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**If you have sold or transferred** all your shares in Southwest Securities International Securities Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**Southwest Securities International Securities Limited**

**西證國際證券股份有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 812)**

**MAJOR TRANSACTION  
IN RELATION TO DISPOSAL OF ICBCAS NOTES**

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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular. A letter from the Board is set out on pages 4 to 13 of this circular.

The Company has obtained written Shareholders’ approval for the Disposal pursuant to Rule 14.44 of the Listing Rules from SSII who holds more than 50% of the issued Shares giving the right to attend and vote at a general meeting. Accordingly, no Shareholders’ meeting will be held to approve the Disposal pursuant to Rule 14.44 of the Listing Rules. This circular is being despatched to the Shareholders for information only.

\* *For identification purpose only*

9 February 2024

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## DEFINITIONS

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

“3.7 Announcements”	the Company’s announcements pursuant to rule 3.7 of the Hong Kong Code on Takeovers and Mergers, rule 13.09 of the Listing Rules and Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) dated 30 December 2022, 30 June 2023, 22 September 2023, 29 December 2023 and 30 January 2024
“Announcement”	the announcement of the Company dated 11 January 2024 in relation to the Disposal
“Board”	the board of Directors
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Company”	Southwest Securities International Securities Limited (西證國際證券股份有限公司*), a company incorporated with limited liability in Bermuda, the issued shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning as ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the ICBCAS Notes in the principal amount of US\$3,600,000 (equivalent to approximately HK\$28,080,000) by the Company on 10 January 2024 at a total consideration (together with the accrued interests) of approximately US\$3,618,653 (equivalent to approximately HK\$28,225,493)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

## DEFINITIONS

“ICBCAS Notes”	an aggregate principal amount of US\$3,600,000 acquired by the Group on 2 June 2022 in the open market at an aggregate consideration of approximately US\$3,744,800 (equivalent to approximately HK\$29,209,440)
“Independent Third Party(ies)”	the independent third party who is, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, independent of the Company and its connected person(s)
“Industrial and Commercial Bank of China”	Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1398)
“Latest Practicable Date”	6 February 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in the circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company
“SSII”	Southwest Securities International Investment Limited, a company incorporated in Hong Kong with limited liability, and a direct wholly-owned subsidiary of Southwest Securities Co., Ltd. and the controlling shareholder of the Company
“SSII Loan”	On 31 January 2024 (after trading hours), the Company as the borrower and SSII as the lender entered into the SSII Loan Agreement, pursuant to which SSII as the lender agreed to offer an unsecured term loan in the amount of no more than HK\$120,000,000 or equivalent to the Company as the borrower. For details of the SSII Loan, please see the announcement of the Company dated 31 January 2024
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

## DEFINITIONS

“US\$” or “U.S. dollars” United State Dollars, the lawful currency of the United States of America

“USD Bonds” The guaranteed bonds issued by the Company on 9 February 2021 with an aggregate principal amount of US\$178,000,000 due 2024 which bear a fixed interest rate of 4.00% per annum and listed on the Stock Exchange (Bond Stock Code: 40594)

“%” per cent or percentage

\* *For identification purpose only*

**LETTER FROM THE BOARD**

**Southwest Securities International Securities Limited**

**西證國際證券股份有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 812)**

*Executive Directors:*

Mr. ZHANG Hongwei (*Chairman*)

Mr. HUANG Changsheng (*Chief Executive Officer*)

*Independent Non-executive Directors:*

Mr. MENG Gaoyuan

Mr. LIANG Jilin

Mr. CAO Ping

*Registered Office:*

Clarendon House

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Hamilton, HM11

Bermuda

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

14/F, One Hysan Avenue

Causeway Bay

Hong Kong

9 February 2024

*To the Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTION  
IN RELATION TO DISPOSAL OF ICBCAS NOTES**

**1. INTRODUCTION**

Reference is made to the announcement of the Company dated 11 January 2024 in relation to the Disposal.

The purpose of this circular is to provide you with, among other things, further details of the Disposal and other information as required under the Listing Rules.

**2. DISPOSAL OF THE ICBCAS NOTES**

On 10 January 2024, the Company disposed of the ICBCAS Notes in the principal amount of US\$3,600,000 (equivalent to approximately HK\$28,080,000) at a total consideration (together with the accrued interests) of approximately US\$3,618,653 (equivalent to approximately HK\$28,225,493) in the open market.

