
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in the Company, you should at once hand this circular, together with the accompanying form of proxy to the purchaser or the transferee, or to the Company, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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恒投證券 HENGTOU SECURITIES

(a joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name "恒泰证券股份有限公司" and carrying on business in Hong Kong as "恒投證券" (in Chinese) and "HENGTOU SECURITIES" (in English))

(the "Company")
(Stock Code: 01476)

CONNECTED TRANSACTIONS GUARANTEE AND COUNTER-GUARANTEE AND NOTICE OF EGM

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



A notice convening the EGM to be held at the meeting room of 11/F, China Life Centre, No. 17 Finance Street, Xicheng District, Beijing, the PRC at 9:00 a.m. on Wednesday, 20 September 2023 is set out on pages 21 to 23 of this circular. A form of proxy for use at the EGM is also enclosed with this circular.

If you intend to attend the EGM by proxy, you are required to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the H Shares registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for the holders of H Shares), or to the Company's head office in the PRC at 11/F, China Life Centre, No. 17 Finance Street, Xicheng District, Beijing, the PRC (for the holders of Domestic Shares) as soon as possible but in any event not less than 24 hours before the time appointed for holding of the EGM (i.e. before 9:00 a.m. on Tuesday, 19 September 2023) or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

4 September 2023

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DEFINITIONS

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

“Board”	the board of Directors of the Company
“Company”	a joint stock company incorporated in the People’s Republic of China with limited liability under the Chinese corporate name “恒泰证券股份有限公司” and carrying on business in Hong Kong as “恒投證券” (in Chinese) and “HENGTOU SECURITIES” (in English)
“Counter-Guarantee”	the counter-guarantee provided by the Company in favour of Finance Street Investment under the Counter-Guarantee Agreement
“Counter-Guarantee Agreement”	the counter-guarantee agreement to be entered into among Finance Street Investment (as guarantor), the Company (as counter-guarantor) and New China Fund (as debtor)
“Counter-Guarantee Value”	the appraisal value of assets mortgaged or pledged by the Company in favour of Finance Street Investment under the Counter-Guarantee Agreement
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary share(s) issued by the Company with a nominal value of RMB1.00 each in the share capital of the Company, which are subscribed for or credited as fully paid in Renminbi
“EGM”	the 2023 third extraordinary general meeting of the Company to be held at the meeting room of 11/F, China Life Centre, No. 17 Finance Street, Xicheng District, Beijing, the PRC at 9:00 a.m. on Wednesday, 20 September 2023

DEFINITIONS

“Finance Street Investment”	Beijing Finance Street Investment (Group) Co., Ltd.* (北京金融街投資(集團)有限公司), formerly known as Beijing Finance Street Construction Group Co., Ltd.* (北京金融街建設集團有限公司), a subsidiary of SASAC Xicheng District and a substantial shareholder of the Company
“Group”	the Company and its subsidiaries
“Guarantee”	the joint liability guarantee provided by Finance Street Investment in favour of ICBC Beijing branch in respect of the Guaranteed Amount under the Guarantee Agreement and the Guarantee Letter
“Guarantee Agreement”	the guarantee agreement to be entered into between Finance Street Investment (as guarantor) and New China Fund (as guaranteed) in relation to the Implementation Settlement Agreement
“Guarantee Letter”	the guarantee letter to be entered into by Finance Street Investment (as guarantor) in favour of ICBC Beijing branch in relation to the Implementation Settlement Agreement
“Guarantee Period”	from the date of the Guarantee Letter until final repayment by New China Fund in respect of the Indebtedness
“Guaranteed Amount”	58.6207% (or such higher percentage as adjusted pursuant to the Guarantee Agreement) of the Indebtedness
“H Share(s)”	ordinary share(s) issued by the Company with a nominal value of RMB1.00 each in the share capital of the Company, which are subscribed for and traded in HK\$ and listed on the Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Hengtai Changcai”	Hengtai Changcai Securities Co., Ltd.* (恒泰長財證券有限責任公司), 100% equity interest of which is held by the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“ICBC Beijing branch”	Industrial and Commercial Bank of China Beijing branch*
“Implementation Settlement Agreement”	the implementation settlement agreement to be entered into between New China Fund and ICBC Beijing branch
“Indebtedness”	the outstanding amount (including principal and interests accrued thereon) due by New China Fund to ICBC Beijing branch from time to time under the Implementation Settlement Agreement
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely, Dr. Lam Sek Kong, Mr. Xie Deren and Mr. Dai Genyou, established to make recommendation to the Independent Shareholders in respect of the Transactions
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Transactions
“Independent Shareholders”	the Shareholders who are not prohibited or required to abstain from voting on the resolution approving the Transactions at the EGM
“Latest Practicable Date”	29 August 2023, being the latest practicable date prior to the bulk printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New China Fund”	New China Fund Management Co., Ltd.* (新華基金管理股份有限公司), 58.6207% equity interest of which is held by the Company

DEFINITIONS

“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC Xicheng District”	The State-owned Assets Supervision and Administration Commission of Xicheng District People’s Government of Beijing Municipality (北京市西城區人民政府國有資產監督管理委員會), which directly and indirectly holds 100% equity interest of Finance Street Investment
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the Domestic Share(s) and the H Share(s)
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meanings ascribed to it under the Listing Rules
“Transactions”	the Guarantee, the Counter-Guarantee and the transactions contemplated thereunder

* If there is any inconsistency between the Chinese names of entities or enterprises established in China and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese or another language and the Chinese translation of company names in English is for identification purposes only.

LETTER FROM THE BOARD

恒投證券
HENGTOU SECURITIES

(a joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name “恒泰证券股份有限公司” and carrying on business in Hong Kong as “恒投證券” (in Chinese) and “HENGTOU SECURITIES” (in English))

(the “Company”)
(Stock Code: 01476)

Executive Directors:

Mr. Zhu Yanhui
Mr. Wu Yigang

Non-executive Directors:

Mr. Yu Lei
Mr. Wang Linjing
Ms. Yu Lei
Mr. Li Ye

Independent non-executive Directors:

Dr. Lam Sek Kong
Mr. Xie Deren
Mr. Dai Genyou

Registered address:

Manshishangdu Office and Commercial Complex
Hailaer East Street
Xincheng District
Hohhot
Inner Mongolia Autonomous Region
the PRC

Head office address:

11/F, China Life Centre
No. 17 Finance Street
Xicheng District, Beijing
the PRC

Place of business in Hong Kong:

40/F, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai, Hong Kong

4 September 2023

To the Shareholders,

Dear Sir/Madam,

**CONNECTED TRANSACTIONS
GUARANTEE AND COUNTER-GUARANTEE
AND
NOTICE OF EGM**

LETTER FROM THE BOARD

INTRODUCTION

Reference is made to the announcement of the Company dated 13 August 2023 in relation to the Transactions.

