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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)

SPECIAL DEAL IN RELATION TO THE REPAYMENT OF SSII LOAN AND NOTICE OF SPECIAL GENERAL MEETING

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



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 8 to 21 of this circular.

A notice convening the special general meeting of Southwest Securities International Securities Limited to be held at Meeting Room Hennessy, 31/F, Hysan Place, 500 Hennessy Road, Causeway Bay, Hong Kong on Wednesday, 21 August 2024 at 9:30 a.m. is set out on pages 55 to 56 of this circular. Whether or not you intend to attend the meeting, you are requested to complete the enclosed form in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrar of Southwest Securities International Securities Limited in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as practicable and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so desire.

* *For identification purpose only*

26 July 2024

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DEFINITIONS

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

“acting in concert”	Having the meaning ascribed to it under the Takeovers Code
“Advance Condition(s)”	Having the meaning ascribed to it under the section headed “2. THE FINANCING AGREEMENT”
“associate(s)”	Having the meaning ascribed thereto under the Listing Rules or the Takeovers Code, where the context requires
“Business Cost Sharing Agreement”	The business cost sharing agreement dated 25 October 2023 entered into among the Company, Mr. Wong and Keptain Securities in relation to the framework governing sharing of costs and expenses incurred in respect of, and earnings generated from, the business operations of Southwest Securities (HK) Capital Limited and Southwest Securities (HK) Asset Management Limited, the principal terms of which are disclosed in the announcement of the Company dated 25 October 2023
“Chongqing CSRC”	Chongqing Securities Regulatory Bureau of the PRC (中國證監會重慶監管局)
“Chongqing SASAC”	Chongqing State-owned Assets Supervision and Administration Commission (重慶市國有資產監督管理委員會)
“Company”	Southwest Securities International Securities Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange under the stock code 0812
“Completion”	Completion of the Sale and Purchase Transactions in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	Being the date within ten (10) business days upon which all the Sale and Purchase Conditions have been fulfilled (or, where applicable, waived by Mr. Wong or SSII) or such other date as the parties to the Sale and Purchase Agreement may agree in writing

DEFINITIONS

“connected person(s)”	Having the meaning ascribed to it under the Listing Rules
“controlling shareholder”	Having the meaning ascribed to it under the Listing Rules
“CSRC”	The China Securities Regulatory Commission (中國證券監督管理委員會)
“Deed of Amendment”	A deed of amendment to be entered into between SSII and the Company prior to the Completion Date in respect of the SSII Loan Agreements
“Director(s)”	The director(s) of the Company
“Drawdown Date”	The date on which the Company (as the borrower) shall be entitled to drawdown the Independent Financing in accordance with the terms of the Financing Agreement, being the date on which (1) each of the Advance Conditions have been fulfilled (or waived, as appropriate) and (2) within five (5) business days after the Company has made a drawdown notice to the Independent Lender
“Executive”	The Executive Director of the Corporate Finance Division of the SFC from time to time and any delegate of such Executive Director
“Final Repayment Date”	The date by which the Company as the borrower is obligated to pay back the full amount of the Independent Financing to the Independent Lender (including any remaining principal, interest, and other fees or charges due under the Financing Agreement), being 12 months after the date of the Financing Agreement and in any event no earlier than the Completion Date (or such other date as may be agreed between the Company and the Independent Lender in writing)
“Financing Agreement”	An agreement dated 2 July 2024 entered into between the Company and the Independent Lender in respect of the Independent Financing
“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 PRC