\* *For identification purpose only*

## LETTER FROM THE BOARD

### Information of the ICBCAS Notes

Issuer	:	Industrial and Commercial Bank of China
Coupon type	:	Professional
Coupon rate	:	4.875%
Maturity date	:	21 September 2025
Listing	:	The ICBCAS Notes are listed on Stock Exchange (stock code: 5566)
ISIN	:	USY39656AC06
Currency	:	Quoted and traded in US\$
Amount issued	:	US\$2,000,000,000

The net profit/(loss) (both before and after taxation) attributable to the ICBCAS Notes disposed of for the financial year ended 31 December 2022 (represented the results since the acquisition of the ICBCAS Notes during 2 June 2022 to 31 December 2022) and the year ended 31 December 2023 are as follows:

	<b>For the year ended 31 December 2022 US\$</b>	<b>For the year ended 31 December 2023 US\$ (unaudited)</b>
Net profit/(loss) (before taxation)	(100,300)	203,904
Net profit/(loss) (after taxation)	(100,300)	203,904

The Company has recorded a loss of approximately US\$126,147 (equivalent to approximately HK\$983,947), being the difference between the consideration received from the Disposal and the acquisition cost of the ICBCAS Notes disposed of (exclusive of transaction costs). Despite a net profit of US\$203,904 for the year ended 31 December 2023 was recorded from the ICBCAS Notes and a loss of approximately US\$126,147 was recorded from the Disposal, after taking into due and careful consideration of the future economic environment and market conditions, the Directors considered that the Disposal shall be proceeded when an overall gain of US\$102,003 can be realized from the Disposal after taking into account of the interests amounted US\$228,150 received by the Company during the holding period of the ICBCAS Notes. For details of the reasons of the Disposal at this particular point of time, see “*Reasons for and benefits of the Disposal*” in this Circular.

## LETTER FROM THE BOARD

### **Basis of the consideration and settlement**

As at 30 June 2023 and 31 December 2023, the ICBCAS Notes at fair value through profit and loss (i.e. being the book value of the ICBCAS Notes) was approximately US\$3,570,899 and US\$3,620,255 respectively. The total consideration (inclusive of the accrued interests) for the Disposal was approximately US\$3,618,653 (equivalent to approximately HK\$28,225,493), which represented the then market price of the ICBCAS Notes being disposed of. The entire consideration for the Disposal has been settled by cash and in accordance with the relevant standard market practice.

As the Disposal was conducted through the open market, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the purchasers and their ultimate beneficial owners are the Independent Third Parties, and are not shareholders of the Company. The Disposal was conducted with the consent of the Potential Individual Purchaser (as defined in the 3.7 Announcements pursuant to Note 1 to Rule 4 of the Hong Kong Code on Takeovers and Mergers).

### **Information of Industrial and Commercial Bank of China**

To the best of the Directors' knowledge, Industrial and Commercial Bank of China, is a joint stock limited company incorporated in the PRC with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1398). Industrial and Commercial Bank of China principally engages in corporate financial services, personal financial services, treasury operations, investment banking, asset management, trust, financial leasing, insurance and other financial services. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Industrial and Commercial Bank of China and their ultimate beneficial owner(s) are Independent Third Parties and are not shareholders of the Group.

### **Reasons for and benefits of the Disposal**

The investment strategy of the Group is, among others, to achieve long-term return within an acceptable risk level by investing in a broad diversification of portfolio, including but not limited to stocks, bonds, funds, structured products and derivatives in different business sectors. Over the years, the Group has sought to diversify its investment portfolios when opportunities arose and would, from time to time, realise its investments which to do so will be in the best interests of the Group.