The purpose of this circular is to provide you with, among others, (i) information in relation to the Transactions; (ii) letter of advice from the Independent Board Committee in relation to the Transactions; (iii) letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in relation to the Transactions; and (iv) the notice convening the EGM, at which an ordinary resolution will be proposed to consider and, if thought fit, to approve the Transactions.

BACKGROUND

As disclosed in the Company's 2022 annual report, from April 2018 to October 2018, a total of 30 Dongxu series of special account products were successively established with New China Fund as the manager, ICBC Beijing branch as the custodian and 4 companies (which are independent third parties of the Company) including (i) Beijing Ali Minxin Investment Co., Ltd.* (北京阿里民信投資有限公司), (ii) Guorong Zhongkong (Beijing) Capital Operation Co., Ltd.* (國融中控(北京)資本運營有限公司), (iii) Beijing Kunheyuan Investment Management Co., Ltd.* (北京坤合元投資管理有限公司) and (iv) Dalian Hengsheng Investment Management Co., Ltd.* (大連亨晟投資管理有限公司) as the principals. Dongxu series of special account products are mainly used to purchase the exchange bonds issued by Dongxu Group Co., Ltd.* (東旭集團有限公司) or Dongxu Optoelectronic Technology Co., Ltd.* (東旭光電科技股份有限公司) (which are independent third parties of the Company) ("**Dongxu Bonds**") and then incorporate the funds through in-market pledged repo (repurchase) transactions. Pledged repo transaction is a short-term financing transaction where the repo party (i.e. Dongxu series of special account products) borrows funds and pledges the Dongxu Bonds to the reverse repo party (i.e. in-market participants which are independent third parties of the Company), and when the repo party repays such funds to the reverse repo party at the repo interest rate, the reverse repo party shall return the pledged Dongxu Bonds to the repo party on a future date as agreed by the parties. Since 22 November 2019, due to the decrease in the pledge rate of Dongxu Bonds, the special account products of Dongxu series have gradually experienced insufficient inventory, and the four principals no longer have additional funds to supplement the inventory of the special account products of Dongxu series, resulting in overdraft of the special account products of Dongxu series. The relevant product management contract provides that New China Fund, as manager, shall provide additional funds if the overdraft of the special account products of Dongxu series is caused by the manager. The head office of the Industrial and Commercial Bank of China, as a clearing participant, advanced clearing funds of approximately RMB1,169 million funds (the "**Advance Settlement**") to China Securities Depository and Clearing Corporation Limited.

LETTER FROM THE BOARD

On 11 October 2021, based on the dispute resolution provision in the product management contract of 30 special account products of Dongxu series, ICBC Beijing branch submitted four arbitration applications in relation to the four principals to Beijing Arbitration Commission for compensation from its manager, New China Fund, for the Advance Settlement and interest losses, and for the arbitration fees and preservation fees of the abovementioned four arbitration cases. Although New China Fund submitted that the overdraft of the special account products of Dongxu series is not caused by it and the relevant product management contract provides that the principals shall be liable for all risks associated with the investment and operation of the products, on 6 December 2022, the ruling of the Beijing Arbitration Commission (the “**Ruling**”) was delivered, which required New China Fund to pay the outstanding Advance Settlement (RMB361,852,376.9) and interests of the Advance Settlement (RMB3,321,000.85 as of 27 September 2021 plus further interests calculated at the interest rate of 1.12% per annum from 28 September 2021), arbitration fees (RMB1,895,302.7) and preservation fees (RMB5,000) to ICBC Beijing branch. On 10 March 2023, New China Fund and ICBC Beijing branch entered into and submitted an interim implementation settlement agreement to the Beijing Financial Court. Beijing Financial Court ruled to terminate the enforcement proceedings on 14 March 2023.

Pursuant to the aforesaid interim implementation settlement agreement, (i) New China Fund agreed to pay ICBC Beijing branch the amount as stated in the Ruling; and (ii) the parties agreed to negotiate and enter into a final implementation settlement agreement by 31 August 2023. The final implementation settlement agreement, which is the Implementation Settlement Agreement, would stipulate the repayment schedule. Pursuant to the Implementation Settlement Agreement, New China Fund shall repay RMB160,523,459.80 (as the principal of the Advance Settlement) to ICBC Beijing branch by 31 August 2023 and New China Fund shall repay the remaining Indebtedness to ICBC Beijing branch from 1 January 2024 to 31 August 2030 in seven installments as follow with each installment repayable before 31 August of the relevant year:

Year	Principal (RMB)	Interest (RMB)	Total (RMB)	Remaining principal (RMB)
2024	60,000,000	11,160,000	71,160,000	936,000,000
2025	80,000,000	10,480,000	90,480,000	856,000,000
2026	171,200,000	9,590,000	180,790,000	684,800,000
2027	171,200,000	7,670,000	178,870,000	513,600,000
2028	171,200,000	5,750,000	176,950,000	342,400,000
2029	171,200,000	3,830,000	175,030,000	171,200,000
2030	171,200,000	1,920,000	173,120,000	0
Total	<u>996,000,000</u>	<u>50,400,000</u>	<u>1,046,400,000</u>	<u> </u>

If the final implemental settlement agreement is substantially changed from the terms as disclosed in this circular, the Company may be required to seek independent shareholders’ approval again.

LETTER FROM THE BOARD

GUARANTEE

Finance Street Investment (as guarantor) and New China Fund (as guaranteed) intend to enter into the Guarantee Agreement, pursuant to which Finance Street Investment shall provide joint liability guarantee in favour of ICBC Beijing branch in respect of 58.6207% of the Indebtedness owed by New China Fund. If New China Fund is unable to repay the Indebtedness on schedule, then Finance Street Investment is liable to repay ICBC Beijing branch 58.6207% of the relevant installment of the Indebtedness.

