size, location, time, age, quality, and any other relevant factors when comparing such sales against the property. This approach is commonly used to value properties where reliable market evidence is available.

TITLE INVESTIGATION

We have been provided with copies of documents in relation to the title of the property interests. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. We have therefore relied on the advice given by the Company and Duane Morris LLP, the US legal advisers to the Company, regarding the title in the US properties. We have reviewed the latest title report dated 10 April 2023 which has been reviewed and confirmed by the US legal advisers. The title report will be updated and finalised prior to Completion. All documents have been used for reference only.

SITE INVESTIGATION

We have inspected the exteriors and, where possible, the interior of the Property. The site inspection was carried out from 20 to 21 January 2023 by Oswald Au (Managing Director of Masterpiece Valuation Advisory Limited) and Greivis Sze (Associate Director of Masterpiece Valuation Advisory Limited) through live stream. However, we have not carried out an investigation on site to determine the suitability of ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. We have further assumed that there is no significant pollution or contamination in the locality which may affect any future developments.

Moreover, no structural surveys have been undertaken, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the Property is free of rot, infestation, or any other structural defects. No tests were carried out on any of the utility services.

SOURCE OF INFORMATION

Unless otherwise stated, we shall rely to a considerable extent on the information provided to us by the Company or the legal adviser on such matters as statutory notices, planning approvals, zoning, easements, tenures, completion date of buildings, development proposal, identification of properties, particulars of occupation, site areas, floor areas, matters relating to tenure, tenancies, and all other relevant matters.

In respect of the properties situated in the United States, the status of titles and grant of major certificates, approvals, and licenses, in accordance with the information provided by the Group are set out in the notes of the respective valuation report.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view and we have no reason to suspect that any material information has been withheld.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

CURRENCY

Unless otherwise stated, all monetary amounts stated in this report are in United States Dollar (US$).

Our valuation is summarised below, and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
Masterpiece Valuation Advisory Limited
Sr Oswald W Y Au
MHKIS (GP) AAPI MSc (RE)
Registered Professional Surveyor (GP)
Managing Director

Note: Mr. Oswald W Y Au is a member of Hong Kong Institute of Surveyors (General Practice), Associate Member of Australian Property Institute and a Registered Professional Surveyor (General Practice) registered with Surveyors Registration Board. He has over 19 years' experience in financial valuation and property valuation in Hong Kong, the PRC, the U.S., and Asia Pacific region.

VALUATION SUMMARY

No.	Property	Fair value in existing state as at 31 March 2023 *US$*	Fair value in existing state 100% interest attributable to the Target Companies as at 31 March 2023 *US$*
1.	250 Atherton Avenue, Atherton, CA 94027, County of San Mateo, State of California, the United States of America	28,700,000	28,700,000
2.	25 Longview Court, Hillsborough, CA 94010, County of San Mateo, State of California, the United States of America	9,900,000	9,900,000
3.	40 Verbalee Lane, Hillsborough, CA 94010, County of San Mateo, State of California, the United States of America	76,700,000	76,700,000
4.	1111 Tournament Drive, Hillsborough, CA 94010, County of San Mateo, State of California, the United States of America	7,200,000	7,200,000
	Total	**122,500,000**	**122,500,000**

VALUATION CERTIFICATE

Property interests held by the Target Companies in the USA

No.	Property	Description and tenure	Particulars of occupancy	Fair value in existing state as at 31 March 2023 *US$*
1.	250 Atherton Avenue, Atherton, CA 94027, County of San Mateo, State of California, the United States of America	The property comprises a 2-storey single family home with a total gross building area of approximately 13,558 sq.ft. (approximately 1,260 sq.m.) which included various ancillary facilities with a total area of approximately 3,488 sq.ft. (approximately 324 sq.m.) located on a land parcel with a total site area of approximately 2.53 acres (approximately 110,076 sq.ft.) completed in 2002. The ancillary facilities include banquet hall, study, dining room, Chinese and Western kitchens, sunroom, basement, and wine cellar. The property was under planned area for single family residential use. The property is located in the City of Atherton, County of San Mateo, near Menlo Country Club, Woodside High School and Sacred Heart Schools, Atherton, with approximately 28 km to San Francisco International Airport (SFO). The property is held under fee simple interest.	As advised by the Group, the property is currently occupied by the owner as of the Valuation Date.	28,700,000 (100% interest attributable to the Target Companies: 28,700,000)

Notes:

i. The registered owner of the property is King Domain Limited.

ii. The Parcel ID for the land parcel is 038-312-160.