The Disposal was in line with the Group's principal activities on securities dealing and financial investments, and allowed the Group to (i) realise the Company's investment in the listed securities and bonds; (ii) enhance liquidity of the Company and (iii) obtain additional cash flow. Considering the recent recovery in the price of the ICBCAS Notes of over 1.5% from August 2023 to January 2024, and the geopolitical conflicts and political tensions in Eastern Europe, a persistent inflation and tightening of monetary policies, including increase in interest rates, are expected in the near future, hence raising



## LETTER FROM THE BOARD

concerns on sustainable development prospects of the global as well as local economy and stability. The sluggish recovery in the global economy would further dampen the market sentiment and disincentivize the investors in general, such that investors may be more risk-averse in their investment decisions, eventually affecting the bond markets as a whole. Therefore, considering the fact that an overall gain of US\$102,003 would be realised from the Disposal after taking into account of the interests amounted US\$228,150 received by the Company during the holding period of the ICBCAS Notes under such economic slowdown and uncertain macro-economic outlook, the Board was of the opinion that the Disposal represented a good opportunity for the Group to exit the investment in the ICBCAS Notes.

Based on the above factors and the financial effect of the Disposal as disclosed in the paragraph headed “Financial Impact and Use of Proceeds” below, taking into account (i) the volatile market environment due to the global economic and political complexities as illustrated above; (ii) the general inverse relationship between the bond prices and market interest rates, considering the potential fluctuation and uncertainties of market interest rates in 2024; (iii) despite a loss of approximately US\$126,147 was recorded from the Disposal, an overall gain of US\$102,003 can be realized from the Disposal after taking into account of the interests amounted US\$228,150 received by the Company during the holding period of the ICBCAS Notes; and (iv) given the general dim economic outlook and downturn of the bond market which may eventually impact the financial strength of the issuer, the Directors decided to take a conservative approach as investment strategy to proceed with the Disposal to reduce uncertain risks. Therefore, the Directors were of the view that the Disposal was in the interest of the Company and its Shareholders as a whole. As the Disposal was made in the open market at prevailing market price, the Directors were of the view that the terms of the Disposal were fair and reasonable and in the interests of the Company and its Shareholders as a whole.

In line with the Company’s investment strategy abovementioned, apart from the Disposal, the Company had conducted several disposals of certain other listed securities invested by the Group in 2023 and up to the Latest Practicable Date, which amounted to notifiable transactions of the Company under Chapter 14 of the Listing Rules (*Note*), the details of which are stated as follows:

<b>Date of the relevant disposal</b>	<b>Listed securities subject to the relevant disposal</b>
26 June 2023	Disposed of the BTSDF Bonds in the principal amount of US\$1,500,000 at a total consideration of approximately US\$1,409,531. For details, please refer to the announcement of the Company dated 28 June 2023 in such regard.

## LETTER FROM THE BOARD

<b>Date of the relevant disposal</b>	<b>Listed securities subject to the relevant disposal</b>
19 July 2023 and 20 July 2023	Disposed of, in aggregate, the BOCAVI Bonds in the principal amount of US\$1,000,000 at a total consideration of approximately US\$970,752. For details, please refer to the announcement of the Company dated 21 July 2023 in such regard.
28 July 2023	Disposed of the Soar Wise Notes in the principal amount of US\$2,550,000 at a total consideration of approximately US\$2,491,304. For details, please refer to the announcement of the Company dated 28 July 2023 in such regard.
7 September 2023	Disposed of the Haitong Bonds in the principal amount of US\$2,500,000 at a total consideration of approximately US\$2,435,188. For details, please refer to the announcement of the Company dated 8 September 2023 in such regard.
7 September 2023	Disposed of the CHPWCN Bonds in the principal amount of US\$800,000 at a total consideration of approximately US\$795,500. For details, please refer to the announcement of the Company dated 8 September 2023 in such regard.
29 September 2023, 3 October 2023 and 4 October 2023	Disposed of, in aggregate, the YUNINV Notes in the principal amount of US\$3,000,000 at a total consideration of approximately US\$2,809,969. For details, please refer to the announcements of the Company dated 4 and 5 October 2023, respectively, and the circular of the Company dated 13 November 2023 in such regard.
6 October 2023 and 9 October 2023	Disposed of, in aggregate, the GSHIAV Bonds in the principal amount of US\$500,000 at a total consideration of approximately US\$483,782. For details, please refer to the announcement of the Company dated 10 October 2023 in such regard.