DEFINITIONS

“Independent Board Committee”	An independent board committee of the Company, comprising all independent non-executive Directors, namely, Mr. Meng Gaoyuan, Mr. Liang Jilin and Mr. Cao Ping, which was established by the Board for the purpose of advising the Independent Shareholders on the Offer and the Special Deal, respectively
“Independent Financial Adviser”	Opus Capital Limited, a licensed corporation under the SFO to conduct 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 Special Deal and the Offer
“Independent Financing”	A term loan to be conditionally provided by the Independent Lender to the Company pursuant to the terms of the Financing Agreement, in the amount of HK\$70,000,000
“Independent Lender”	Ms. Huang Hou (黃后), being an independent third party who shall provide the Independent Financing in accordance with the terms of the Financing Agreement, and is independent of, and is not a party acting in concert with Mr. Wong and the Offeror
“Independent Shareholders”	Shareholders other than the Offeror, SSII, and their respective associates and parties acting in concert with the Offeror or SSII
“Joint Announcement”	The announcement dated 21 June 2024 jointly issued by the Company and the Offeror, in relation to, among other things, (1) the Sale and Purchase Transactions; (2) the Offer; and (3) the Special Deal
“Latest Practicable Date”	24 July 2024
“Licensed Corporations”	Subsidiaries of the Company being holder(s) of licence(s) to carry out regulated activities under the SFO, namely (i) SWS Asset Management; (ii) SWS Brokerage; (iii) SWS Capital; and (iv) SWS Futures

DEFINITIONS

“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wong”	Wong Man Hin Max 黃文軒
“Offer”	The possible mandatory unconditional cash offer to be made by Goldlink Securities Limited on behalf of the Offeror, to acquire the Offer Shares (i.e. the issued Share(s) other than those already owned by or agreed to be acquired by the Offeror and parties acting in concert with it) on the terms and conditions set out in the Joint Announcement in accordance with the Takeovers Code
“Offeror”	Ocean Wisdom Investments Limited, a company incorporated in Hong Kong with limited liability, which is wholly and beneficially owned by Mr. Wong as of the Latest Practicable Date
“Perpetual Securities”	The perpetual securities in the aggregate principal amount of HK\$580,000,000 issued by the Company to SSII on 15 October 2019
“PRC”	The People’s Republic of China, which for the purpose of this circular shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Repayment of SSII Loan”	The proposed utilisation by the Company of the Independent Financing to repay part of the SSII Loan, and the proposed utilisation by the Company of its internal resource to repay the SSII Loan Balance
“Sale and Purchase Agreement”	The sale and purchase agreement dated 21 June 2024 entered into between the Offeror and SSII in respect of the Sale and Purchase Transactions
“Sale and Purchase Conditions”	The conditions precedent to Completion as set out in the Sale and Purchase Agreement
“Sale and Purchase Transactions”	The conditional sale and purchase of (i) the Sale Shares and (ii) the Perpetual Securities in accordance with the terms of the Sale and Purchase Agreement

DEFINITIONS

“Sale Shares”	2,713,469,233 Shares (representing approximately 74.1% of the entire issued share capital of the Company) to be acquired by the Offeror pursuant to the terms of the Sale and Purchase Agreement
“Securities and Futures (Financial Resources) Rules”	Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong)
“SFC”	The Securities and Futures Commission of Hong Kong
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	The special general meeting of the Company to be convened and held on 21 August 2024 for the Independent Shareholders to consider and, if thought fit, approve, the Repayment of SSII Loan
“Share(s)”	Ordinary share(s) in the share capital of the Company
“Shareholder(s)”	Shareholder(s) of the Company
“Special Deal”	Having the meaning ascribed to it under the Takeovers Code, and in the context of this circular, the Repayment of SSII Loan
“SSII”	Southwest Securities International Investment Limited, a company incorporated in Hong Kong with limited liability, being the controlling Shareholder
“SSII Dischargeable Balance”	Being an amount to be calculated by deducting (A) the SSII Loan with (B) the balance of the restricted capital of the Licensed Corporations as of the Completion Date pursuant to Securities and Futures (Financial Resources) Rules and the requirement of the SFC
“SSII Loan”	The aggregate sum of the amount drawdown from the SSII Term Loan and the SSII Revolving Facility (inclusive of the corresponding interests)