iii. The property sales comparable are selected as they have characteristics comparable to the subject property. The price range of the comparable from US$1,500 to US$2,600 per sq.ft. on gross building area. The unit rate adopted in the valuation is consistent with the unit rate of the relevant comparable after considered various adjustments including market conditions, size, location, time, age, quality, and any other relevant factors when comparing such sales against the subject property. In the course of our valuation, we have adopted the average unit rate of the comparable of US$2,117 per sq.ft. on gross building area.

iv. The selection criteria of the 8 transaction comparable references are stated below:

a. The usage of the comparable references, which are residential;

b. The property type of the comparable references, which are single family home;

c. The location of the comparable references, which are located in Atherton;

d. The size of the comparable references, which are above 7,500 sq.ft.; and

e. The transaction date of the comparable references is occurred within 3 years prior to the valuation date.

The comparable references are exhaustive based on the above selection criteria.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Fair value in existing state as at 31 March 2023 *US$*
2.	25 Longview Court, Hillsborough, CA 94010, County of San Mateo, State of California, the United States of America	The property comprises a 1-storey single family home with a total gross building area of approximately 5,700 sq.ft. (approximately 530 sq.m.) located on 2 land parcels with a total site area of approximately 0.59 acres (approximately 25,603 sq.ft.) completed in 2000. The property was under planned area for single family residential use. The property is located in the City of Hillsborough, County of San Mateo, near Vista Park, St. Barts Church, and Montessori Children's House, with approximately 17 km to San Francisco International Airport (SFO). The property is held under fee simple interest.	As advised by the Group, the property is currently occupied by the owner as of the Valuation Date.	9,900,000 (100% interest attributable to the Target Companies: 9,900,000)

Notes:

i. The registered owner of the property is Honour Smart Investments Limited.

ii. The parcel ID for the land parcels is 031-300-040.

iii. The property sales comparable are selected as they have characteristics comparable to the subject property. The price range of the comparable from US$1,600 to US$2,000 per sq.ft. on gross building area. The unit rate adopted in the valuation is consistent with the unit rate of the relevant comparable after considered various adjustments including market conditions, size, location, time, age, quality, and any other relevant factors when comparing such sales against the subject property. In the course of our valuation, we have adopted the average unit rate of the comparable of US$1,737 per sq.ft. on gross building area.

iv. The selection criteria of the 5 transaction comparable references are stated below:

a. The usage of the comparable references, which are residential;

b. The property type of the comparable references, which are single family home;

c. The location of the comparable references, which are located in Hillsborough;

d. The size of the comparable references, which are 3,500 to 6,500 sq.ft.; and

e. The transaction date of the comparable references is occurred within 2 years prior to the valuation date.

The comparable references are exhaustive based on the above selection criteria.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Fair value in existing state as at 31 March 2023 *US$*
3.	40 Verbalee Lane, Hillsborough, CA 94010, County of San Mateo, State of California, the United States of America	The property comprises a 4-storey single family home with a total gross building area of approximately 34,639 sq.ft. (approximately 3,218 sq.m.)which included various ancillary facilities with a total area of approximately 17,489 sq. ft. (approximately 1,625 sq.m.) located on 7 land parcels with a total site area of approximately 5.91 acres (approximately 257,309 sq.ft.) completed in 1932. The property has been remodeled from 2016 to 2020 and the total incurred cost is approximately US$ 28,000,000. The ancillary facilities include banquet hall, study, conference room, dining room, Chinese and Western kitchens, sunroom, and wine cellar. The property was under planned area for single family residential use. The property is located in the City of Hillsborough, County of San Mateo, near Peninsula Golf & Country Club, Aragon High School Tennis Court, and College of San Mateo, with approximately 13 km to San Francisco International Airport (SFO). The property is held under fee simple interest.	As advised by the Group, the property is currently occupied by the owner as of the Valuation Date.	76,700,000 (100% interest attributable to the Target Companies: 76,700,000)

Notes:

i. The registered owner of the property is Delight Wise Investments Limited.

ii. The parcel ID for the land parcels is 038-312-160.

iii. The property sales comparable are selected as they have characteristics comparable to the subject property. The price range of the comparable from US$1,500 to US$2,800 per sq.ft. on gross building area. The unit rate adopted in the valuation is consistent with the unit rate of the relevant comparable after considered various adjustments including market conditions, size, location, time, age, quality, and any other relevant factors when comparing such sales against the subject property. In the course of our valuation, we have adopted the average unit rate of the comparable of US$2,214 per sq.ft. on gross building area.

iv. The selection criteria of the 5 transaction comparable references are stated below:

a. The usage of the comparable references, which are residential;

b. The property type of the comparable references, which are single family home;

c. The location of the comparable references, which are located in San Mateo County;

d. The size of the comparable references, which are above 7,500 sq.ft.; and

e. The transaction date of the comparable references is occurred within 3 years prior to the valuation date.