## LETTER FROM THE BOARD

<b>Date of the relevant disposal</b>	<b>Listed securities subject to the relevant disposal</b>
20 October 2023	Disposed of the GFFHBV Bonds in the principal amount of US\$2,650,000 at a total consideration of approximately US\$2,531,595. For details, please refer to the announcement of the Company dated 24 October 2023 and the circular of the Company dated 13 November 2023 in such regard.
8 November 2023	Disposed of the Cinda Offshore Preference Shares in the principal amount of US\$1,000,000 at a total consideration of approximately US\$925,456. For details, please refer to the announcement of the Company dated 9 November 2023 in such regard.
8 November 2023	Disposed of the CPDEV Bonds in the principal amount of US\$5,500,000 at a total consideration of approximately US\$4,885,161. For details, please refer to the announcement of the Company dated 9 November 2023 and the circular of the Company dated 30 November 2023 in such regard.
28 November 2023	Disposed of the CQLGST Notes in the principal amount of US\$2,000,000 at a total consideration of approximately US\$1,959,244. For details, please refer to the announcement of the Company dated 29 November 2023 in such regard.
14 December 2023	Disposed of the CQNANA Bonds in the principal amount of US\$1,000,000 at a total consideration of approximately US\$957,225. For details, please refer to the announcement of the Company dated 15 December 2023 in such regard.
2 January 2024	Disposed of the HKIQCL Bonds in the principal amount of US\$2,500,000 at a total consideration of approximately US\$2,500,167. For details, please refer to the announcement of the Company dated 3 January 2024 and the circular of the Company dated 24 January 2024 in such regard.

## LETTER FROM THE BOARD

<b>Date of the relevant disposal</b>	<b>Listed securities subject to the relevant disposal</b>
2 January 2024	Disposed of the HAOHUA Bonds in the principal amount of US\$2,400,000 at a total consideration of approximately US\$2,420,715. For details, please refer to the announcement of the Company dated 3 January 2024 in such regard.
3 January 2024	Disposed of the ZZCITY Bonds in the principal amount of US\$500,000 at a total consideration of approximately US\$493,533. For details, please refer to the announcement of the Company dated 4 January 2024 in such regard.
9 January 2024 and 12 January 2024	Disposed of the CCAMCL Notes in the principal amount of US\$3,700,000 at a total consideration of approximately US\$3,664,594. For details, please refer to the announcements of the Company dated 10 January 2024 and 12 January 2024 in such regard.

*Notes:*

- (1) The Company conducted several other disposal transactions of listed securities held by the Group in 2023 to date. As all the applicable percentage ratios in respect of each of the relevant disposal transactions (on a stand-alone basis or in aggregate basis when appropriate pursuant to Rule 14.22 of the Listing Rules) were less than 5%, and the relevant disposal transactions did not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.
- (2) As of the Latest Practicable Date, all of the net proceeds from the Disposal and the relevant discloseable disposals set out above (the “**Discloseable Disposals**”) in an aggregate amount of approximately US\$35,352,369 (the “**Net Proceeds**”) were placed with an authorized financial institution in Hong Kong pending further utilization. On 31 January 2024, the Board has resolved to change the use of all the Net Proceeds in the total sum of approximately US\$35,352,369 to partially redeem the outstanding USD Bonds. For details of the change in use of Net Proceeds of the Discloseable Disposals, please refer to the announcement of the Company published dated 31 January 2024 and “Financial Impact and Use of Proceeds” in this Circular.

Other than relevant disposals as disclosed above, the Group does not hold any remaining ICBCAS Notes and/or other listed securities held for trading and fund investment as at the Latest Practicable Date.

### **Financial Impact and Use of Proceeds**

An aggregate principal amount of US\$3,600,000 of ICBCAS Notes was acquired by the Group on 2 June 2022 in the open market at an aggregate consideration of approximately US\$3,744,800 (equivalent to approximately HK\$29,209,440). The Company has recorded a loss of approximately US\$126,147 (equivalent to approximately

## LETTER FROM THE BOARD

HK\$983,947), being the difference between the consideration received from the Disposal and the acquisition cost of the ICBCAS Notes disposed of (exclusive of transaction costs). Despite the loss incurred from the Disposal, the Board considers that the consideration for the Disposal is fair and reasonable and in the interest of the Company and the Shareholders as a whole as the Company disposed of the ICBCAS Notes at a reasonable price notwithstanding the recent highly volatile market conditions. In particular, the Directors considered that the Disposal shall be proceeded when an overall gain of US\$102,003 can be realized from the said disposal which has taken into account of the interests amounted US\$228,150 received by the Company during the holding period of the ICBCAS Notes.