The Guarantee Period is from the date of the Guarantee Letter until final repayment by New China Fund in respect of the Indebtedness.

After the Guarantee Agreement becomes effective, Finance Street Investment shall enter into the Guarantee Letter with ICBC Beijing branch, pursuant to which Finance Street Investment shall provide joint liability guarantee in favour of ICBC Beijing branch in respect of 58.6207% of the Indebtedness. 58.6207% is the shareholding percentage in New China Fund currently indirectly held by Finance Street Investment through the Company. If such shareholding percentage in New China Fund increases due to capital injection or acquisition by a company de-facto controlled, controlled or wholly-owned by Finance Street Investment, the Guaranteed Amount shall be increased to such new shareholding percentage in New China Fund. If the relevant shareholding percentage of Finance Street Investment in New China Fund decreases and the parties later agree to decrease the Guaranteed Amount, the Company shall make announcement as and when appropriate. As at the Latest Practicable Date, the Company and its subsidiaries do not have intention to increase or decrease their shareholding in New China Fund.

Finance Street Investment shall charge New China Fund a guarantee fee of 0.3% per annum (the “**Guarantee Rate**”) over the Guaranteed Amount during the Guarantee Period.

The guarantee fee for each year shall be payable by New China Fund to Finance Street Investment by the end of June each year. If the first or last tranche of the Guarantee Period is less than one calendar year, the guarantee fee shall be payable based on actual period of the relevant tranche of the Guarantee Period.

The Guaranteed Amount is no more than approximately RMB613,407,005, representing approximately 58.6207% of the balance of the Advance Settlement of RMB996,000,000 plus interest of RMB50,400,000 in relation thereto.

The Guarantee Rate was determined after arm’s length negotiation with reference to the market guarantee rate of 1%-1.2% per annum that would be charged by other independent third parties, after taking into account of (1) the fact that Finance Street Investment is indirectly interested in 29.99% of the issued share capital of the Company and hence the Pledged Asset (iii), and (2) the Counter-Guarantee provided by the Company in favour of Finance Street Investment under the Counter-Guarantee Agreement.

LETTER FROM THE BOARD

In determining the market guarantee rate of 1%-1.2%, the Company has obtained quotations from two independent guarantee service providers for provision of guarantee service regarding the Guaranteed Indebtedness for the same guarantee period. These guarantee service providers do not accept counter-guarantees. Even if they accept counter-guarantees of the same Counter-Guarantee Value, the guarantee rate will not be reduced.

In the event that Finance Street Investment performs its guarantee obligation and makes repayment to ICBC Beijing branch on behalf of New China Fund, Finance Street Investment has the right to demand repayment from New China Fund or the Company.

The Guarantee Agreement shall be effective upon approval by the Independent Shareholders.

COUNTER-GUARANTEE

Finance Street Investment (as guarantor), the Company (as counter-guarantor) and New China Fund (as debtor) intend to enter into the Counter-guarantee Agreement, pursuant to which the Company shall mortgage or pledge the following assets of the Company (the “**Pledged Assets**”) to Finance Street Investment as security in relation to the Guaranteed Amount to be guaranteed by Finance Street Investment in accordance with the Implementation Settlement Agreement, the Guarantee Agreement and the Guarantee Letter:

1. an immovable property, being a residential property of the Company located at Unit 1, Building 2, Block 6, Dongjing Road, Xicheng District, Beijing, with a gross floor area of 1,658.56 square meters and an appraisal value of approximately RMB130 million as at 31 July 2023. It is currently leased to an independent third party individual;
2. an immovable property, being the Manshi Shangdu Office and Commercial Complex Building of the Company located at Hailar East Street, Xincheng District, Hohhot City, Inner Mongolia Autonomous Region, with a gross floor area of 15,106.98 square meters and an appraisal value of approximately RMB120 million as at 31 July 2023. It is currently used by the Company as office; and
3. 50% equity and ancillary interest of Hengtai Changcai (a wholly-owned subsidiary of the Company) with an appraisal value of approximately RMB550 million as at 30 June 2022 (being 50% of approximately RMB1,100 million).

LETTER FROM THE BOARD

The Pledged Asset (i) was selected because it is the only residential property held by the Company in Beijing. It only generates rental income for the Company and does not relate to the principle business of the Company. Accordingly, if such Pledged Asset is taken by Finance Street Investment, there will be no material adverse impact on the business of the Group.

The Pledge Asset (ii) was selected because its appraisal value is above RMB100 million. Such Pledge Asset only accounted for a small percentage of the total gross floor area used by the Group and the Company can relocate easily. Accordingly, if such Pledge Asset is taken by Finance Street Investment, there will be no material adverse impact on the business of the Group.

The Pledged Asset (iii) was selected instead of other properties held by the Company to reduce the administrative burden as a result of providing numerous properties as pledged assets because the appraisal values of other properties held by the Company are below RMB15 million due to sizes and locations. On the other hand, the Company can continue to consolidate the financial information of the Pledged Asset (iii) even if such Pledge Asset is taken by Finance Street Investment. Accordingly, there will be no material adverse impact on the business of the Group.

The Counter-Guarantee Value, being the aggregate appraisal value of the Pledged Assets derived based on independent valuations conducted by independent third party valuers, is approximately RMB800 million, representing 130% of the Guaranteed Amount as at the date of the Guarantee Agreement.

The total amount of the Pledged Assets will decrease gradually as New China Fund repays the Indebtedness to ICBC Beijing branch. It is currently expected that the Pledged Assets (ii), (i) and (iii) shall be released upon payment of second, third and last installment of the Indebtedness by New China Fund to ICBC Beijing branch, respectively.

If the Company is subsequently required to increase the Counter-Value when the Guarantee Amount increases, the Company will further comply with the Listing Rules requirements under such circumstances.