The comparable references are exhaustive based on the above selection criteria.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Fair value in existing state as at 31 March 2023 *US$*
4.	1111 Tournament Drive, Hillsborough, CA 94010, County of San Mateo, State of California, the United States of America	The property comprises a 2-storey single family home with a total building area of approximately 6,520 sq.ft. (approximately 606 sq.m.) located on a land parcel with a total site area of approximately 0.71 acres (approximately 30,900 sq.ft.) completed in 1995. The property was under planned area for single family residential use. The property is located in the City of Hillsborough, County of San Mateo, near Peninsula Golf & Country Club, Aragon High School Tennis Court, and College of San Mateo, with approximately 13 km to San Francisco International Airport (SFO). The property is held under fee simple interest.	As advised by the Group, the property is currently occupied by the owner as of the Valuation Date.	7,200,000 (100% interest attributable to the Target Companies: 7,200,000)

Notes:

i. The registered owner of the property is Sheen Green Investments Limited.

ii. The parcel ID for the land parcel is 038-343-060.

iii. The property sales comparable are selected as they have characteristics comparable to the subject property. The price range of the comparable from US$1,000 to US$1,400 per sq.ft. on gross building area. The unit rate adopted in the valuation is consistent with the unit rate of the relevant comparable after considered various adjustments including market conditions, size, location, time, age, quality, and any other relevant factors when comparing such sales against the subject property. In the course of our valuation, we have adopted the average unit rate of the comparable of US$1,104 per sq.ft. on gross building area.

iv. The selection criteria of the 5 transaction comparable references are stated below:

   a. The usage of the comparable references, which are residential;

   b. The property type of the comparable references, which are single family home;

   c. The location of the comparable references, which are located in Hillsborough;

   d. The size of the comparable references, which are above 4,500 to 7,500 sq.ft.; and

   e. The transaction date of the comparable references is occurred within 2 years prior to the valuation date.

   The comparable references are exhaustive based on the above selection criteria.

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 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 "**SGM**") will be held at Artyzen Club, 401A, 4/F Shun Tak Centre (near China Merchants Tower), 200 Connaught Road Central, Hong Kong on Thursday, 20 July 2023 at 11:00 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 Settlement Arrangement and the transaction contemplated thereunder as defined and described in the circular of the Company dated 28 June 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 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 Settlement Arrangement and the transaction contemplated thereunder is obtained, the Settlement Arrangement 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 steps which in the opinion of the Directors may necessary, appropriate, desirable or expedient to implement and/or give effect to the Settlement Arrangement and the transactions contemplated thereunder, as aforesaid."

By order of the Board of
China Tonghai International Financial Limited
HAN Xiaosheng
Co-Chairman

Hong Kong, 28 June 2023

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

Head Office and Principal Place of Business in Hong Kong:
5/F and 24/F (Rooms 2401 and 2412)
Wing On Centre
111 Connaught Road Central
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint the chairman of the SGM as his proxy 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. The chairman of the SGM will be a member of the Independent Board Committee that is independent of the Company and who does not hold any Shares or is otherwise interested in the Settlement Arrangement and the transactions contemplated thereunder at the SGM.

3. 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.

4. 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.

5. In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a corporation, either under its common seal, or under the hand of any officer or attorney or other person, duly authorised; and the form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a certified copy of such power of attorney or authority must be deposited at the office of the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited 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 SGM or any adjourned meeting.

6. The Directors have fixed 4:30 p.m. on Friday, 14 July 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 (5) above not later than 4:30 p.m. on Friday, 14 July 2023.

7. 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 11:00 a.m. on the date of SGM, the SGM will not be held on that day but will be automatically postponed. The Company will publish an announcement on the websites of HKEXnews (www.hkexnews.hk) and the Company (www.tonghaifinancial.com) respectively to notify the members of the Company of the date, time and place of the rescheduled meeting. The SGM will be held as scheduled when an amber or red rainstorm warning signal is in force. Shareholders should make their own decision as to whether they would attend the SGM under bad weather conditions bearing in mind their own situations and if they should choose so to do, they are advised to exercise case and caution.

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.

As at the date of this notice, the Board of the Company comprises:

Executive Directors:
Mr. HAN Xiaosheng *(Co-Chairman)*
Mr. LIU Hongwei
Mr. Kenneth LAM Kin Hing *(Co-Chairman)*
Mr. LAM Wai Hon

Non-executive Director:
Mr. FANG Zhou

Independent Non-executive Directors:
Mr. Roy LO Wa Kei
Mr. LIU Jipeng