Having taken into account the consideration of US\$3,618,653 (equivalent to approximately HK\$28,225,493) from the Disposal, as compared to the financial information on 30 June 2023, being the date to which the latest published accounts of the Company were made up, there is a decrease in the current assets (financial assets at fair value through profit or loss) of the Group, being the fair value of ICBCAS Notes by approximately US\$3,570,899 and there is an increase in current assets (cash and bank balances) of the Group, being the total consideration (together with accrued interests) by approximately US\$3,618,653. There is no effect on the total liabilities of the Group.

The actual amount of gain or loss as a result of the Disposal to be recorded by the Group will be subject to review and final audit by the auditors of the Company.

### **Change in Use of Proceeds from the Disposal of ICBCAS Notes**

As disclosed in the Announcement, the Directors have resolved to apply the net proceeds from the Disposals for future investment and general working capital purposes.

However, in light of the maturity date of 9 February 2024 of the USD Bonds and after careful consideration and detailed evaluation of the Group's latest operations and financial situations, to ensure punctual payment for redemption of the USD Bonds, the Board has resolved to change the use of all the Net Proceeds in the total sum of approximately US\$35,352,369 to partially redeem the outstanding USD Bonds, among which, approximately US\$3,618,653 (equivalent to approximately HK\$28,225,493) of the Net Proceeds were derived from the Disposal. For details of the USD Bonds and the change in use of Net Proceeds of the Discloseable Disposals, please see the offering circular of the Company dated 10 February 2021 and the announcement of the Company dated 31 January 2024 respectively. Apart from the Net Proceeds amounted to approximately US\$35,352,369 to be used for the redemption of the USD Bonds, the balance of the outstanding USD Bonds will be redeemed by the Company by other financial means including the proceeds from the SSII Loan in the sum of approximately US\$15,351,158 in accordance with relevant announcement, and the bank balances of the Company in the sum of approximately US\$43,646,473.

## **LETTER FROM THE BOARD**

The Company currently expects to fully utilize the net proceeds of the Disposal by 9 February 2024. The Board considers the above change in the use of the net proceeds of the Disposal is fair and reasonable as given that this would allow the Company to deploy its financial resources more effectively and such change is therefore in the interests of the Group and the shareholders of the Company as a whole. Save for the aforesaid changes, there is no other change in the use of the net proceeds of the Disposal as of the Latest Practicable Date.

### **3. INFORMATION OF THE COMPANY AND THE GROUP**

The Company is incorporated in Bermuda with limited liability. The principal activity of the Company is investment holding. The Group, through its subsidiaries, principally engages in brokerage and margin financing, corporate finance, asset management and proprietary trading.

### **4. IMPLICATIONS UNDER THE LISTING RULES**

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 25% but all of them are less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under the Listing Rules.

### **5. WRITTEN SHAREHOLDER'S APPROVAL**

Under Rule 14.44 of the Listing Rules, Shareholders' approval for the Disposal may be obtained by way of written Shareholders' approval in lieu of holding a general meeting if (1) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Disposal; and (2) written Shareholders' approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the voting rights at that general meeting to approve the Disposal.

The Company has obtained written approval for the Disposal in accordance with Rule 14.44 of the Listing Rules from SSII, which is the beneficial owner of 2,713,469,233 Shares, representing approximately 74.10% of the entire issued share capital of the Company as at the date of this circular.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholders or any of their respective close associates have any material interest in the Disposal; and therefore, none of them is required to abstain from voting if the Company were to convene a general meeting for the approval of the Disposal. As such, no general meeting will be convened for the approval of the Disposal as is permitted under Rule 14.44 of the Listing Rules.

## LETTER FROM THE BOARD

### 6. RECOMMENDATION

The Directors are of the view that the Disposal is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors would recommend the Shareholders to vote in favour of the resolution(s) approving the Disposal, if a general meeting of the Company was to be convened.

The above statement is for the Shareholders' reference only given that the Company had already obtained the written approval from the relevant Shareholders for the Disposal and hence, pursuant to Rule 14.44 of the Listing Rules, no general meeting of the Company will be convened for the purpose of approving the Disposal.