The period of Counter-Guarantee shall be two years from the date when Finance Street Investment actually performs its guarantee obligations, which is within the three-year litigation limitation period of the Guarantee. Since the Guarantee (and hence the Counter-Guarantee) shall be provided as a result of a dispute and arbitration, the parties considered the litigation limitation period in determining the period of Counter-Guarantee. Accordingly, the Board considered that the period of Counter-Guarantee is fair and reasonable and in the interest of the Company under such circumstances.

Should Finance Street Investment enforce and sell the Pledged Assets:

- (i) any proceeds received by Finance Street Investment from such sale in excess of the payment obligations of the Company/New China Fund under the Counter-Guarantee shall be returned to the Company; or
- (ii) in the event that the proceeds received by Finance Street Investment from such sale is less than the payment obligations of the Company/New China Fund under the Counter-Guarantee, Finance Street Investment is entitled to recover the shortfall in accordance with law.

The Counter-Guarantee Agreement shall be effective upon approval by the Independent Shareholders.

LETTER FROM THE BOARD

FINANCIAL IMPACT OF THE GUARANTEE AND THE COUNTER-GUARANTEE

The Guarantee and the Counter-Guarantee will not have any immediate effect on the earnings, assets and liabilities of the Company on the date of the Guarantee Agreement and the date of the Counter-Guarantee Agreement respectively. However, if New China Fund fails to make payment of any Guaranteed Amount, the Company, as the counter-guarantor, will be responsible for the Counter-Guarantee Value, and such amount of liabilities will be recorded in the Group's consolidated financial statements

Save as disclosed above, the Directors are of the view that the receipt of the Guarantee under the Guarantee Agreement and the provision of the Counter-Guarantee under the Counter-Guarantee Agreement will not have any material effects on the earnings, assets and liabilities of the Group.

REASONS FOR ENTERING INTO THE TRANSACTIONS

As a public fund company controlled by the Company, New China Fund is of great significance to the Company's strategic development. If New China Fund is unable to pay off its debts and leads to bankruptcy, the Company will cease to have its public fund business, and hence will adversely affect the Company's strategic development as a full-license securities firm. The Company, as the controlling shareholder of New China Fund, shall earnestly perform its shareholders' obligations and responsibilities and resolve the debt risk of New China Fund in a timely manner.

However, the Company is not included in the ICBC system credit granting system based on the Company's profile, and therefore the Company is unable to provide joint and several liability guarantee in respect of the Indebtedness. On the other hand, in view of the high-quality reputation of Financial Street Investment and its strong capital strength, ICBC Beijing branch accepts the Guarantee to be provided by Financial Street Investment.

To resolve the matter, Finance Street Investment shall provide the Guarantee at the Guarantee Rate, which is below the standard guarantee rate that Finance Street Investment would charge from other independent third parties. To reduce the Guarantee Rate from the standard guarantee rate of 1% to 0.3%, the Company shall provide the Counter-Guarantee. It is not uncommon for banks/financial institutions in the PRC to require the pledged assets to have a value exceeding the amount of the loan as security for the financing arrangement, and charge interests at the same time based on the borrower's profile and relationship with the banks/financial institutions. Accordingly, the Board is of the view that it is fair and reasonable and is in the interest of the Company and is in line with the market practice in the PRC for the Counter-Guarantee Value to be higher than the Guaranteed Amount while paying a guarantee fee at a rate lower than the market guarantee rates.

The terms of the Guarantee Agreement, the Counter-Guarantee Agreement and the transactions contemplated thereunder have been arrived at after arm's length negotiations between the parties.

Based on the foregoing, the Directors (including the independent non-executive Directors) considered that the Transactions will be entered into on normal commercial terms or better and are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LETTER FROM THE BOARD

According to the internal regulations relating to connected transactions of the Company, a Director who holds a position in a legal entity that can directly or indirectly control the counterparty of the connected transaction shall abstain from voting on the Board resolutions approving such transaction. Mr. Zhu Yanhui, an executive Director, is a director and the deputy general manager of Finance Street Investment. Ms. Yu Lei, a non-executive Director, is the chief risk officer of Finance Street Investment. Mr. Li Ye, a non-executive Director, is the general manager of asset management department and investment director of Finance Street Investments. To avoid any potential conflict of interest, each of Mr. Zhu Yanhui, Ms. Yu Lei and Mr. Li Ye has abstained from voting on the Board resolutions approving the Transactions.

IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, Finance Street Investment is indirectly interested in 29.99% of the issued share capital of the Company and therefore a substantial shareholder of the Company and hence a connected person of the Company. Accordingly, each of the Transactions (namely, the Guarantee and the Counter-Guarantee) constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) is more than 5%, and the Guaranteed Amount under the Guarantee and the Counter-Guarantee Value under the Counter-Guarantee respectively is above HK\$10 million, each of the Guarantee and the Counter-Guarantee constitutes a connected transaction, and is subject to the reporting, announcement, circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Any Shareholders who have a material interest in the Transactions will be required to abstain from voting on the ordinary resolution in respect of the Transactions at the EGM. As of the Latest Practicable Date, Finance Street Investment, through Beijing Huarong Zonghe Investment Co., Ltd. (北京華融綜合投資有限公司) and Beijing Finance Street Xihuan Properties Co., Ltd. (北京金融街西環置業有限公司), is indirectly interested in 29.99% of the issued share capital of the Company. Accordingly, Beijing Huarong Zonghe Investment Co., Ltd. (北京華融綜合投資有限公司) and Beijing Finance Street Xihuan Properties Co., Ltd. (北京金融街西環置業有限公司), are required to abstain from voting on the ordinary resolution approving the Transactions at the EGM.

LETTER FROM THE BOARD

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

In compliance with the Listing Rules, the Independent Board Committee has been established to consider the terms of the Transactions and to advise the Independent Shareholders as to whether they are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and to give its recommendation as to the voting in respect of the resolution to be proposed at the EGM for approving, after taking into account the recommendation of Gram Capital. In this connection, Gram Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the Transactions. The text of the letter from the Independent Board Committee is set out on page 11 of this circular and the text of the letter from Gram Capital containing its advice is out on pages 12 to 20 of this circular.

INFORMATION ON THE PARTIES INVOLVED

The Company is principally engaged in the securities brokerage business.