### 7. ADDITIONAL INFORMATION

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

For the purpose of this circular, the exchange rate of US\$1.00 = HK\$7.80 has been used for currency translation, where applicable. Such an exchange rate is for illustrative purposes and does not constitute representations that any amount in HK\$ or US\$ has been, could have been or may be converted at such a rate.

By order of the Board  
**Southwest Securities International Securities Limited**  
**Zhang Hongwei**  
*Chairman*

## 1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the three years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 are disclosed in the annual reports of the Company for each of the three years ended 31 December 2020, 2021 and 2022 and the interim report of the Company for the six months ended 30 June 2023, respectively. These annual reports and interim report are published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company ([www.swsc.hk](http://www.swsc.hk)):

- (a) annual report of the Company for the year ended 31 December 2020 published on 21 April 2021 (pages 62-136);
- (b) annual report of the Company for the year ended 31 December 2021 published on 26 April 2022 (pages 67-140);
- (c) annual report of the Company for the year ended 31 December 2022 published on 18 April 2023 (pages 72-154); and
- (d) interim report of the Company for the six months ended 30 June 2023 published on 27 September 2023 (pages 11-37).

## 2. INDEBTEDNESS STATEMENT

As at the close of business on 31 December 2023, being the latest practicable date for ascertaining certain information relating to the indebtedness statement prior to the printing of this circular, the indebtedness of the Group was as follows:

### **Bonds and other payables**

On 9 February 2021, the Group issued bonds with aggregate principal amount of US\$178,000,000 (the “**2021 USD Bonds**”). The 2021 USD Bonds bear interest from 9 February 2021 (inclusive) at the fixed rate of 4.00% per annum and guaranteed by Southwest Securities Co., Ltd. (“**SWSC**”), the ultimate holding company of the Company incorporated in the People’s Republic of China with limited liability and its shares are listed on the Shanghai Stock Exchange. Interest on 2021 USD Bonds is payable semi-annually in arrears. The 2021 USD Bonds are listed on the Stock Exchange.

As at 31 December 2023, the Group had unsecured and guaranteed bonds with (i) outstanding principal amount of US\$92,500,000 (equivalent to approximately HK\$722,422,000) which is repayable on 9 February 2024 and (ii) outstanding bonds interest payables of US\$1,459,444 (equivalent to approximately HK\$11,401,000) which is payable semi-annually in arrears.

### **Lease liabilities**

As at 31 December 2023, the Group had no lease liabilities.



### Capital Commitment

As at 31 December 2023, the Group had no capital expenditure commitments.

### Contingent Liabilities

As at 31 December 2023, the Group had no material contingent liabilities.

Save as aforesaid, as at the close of business on 31 December 2023, the Group did not have any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptance (other than under normal trade bills) or acceptance credits, debt securities (whether issued and outstanding or authorised or otherwise created but unissued), guarantees or other material contingent liabilities.

Save as disclosed above, the Directors have confirmed that there had been no material changes in the indebtedness and contingent liabilities of the Group since 31 December 2023, up to and including the Latest Practicable Date.

## 3. WORKING CAPITAL

In the preparation of the Group's working capital forecast, the Directors have given careful consideration to the Group's future liquidity and performance and its available sources of financing to continue as a going concern. After taking into account the following considerations in preparing the working capital forecast, in the opinion of the Directors, the working capital forecast have been prepared with the following assumptions:

- (i) as set out in the Company's announcement on 30 December 2022, SSII had entered into a memorandum of understanding (the "**MOU**") with a potential purchaser on 30 December 2022 in relation to the potential sale and purchase of the shares of the Company (the "**Potential Transaction**"). On 30 June 2023, SSII, the Potential Purchaser and a potential individual purchaser (the "**Potential Individual Purchaser**") had further entered into a supplemental memorandum of understanding (the "**1st Supplemental MOU**") that all the rights and obligations of the Potential Purchaser under the MOU shall be transferred to the Potential Individual Purchaser and the exclusivity period shall be extended from 30 June 2023 to 30 September 2023, while other terms of the MOU and their respective effect shall remain unchanged under the 1st Supplemental MOU. On 22 September 2023, SSII had entered into a second supplemental memorandum of understanding (the "**2nd Supplemental MOU**") with the Potential Individual Purchaser and the Potential Purchaser where the exclusivity periods shall be further extended from 30 September 2023 to 30 December 2023. On 25 October 2023, the Company, the Potential Individual Purchaser and the Potential Purchaser had entered into a business cost sharing agreement (the "**Agreement**") to establish a framework governing the sharing of costs and expenses incurred in respect of, and earnings

generated from, the business operations of subsidiaries of the Company which are licensed corporations. On 29 December 2023, SSII had entered into a third supplemental memorandum of understanding (the “**3rd Supplemental MOU**”) with the Potential Individual Purchaser and the Potential Purchaser and the exclusivity periods shall be further extended from 30 December 2023 to 30 January 2024. On 30 January 2024, SSII had entered into a fourth supplemental memorandum of understanding (the “**4th Supplemental MOU**”) with the Potential Individual Purchaser and the Potential Purchaser (collectively known as the “**Parties**”) to acknowledge the lapse of exclusivity period on 30 January 2024 and the Parties agreed to continue with the negotiation of the Potential Transaction on a non-exclusive basis commencing from the date of the 4th Supplemental MOU and until 30 April 2024. The Directors considered that the MOU, the 1st Supplemental MOU, the 2nd Supplemental MOU, the Agreement, the 3rd Supplemental MOU, the 4th Supplemental MOU and the Group’s capital deficiency position as at 31 December 2023 would not trigger any early redemption of the bonds payable before the maturity date, unless and until there is any subsequent completion of the Potential Transaction;

- (ii) SWSC, the ultimate holding company of the Company, being the guarantor of the bonds payable and pursuant to the deed of guarantee, is obligated to guarantee payment of all sums payable from time to time by the Company in connection with the bonds payable, as and when required. The Directors considered SWSC have such financial ability to do so;
- (iii) On 1 February 2024, SSII, the immediate holding company of the Company, offered a loan in the amount of equivalent to HK\$120,000,000 to the Company (the “**Controlling Shareholder’s Loan**”) for the repayment of outstanding 2021 USD Bonds of the Company. The Controlling Shareholder’s Loan is unsecured, unguaranteed, interest bearing at 6.1475% and repayable on 31 December 2024.

SSII has confirmed its intention to ensure that the Group is able to continue as a going concern and has sufficient working capital for the Group’s present requirements, up to the end of 30 June 2025 or the date of the completion of the Potential Transaction whichever is earlier. The Directors considered that SSII have such financial ability to do so;

- (iv) a loan of HK\$70,000,000 will be drawn from an independent third party to repay the Controlling Shareholder’s Loan as detailed in note (iii) above after the Potential Transaction is completed;

- (v) it is assumed that the Potential Transaction will be completed during the period of working capital forecast, and accordingly, it is also assumed that the new shareholder of the Company will have adequate funding and provide financial support to the Company as and when required to maintain the Company as a going concern and the working capital available to the Group is sufficient for the Group's present requirements; and
- (vi) the Group is able to maintain sufficient working capital to realise its assets and discharge its liabilities in the normal course of businesses.

Notwithstanding the above, material uncertainties exist that may cast significant doubt on the Group's ability to continue as going concern, which depends on (i) whether the Potential Transaction shall subsequently be completing; (ii) the availability of financial support from SWSC for any early redemption demanding by bondholders, if the Potential Transaction is subsequently completing; (iii) the willingness and sufficiency of the fundings to be provided by the new shareholder of the Company after the completion of the Potential Transaction and (iv) the successful implementation of measures described above in the normal course of businesses.

As at the Latest Practicable Date, the Directors were of the opinion that, in the absence of unforeseeable circumstances and after taking into account the Group's financial resources, including internally generated funds, presently available credit facilities and the above-mentioned measures, the Group has sufficient working capital for its present requirements for the next twelve months from the date of this circular.

Should the Group fail to achieve the above-mentioned consideration and measures, the Group may not have sufficient working capital for its requirements within the next twelve months from the date of this circular.

#### **4. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors have not been 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 financial statements of the Group were made up.