New China Fund is a non-wholly owned subsidiary of the Company and is owned by our Company, New China Trust Co., Ltd. (新華信託股份有限公司) (which is ultimately controlled by two independent third party individuals, namely, Zhou Xueqin (周學琴) and Zhou Wuyun (周五雲)) and Hangzhou Yongyuan Network Technology Co., Ltd. (杭州永原網絡科技有限公司) (which is ultimately 100% owned by an independent third party individual, namely, Han Jie (韓杰)) as to approximately 58.6207%, 35.3103% and 6.0690%, respectively. Other than having interests in New China Fund, New China Trust and Hangzhou Yongyuan were independent third parties. New China Fund is principally engaged in the fund management business.

Hengtai Changcai is a wholly-owned subsidiary of the Company and is principally engaged in the securities underwriting and sponsoring business.

ICBC Beijing branch is principally engaged in the banking business. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, ICBC Beijing branch and the ultimate beneficial owner of ICBC Beijing branch are third parties independent of the Company and connected persons of the Company.

Finance Street Investment is primary engaged in the investment and asset management business. It is a subsidiary of SASAC Xicheng District and a substantial shareholder of the Company.

LETTER FROM THE BOARD

THE EGM

The EGM will be held at 9:00 a.m. on Wednesday, 20 September 2023 to consider and, if thought fit, to pass resolution in respect of the matters set out in the notice of the EGM. A form of proxy will be dispatched to the Shareholders in accordance with the articles of associations of the Company and the Listing Rules on Monday, 4 September 2023.

Whether or not you intend to attend and/or vote at the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible.

Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting, should you so wish.

VOTING BY POLL

According to the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Results of the poll voting will be published on the Company's website at www.cnht.com.cn and the website of "HKEXnews" at www.hkexnews.hk after the EGM.

RECOMMENDATION

The Board considers that the resolution to be proposed at the EGM are in the interests of the Company and its Shareholders as a whole. Accordingly, the Board recommends that the Shareholders vote in favour of the resolution to be proposed at the EGM.

ADDITIONAL INFORMATION

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

Yours faithfully,
By order of the Board
Zhu Yanhui
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of recommendation from the Independent Board Committee to the Independent Shareholders prepared for the purpose of incorporation in this circular.

恒投證券 HENGTOU SECURITIES

(a joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name “恒泰证券股份有限公司” and carrying on business in Hong Kong as “恒投證券” (in Chinese) and “HENGTOU SECURITIES” (in English))

(the “Company”)
(Stock Code: 01476)

4 September 2023

To the Independent Shareholders,

Dear Sir or Madam,

CONNECTED TRANSACTIONS GUARANTEE AND COUNTER-GUARANTEE

We refer to the circular of the Company dated 4 September 2023 (the “Circular”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee to advise you on the terms of the Transactions. Gram Capital has been appointed as the Independent Financial Adviser to advise you and us in the same regard. Details of their advice, together with the principal factors and reasons they have taken into consideration in giving such advice, are set out on pages 12 to 20 of the Circular. Your attention is also drawn to the “Letter from the Board” in the Circular and the additional information set out in the appendix thereto.

Having considered the terms of the Transactions, and taking into account the advice of Gram Capital, in particular the principal factors, reasons and advice as set out in its letter, we consider that the entering into of the Transactions is not in the ordinary and usual course of business of the Group but is on normal commercial terms or better, the terms of the Transactions are fair and reasonable so far as the Independent Shareholders are concerned and the Transactions are in the interest of the Company and the Shareholders as a whole. We therefore recommend you to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Transactions.

Yours faithfully,

For and on behalf of the

Independent Board Committee

Dr. Lam Sek Kong, Mr. Xie Deren and Mr. Dai Genyou

Independent non-executive Directors

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

4 September 2023

*To: The independent board committee and the independent shareholders
of HENGTOU SECURITIES*

Dear Sirs,

CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Guarantee, the Counter-Guarantee and the transactions contemplated thereunder (i.e. the Transactions), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 4 September 2023 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 13 August 2023, the Company announced that:

- Finance Street Investment (as guarantor) and New China Fund (as guarantee) intend to enter into the Guarantee Agreement, pursuant to which Finance Street Investment shall provide joint liability guarantee in favour of ICBC Beijing branch in respect of 58.6207% of the Indebtedness due by New China Fund; and
- Finance Street Investment (as guarantor), the Company (as counter-guarantor) and New China Fund (as debtor) intend to enter into the Counter-guarantee Agreement, pursuant to which the Company shall mortgage or pledge certain assets of the Company to Finance Street Investment as security in relation to the Guaranteed Amount to be guaranteed by Finance Street Investment in accordance with the Implementation Settlement Agreement, the Guarantee Agreement and the Guarantee Letter.

LETTER FROM GRAM CAPITAL

With reference to the Board Letter, each of the Transactions constitute connected transaction of the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under the Listing Rules.

The Independent Board Committee comprising Dr. Lam Sek Kong, Mr. Xie Deren and Mr. Dai Genyou (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Transactions are fair and reasonable; (ii) whether the Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Transactions at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

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

BASIS OF OUR OPINION

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

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects

LETTER FROM GRAM CAPITAL

and not misleading or deceptive, and there are no other matters the omission of which would make any statement as contained therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

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

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transactions, we have taken into consideration the following principal factors and reasons:

Information of the Group

With reference to the Company's annual report for the year ended 31 December 2022 (the "**2022 Annual Report**"), the Group is principally engaged in securities underwriting and sponsorship, agency sale of securities and financial product, securities and futures brokerage, assets management, investment consultancy, margin financing and securities lending, fund establishing and management, and other business as approved by the CSRC.

With reference to the Board Letter, New China Fund is a non-wholly-owned subsidiary of the Company and is principally engaged in the fund management business. As at the Latest Practicable Date, New China Fund is owned by the Company as to approximately 58.6207%, New China Trust Co., Ltd. (新華信託股份有限公司) as to approximately 35.3103% and Hangzhou Yongyuan Network Technology Co., Ltd. (杭州永原網絡科技有限公司) as to approximately 6.0690%, respectively.

With reference to the Board Letter, Hengtai Changcai is a wholly-owned subsidiary of the Company and is principally engaged in the securities underwriting and sponsoring business.