#### **5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

In recent years, China has been steadfastly promoting the two-way openness of the capital market, and has been pushing forward the deepening of the systematic two-way openness. The Shanghai-Shenzhen-Hong Kong Stock Connect further expanded the subject scope of interconnected stocks. The mechanism of the Shanghai-London Stock Connect was further optimized, which expanded to the domestic market in the Shenzhen Stock Exchange and the overseas markets, such as Switzerland, Germany, and other European markets. As the rules governing the overseas listing of domestic enterprises were formally announced and

implemented, the cross-border supervisory cooperation has yielded positive results, thus ushering in a wider scope and a higher level of openness of the capital market. Under the new development landscape, the high-level opening up of China's capital market is accelerating, and the linkage effect between the international and domestic markets is becoming more and more obvious. As a Hong Kong-listed brokerage firm with Sino-investment, the Company will face both opportunities and challenges in the future. Currently, the Company is focusing on controlling risks and reducing costs, actively promoting strategic restructuring, and adopting various measures to optimize its business structure, so as to prevent and mitigate the risks of operating on a going concern.

## 1. RESPONSIBILITY STATEMENT

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

## 2. DISCLOSURE OF INTERESTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors, the chief executive of the Company or their respective associates had any interests and short positions in the shares, underlying shares and/or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix C3 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

## 3. DIRECTORS’ INTERESTS

- (a) None of the Directors has any direct or indirect interest in any assets which have been, since 31 December 2022, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group.
- (b) None of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular and which was significant in relation to the business of the Group.
- (c) None of the Directors or chief executives of the Company and their respective associates has any competing interests which would be required to be disclosed (as if each of them was a controlling Shareholder of the Company under Rule 8.10 of the Listing Rules).

## 4. COMPETING INTERESTS

As at the Latest Practicable Date, so far is known to the Directors, none of the Directors or their close associate(s) was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

## 5. SERVICE CONTRACTS

None of the Directors has any existing or proposed service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## 6. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the substantial shareholders of the Company (other than Directors and chief executive of the Company whose interests or short positions have been disclosed in “Disclosure of Interests of Directors” above) who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO and to the best knowledge of the Company are as follows:

### Interests in long positions in the Shares of the Company

Names	Notes	Capacity and nature of interest	Number of Shares held	Approximate percentage of issued voting Shares
SSII	1	Beneficial owner	2,713,469,233	74.10%
Southwest Securities Co., Ltd. (“SWSC”)	1	Interest of controlled corporation	2,713,469,233	74.10%

*Note:*

- (1) SSII is wholly owned by SWSC. SWSC is therefore deemed, or taken to be, interested in all shares in which SSII is interested for the purpose of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Company has not been notified of any other persons (other than Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company that were recorded in the register required to be kept under Section 336 of the SFO.

## 7. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

## 8. MATERIAL CONTRACTS

On 25 October 2023, the Company, the Potential Individual Purchaser (has the meaning given to it under the 3.7 Announcements) and the Potential Purchaser (has the meaning given to it under the 3.7 Announcements) (the Potential Individual Purchaser is one of the ultimate beneficial owners of the Potential Purchaser) had entered into the business cost sharing agreement in relation to the framework governing sharing of costs and expenses incurred in respect of, and earnings generated from, the business operations of the licensed corporations, being Southwest Securities (HK) Capital Limited and Southwest Securities (HK) Asset Management Limited, both of which are subsidiaries of the Company (the “**Business Cost Sharing Agreement**”). For details of the Business Cost Sharing Agreement, please refer to the announcements of the Company dated 25 October 2023 and 3 November 2023.

On 31 January 2024 (after trading hours), the Company as the borrower and SSII as the lender entered into the SSII Loan Agreement, pursuant to which SSII as the lender agreed to offer an unsecured term loan in the amount of no more than HK\$120,000,000 or equivalent to the Company as the borrower. For details of the SSII Loan, please refer to the announcement of the Company dated 31 January 2024.

As at the Latest Practicable Date, save as disclosed, no other material contract (not being a contract entered into in the ordinary course of business) has been entered into by any member of the Group within the two years immediately preceding the issue of this circular.

## 9. GENERAL

- (i) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The head office and principal place of business of the Company is situated at 14/F, One Hysan Avenue, Causeway Bay, Hong Kong.
- (ii) The branch share registrar of the Company is Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (iii) The company secretary of the Company is Ms. Li Peihua, who is an associate of the Hong Kong Chartered Governance Institute and the Chartered Governance Institute. Ms. Li has extensive experience in company secretarial, corporate governance, investor relations matters and corporate management.
- (iv) In case of inconsistencies, the English texts of this circular shall prevail over the Chinese texts thereof.