LETTER FROM GRAM CAPITAL

Information on Finance Street Investment

With reference to the Board Letter, Finance Street Investment is primarily engaged in the investment and asset management business. As at the Latest Practicable Date, Finance Street Investment is indirectly interested in 29.99% of the issued share capital of the Company and therefore is a substantial shareholder of the Company.

Information on ICBC Beijing branch

With reference to the Board Letter, ICBC Beijing branch is principally engaged in banking business. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, ICBC Beijing branch and the ultimate beneficial owner of ICBC Beijing branch are third parties independent of the Company and connected persons of the Company.

Reasons for and benefits of the Transactions

With reference to the Board Letter, from April 2018 to October 2018, a total of 30 Dongxu series of special account products were successively established with New China Fund as the manager, ICBC Beijing branch as the custodian and 4 companies as the principals. Dongxu series of special account products are mainly used to purchase the Dongxu Bonds and then incorporate the funds through in-market pledged repo transactions. Since 22 November 2019, due to the decrease in the pledge rate of Dongxu Bonds, the special account products of Dongxu series have gradually experienced insufficient inventory, and the principal no longer has additional funds to supplement the inventory of the special account products of Dongxu series, resulting in overdraft of the special account products of Dongxu series. The head office of the Industrial and Commercial Bank of China, as a clearing participant, advanced clearing funds of approximately RMB1,169 million funds (i.e. the Advance Settlement) to China Securities Depository and Clearing Corporation Limited.

On 11 October 2021, based on the agreement on dispute resolution in the product management contract of 30 special account products of Dongxu series, ICBC Beijing branch submitted four arbitration applications for the four principals to Beijing Arbitration Commission for compensation from its manager, New China Fund, for the Advance Settlement and interest losses, and for the arbitration fees and preservation fees of the abovementioned four arbitration cases. On 6 December 2022, the ruling of the Beijing Arbitration Commission was delivered, which required New China Fund to pay the Advance Settlement and interests of the Advance Settlement, arbitration fees and preservation fees to ICBC Beijing branch. On 10 March 2023, New China Fund and ICBC Beijing branch entered into and submitted an interim implementation settlement agreement to the Beijing Financial Court. Beijing Financial Court ruled to terminate the enforcement proceedings on 14 March 2023. Pursuant to the Implementation Settlement Agreement, New China Fund shall repay the Indebtedness to ICBC Beijing branch from 1 January 2024 to 31 August 2030.

LETTER FROM GRAM CAPITAL

With reference to the Board Letter, as a public fund company controlled by the Company, New China Fund is of great significance to the Company's strategic development. If New China Fund is unable to pay off its debt and leads to bankruptcy, the Company will cease to have its public fund business, and hence will adversely affect the Company's strategic development as a full-license securities firm. The Company, as the controlling shareholder of New China Fund, shall earnestly perform its shareholders' obligations and responsibilities and resolve the debt risk of New China Fund in a timely manner. However, the Company is not included in the ICBC system credit granting system, and therefore the Company is unable to provide joint and several liability guarantee in respect of the Indebtedness. On the other hand, in view of the high-quality reputation of Financial Street Investment and its strong capital strength, ICBC Beijing branch accepts the Guarantee to be provided by Financial Street Investment.

To resolve the matter, Finance Street Investment shall provide the Guarantee at the Guarantee Rate, and the Company shall provide the Counter-Guarantee by way of mortgage or pledge of certain assets of the Company to Finance Street Investment as security in relation to the Guaranteed Amount guaranteed by Finance Street Investment in accordance with the Implementation Settlement Agreement, the Guarantee Agreement and the Guarantee Letter.

With reference to the 2022 Annual Report, during the year ended 31 December 2022, New China Fund continued to improve its investment and research expertise, strengthen compliance risk control management, improve the efficiency of middle and back office operations, and fully promote business development. According to Haitong Securities' "Performance Rankings of Equity and Fixed Income Assets of Fund Managers", New China Fund's performance of equity assets ranked among the top 30 in the industry in the past ten, seven, five and three years, with excellent performance in the medium and long term. As at 31 December 2022, New China Fund had 51 publicly-raised funds with management size of RMB57,598 million and the management size of the special accounts of New China Fund was RMB2,036 million.

With reference to the 2022 Annual Report, in 2023, in the face of the constantly changing economic situation and market environment, New China Fund will closely focus on the company's development strategy, adhere to the principle of seeking progress while maintaining stability, strengthen compliance management, focus on active management, increase reform efforts in investment and research capacity, product layout, sales system, talent team and organizational process, comprehensively improve the level of marketization and specialization, improve market competitiveness, and help the Company achieve stable and long-term development and achieve high-quality development.

Given the significance of New China Fund to the Group, New China Fund's repayment of the Indebtedness (and avoiding bankruptcy) is beneficial for the Group.

In view of the above, we consider that although the Transactions are not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole.

LETTER FROM GRAM CAPITAL

Principal terms of the Transactions

Guarantee

Finance Street Investment (as guarantor) and New China Fund (as guaranteed) intend to enter into the Guarantee Agreement, pursuant to which Finance Street Investment shall agree to provide joint liability guarantee in favour of ICBC Beijing branch in respect of 58.6207% of the Indebtedness owed by New China Fund. The Guarantee Period is from the date of the Guarantee Letter until final repayment by New China Fund in respect of the Indebtedness.

After the Guarantee Agreement becomes effective, Finance Street Investment shall enter into the Guarantee Letter with ICBC Beijing branch, pursuant to which Finance Street Investment shall provide joint liability guarantee in favour of ICBC Beijing branch in respect of 58.6207% of the Indebtedness. 58.6207% is the shareholding percentage in New China Fund currently indirectly held by Finance Street Investment through the Company. If such shareholding percentage in New China Fund increases due to capital injection or acquisition by a company de-facto controlled, controlled or wholly-owned by Finance Street Investment, the Guaranteed Amount shall be increased to such new shareholding percentage in New China Fund.

In the event that Finance Street Investment performs its guarantee obligation and makes repayment to ICBC Beijing branch on behalf of New China Fund, Finance Street Investment has the right to demand repayment from New China Fund or the Company.

Guaranteed Amount and guarantee fee

With reference to the Board Letter, the Guaranteed Amount is no more than approximately RMB613,407,005, representing approximately 58.6207% of the balance of the Advance Settlement of RMB996,000,000 plus interest of RMB50,400,000 in relation thereto. Finance Street Investment shall charge New China Fund a guarantee fee of 0.3% per annum (i.e. the Guarantee Rate) over the Guaranteed Amount during the Guarantee Period. The guarantee fee for each year shall be payable by New China Fund to Finance Street Investment by the end of June each year. If the first or last tranche of the Guarantee Period is less than one calendar year, the guarantee fee shall be payable based on actual period of the relevant tranche of the Guarantee Period.

Upon our request, the Company provided us internal record on the quotations obtained by the Company from two independent guarantee service providers (“**Independent Service Providers**”) for provision of guarantee service regarding the Guaranteed Amount. According to the aforesaid internal record, the Guarantee Rate of 0.3% is lower than the guarantee fee rates quoted by the two Independent Service Providers. With reference to the Board Letter, these guarantee service providers did not require counter-guarantees. Even if they accept counter-guarantees of the same Counter-Guarantee Value, the guarantee rate will not be reduced. As advised by the Directors, offering counter-guarantee to these guarantee service providers could only facilitate approval of the guarantee service to be provided.

LETTER FROM GRAM CAPITAL

Based on the above, we consider the Guarantee Rate of 0.3% to be fair and reasonable.

Counter-Guarantee

Finance Street Investment (as guarantor), the Company (as counter-guarantor) and New China Fund (as debtor) intend to enter into the Counter-guarantee Agreement, pursuant to which the Company agreed to mortgage or pledge the following assets of the Company (i.e. the Pledged Assets) to Finance Street Investment as security in relation to the Guaranteed Amount guaranteed by Finance Street Investment in accordance with the Implementation Settlement Agreement, the Guarantee Agreement and the Guarantee Letter:

- (i) an immovable property, being a residential property of the Company located at Unit 1, Building 2, Block 6, Dongjing Road, Xicheng District, Beijing, with a gross floor area of 1,658.56 square meters and an appraisal value of approximately RMB130 million;
- (ii) an immovable property, being the Manshi Shangdu Office and Commercial Complex Building of the Company located at Hailar East Street, Xincheng District, Hohhot City, Inner Mongolia Autonomous Region, with a gross floor area of 15,106.98 square meters and an appraisal value of approximately RMB120 million; and
- (iii) 50% equity and ancillary interest of Hengtai Changcai (a wholly-owned subsidiary of the Company) with an appraisal value of approximately RMB550 million (being 50% of approximately RMB1,100 million).

Upon our request, the Company provided us (a) a valuation report on Pledged Assets (i) & (ii) which concluded by market approach that, as at 31 July 2023, the appraisal value of Pledged Asset (i) was approximately RMB130 million and the appraisal value of Pledged Asset (ii) was approximately RMB120 million; and (b) a valuation report on Hengtai Changcai which concluded by market approach that, as at 30 June 2022, the appraisal value of 100% equity interest of Hengtai Changcai was approximately RMB1,100 million (50% of which was approximately RMB550 million). As confirmed by the Directors, the aforesaid valuation reports were conducted by valuers which are independent third parties to the Company and its connected persons.

With reference to the Board Letter, the appraisal value of the Pledged Assets is approximately RMB800 million, representing approximately 130% of the Guaranteed Amount. The total amount of assets of the Company mortgaged or pledged in favour of Finance Street Investment will decrease gradually as New China Fund repays the Indebtedness to ICBC Beijing branch.

LETTER FROM GRAM CAPITAL

It is uncertain that whether the Pledged Assets can be sold at the aforementioned appraisal values when Finance Street Investment enforce and sell the Pledged Assets. We noted from the Counter-Guarantee Agreement that, should Finance Street Investment enforce and sell the Pledged Assets:

- (i) any proceeds received by Finance Street Investment from such sale in excess of the payment obligations of the Company/New China Fund under the Counter-Guarantee shall be returned to the Company; or
- (ii) in the event that the proceeds received by Finance Street Investment from such sale is less than the payment obligations of the Company/New China Fund under the Counter-Guarantee, Finance Street Investment is entitled to recover the shortfall in accordance with law.

The period of Counter-Guarantee shall be two years from the date when Finance Street Investment actually performs its guarantee obligations. We also searched for similar counter-guarantee transactions conducted by companies listed on the Stock Exchange, the Shanghai Stock Exchange and Shenzhen Stock Exchange and noted that (i) it is not uncommon for listed companies to provide counter-guarantee for their subsidiaries regarding the borrowings of such subsidiaries; and (ii) the period of these similar counter-guarantee transactions ranged from 1 year to 3 years from the date when the relevant guarantor performs its guarantee obligation. As such, we consider the period of the Counter-Guarantee to be justifiable.

Having considered the principal terms of the Transactions as highlighted above, we consider that the terms of the Transactions are on normal commercial terms and are fair and reasonable.

Financial effect of the Transactions

With reference to the Board Letter, the Guarantee and the Counter-Guarantee will not have any immediate effect on the earnings, assets and liabilities of the Company on the date of the Guarantee Agreement and the date of the Counter-Guarantee Agreement respectively. However, if New China Fund fails to make payment of any Guaranteed Amount, the Company, as the counter-guarantor, will be responsible for the Counter-Guaranteed Amount, and such amount of liabilities will be recorded in the Group's consolidated financial statements.

LETTER FROM GRAM CAPITAL

RECOMMENDATION

Having taken into account that above factors and reasons, we are of the opinion that (i) although the Transactions are not conducted in the ordinary and usual course of business of the Group, they are in the interests of the Company and the Shareholders as a whole; and (ii) the terms of the Transactions are on normal commercial terms and are fair and reasonable. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM to approve the Transactions and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

NOTICE OF EGM

恒投證券 HENGTOU SECURITIES

(a joint stock company incorporated in the People's Republic of China with limited liability under the Chinese corporate name “恒泰证券股份有限公司” and carrying on business in Hong Kong as “恒投證券” (in Chinese) and “HENGTOU SECURITIES” (in English))

(the “Company”)
(Stock Code: 01476)

NOTICE OF THE 2023 THIRD EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2023 third extraordinary general meeting of the Company (the “EGM”) will be held at the meeting room of 11/F, China Life Centre, No. 17 Finance Street, Xicheng District, Beijing, the People's Republic of China (the “PRC”) at 9:00 a.m. on Wednesday, 20 September 2023 to consider and, if thought fit, to pass, with or without modifications, the following resolution of the Company:

ORDINARY RESOLUTION

1. To consider and approve the Transactions (as defined in the Company's circular dated 4 September 2023).

By order of the Board
Zhu Yanhui
Chairman

Beijing, the PRC
4 September 2023

NOTICE OF EGM

Notes:

1. Details of the above resolution are set out in the circular of the Company dated 4 September 2023.
2. In order to determine the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 15 September 2023 to Wednesday, 20 September 2023 (both days inclusive) during which period no transfer of shares will be effected. Shareholders of the Company (the “Shareholders”) whose names appear on the register of members of the Company on Wednesday, 20 September 2023 shall be entitled to attend the EGM. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s head office in the PRC at 11/F, China Life Centre, No. 17 Finance Street, Xicheng District, Beijing, the PRC (for holders of domestic shares), or the Company’s H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong (for holders of H shares) no later than 4:30 p.m. on Thursday, 14 September 2023 for registration.
3. Shareholders who are entitled to attend and vote at the EGM may appoint one or more proxies to attend and, in the event of a poll, vote on their behalves. A proxy need not be a Shareholder.
4. The instrument appointing a proxy must be in writing under the hand of a Shareholder or his attorney duly authorised in writing. If the Shareholder is a legal person, that instrument must be executed either under its seal or under the hand of its director or other attorney duly authorised to sign the same.
5. In order to be valid, the form of proxy must be deposited, for the holders of H shares, to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, or for the holders of domestic shares, to the Company’s head office in the PRC, not less than 24 hours before the time for holding the EGM (i.e. before 9:00 a.m. on Tuesday, 19 September 2023) or any adjournment thereof. If the form of proxy is signed by a person under a power of attorney or other authority, a notarially certified copy of that power of attorney or other authority shall be deposited at the same time as mentioned in the form of proxy. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM or any adjourned meetings should you so wish.
6. Shareholders shall produce their identity documents and supporting documents in respect of shares held when attending the EGM. If corporate Shareholders appoint an authorised representative to attend the EGM, the authorised representative shall produce his/her identity documents and a notarially certified copy of the relevant authorisation instrument signed by the board of directors or other authorised parties of the corporate shareholders or other notarially certified documents allowed by the Company. Proxies shall produce their identity documents and the form of proxy signed by the Shareholders or their attorney when attending the EGM.
7. The EGM is expected to be held for less than half a day. Shareholders who intend to attend the EGM shall arrange and bear their own transportation and accommodation expenses.

NOTICE OF EGM

8. The name and address of the Company's H shares registrar are as follows:

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor,
Hopewell Centre,
183 Queen's Road East,
Wanchai,
Hong Kong
Tel: +852 2862 8555
Fax: +852 2865 0990

9. The address of head office of the Company in the PRC is as follows:

11/F, China Life Centre,
No. 17 Finance Street,
Xicheng District, Beijing,
the PRC
Contact person: Wang Hui
Tel: +86 10 8327 0996
Fax: +86 10 8327 0998

10. Where there are joint registered holders of any share(s), any one of such joint holders may attend and vote at the EGM, either in person or by proxy, in respect of such share(s) as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the EGM or any adjourned meeting thereof (as the case may be), the most senior shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
11. Pursuant to rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, any vote of shareholders at a general meeting must be taken by poll except where the chairman of the general meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, the chairman of the EGM will also demand that all the resolution proposed at the EGM will be voted on by way of poll in registered form pursuant to Article 120 of the articles of association of the Company.

As at the date of this notice, the Board comprises Mr. Zhu Yanhui and Mr. Wu Yigang as executive Directors; Mr. Yu Lei, Mr. Wang Linjing, Ms. Yu Lei and Mr. Li Ye as non-executive Directors; Dr. Lam Sek Kong, Mr. Xie Deren and Mr. Dai Genyou as independent non-executive Directors.

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 Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES OF THE COMPANY

As at the Latest Practicable Date, none of the Directors, the Supervisors and the chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be (i) 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 were taken or deemed to have under such provisions of the SFO), or (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO, or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

3. DIRECTORS' AND SUPERVISORS' INTERESTS

As at the Latest Practicable Date, (a) none of the Directors and the Supervisors were materially interested in any contract or arrangement subsisting and which was significant in relation to the business of the Group; and (b) none of the Directors and the Supervisors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by 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.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, the Supervisors or their respective close associates was considered to have an interest in a business which competes or was likely to compete, either directly or indirectly, with the business of the Group other than those business to which the Directors, the Supervisors or his close associates were appointed to represent the interests of the Company and/or the Group.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or was proposing to enter, into any service contract with any member of the Group which is not expiring or may not be terminated by the relevant member of the Group within one year without payment of any compensation (other than statutory compensation).

7. EXPERT AND CONSENT

The following are the qualifications of the expert whose advice and/or report are contained in this circular:

Name	Qualification
Gram Capital Limited	A licensed corporation to carry on Type 6 (advising on corporate finance) regulated activity under the SFO)

Gram Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its statement as set out in this circular and references to name in the form and context in which it appears in this circular. The letter given by Gram Capital is given as of the date of this circular for incorporation herein. As at the Latest Practicable Date, (1) Gram Capital did not have any shareholding directly or indirectly in any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (2) Gram Capital did not have any interest, directly or indirectly, in any asset acquired or disposed of by or leased to any member of the Group or proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Company were made up.

8. MATERIAL LITIGATION

As at the Latest Practicable Date, save for those disclosed in the Company's 2023 interim report dated 25 August 2023, neither the Company nor any other member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against either the Company or any other member of the Group, which shall be brought to the Shareholders' attention.

9. DOCUMENTS ON DISPLAY

The Guarantee Agreement and the Counter-Guarantee Agreement to be, which will be effective upon approval by the Independent Shareholders at the EGM, are available for inspection on the HKEXnews website (www.hkexnews.hk) and the Company's website (www.cnht.com.cn) for a period of 14 days from the date of this circular (both days inclusive).

10. MISCELLANEOUS

In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.