DEFINITIONS

“SSII Loan Agreements”	The SSII Term Loan Agreement, the SSII Revolving Facility Agreement and any other loan agreement(s) that may be entered into between SSII and the Company
“SSII Loan Balance”	The balance to be repaid by the Company to SSII after deducting the SSII Loan with (a) the Independent Financing and (b) the SSII Dischargeable Balance
“SSII Revolving Facility”	The unsecured revolving loan in the adjustable maximum amount of HK\$25 million or equivalent
“SSII Revolving Facility Agreement”	The agreement dated 28 March 2024 entered into between the Company and SSII in respect of the SSII Revolving Facility
“SSII Term Loan”	The unsecured term loan in the principal amount of not more than HK\$120 million or equivalent
“SSII Term Loan Agreement”	The agreement dated 31 January 2024 entered into between the Company and SSII in respect of the SSII Term Loan
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SWSC”	Southwest Securities Co., Ltd. (西南證券股份有限公司), the ultimate holding company of the Company which is incorporated in the PRC with limited liability and its shares are listed on the Shanghai Stock Exchange, being the guarantor of the USD Bonds
“SWS Asset Management”	Southwest Securities (HK) Asset Management Limited
“SWS Brokerage”	Southwest Securities (HK) Brokerage Limited
“SWS Capital”	Southwest Securities (HK) Capital Limited
“SWS Futures”	Southwest Securities (HK) Futures Limited
“Takeovers Code”	The Code on Takeovers and Mergers issued by the SFC
“US\$”	United States dollars, the lawful currency of the United States

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 Director:

Mr. HUANG Changsheng (*Chief executive officer*)

Independent Non-executive Directors:

Mr. MENG Gaoyuan

Mr. LIANG Jilin

Mr. CAO Ping

Registered Office:

Clarendon House

2 Church Street

Hamilton, HM11

Bermuda

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

14/F, One Hysan Avenue

Causeway Bay

Hong Kong

26 July 2024

To the Shareholders

Dear Sir or Madam,

**SPECIAL DEAL IN RELATION TO THE REPAYMENT OF SSII LOAN
AND
NOTICE OF SPECIAL GENERAL MEETING**

1. INTRODUCTION

Reference is made to the announcements of the Company dated 31 January 2024 and 28 March 2024 in relation to the SSII Term Loan Agreement and the SSII Revolving Facility Agreement, the Joint Announcement in relation to, among others, the Repayment of SSII Loan, and the announcement of the Company dated 2 July 2024 in relation to the execution of the Financing Agreement.

On 21 June 2024 (after trading hours), SSII and the Offeror had entered into the Sale and Purchase Agreement in respect of the Sale and Purchase Transactions. It is one of the Sale and Purchase Conditions that the Offeror shall procure the Independent Lender to enter into the Financing Agreement with the Company within seven business days after the execution of the Sale and Purchase Agreement to provide, in accordance with the terms of the Financing Agreement, the Independent Financing to the Company within five business days upon fulfillment of each of the Sale and Purchase Conditions (i), (ii), (iv), (v), (vi) and (vii), and the Company having received the Independent Financing.

* *For identification purpose only*

LETTER FROM THE BOARD

On 2 July 2024 (after trading hours) (being a date within seven business days after the execution of the Sale and Purchase Agreement), the Financing Agreement had been entered into between the Company (as the borrower) and the Independent Lender (as the lender).

As disclosed in the Joint Announcement, it is one of the Sale and Purchase Conditions that the consent of the Executive in relation to the Repayment of SSII Loan as a “special deal” under Rule 25 of the Takeovers Code shall have been obtained, in order for the Sale and Purchase Transactions to proceed to Completion.

The purpose of this circular is to provide you with, among other things, further details of the Repayment of SSII Loan and the Financing Agreement, including (i) the principal terms of the Financing Agreement; (ii) further details of the Repayment of SSII Loan; (iii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders on the Repayment of SSII Loan; (iv) the letter of advice from the Independent Financial Adviser to the Independent Board Committee in relation to the Repayment of SSII Loan; and (v) the notice of the SGM.

2. THE FINANCING AGREEMENT

The Board is pleased to announce that on 2 July 2024, the Company (as the borrower) and the Independent Lender had entered into the Financing Agreement. Pursuant to the terms of the Financing Agreement, the Independent Lender shall conditionally offer a term loan in the amount of HK\$70,000,000 to the Company. The principal terms of the Financing Agreement, which has been disclosed in the Joint Announcement and announcement of the Company dated 2 July 2024, are summarised as follows:

Date	:	2 July 2024
Parties	:	The Company (as the borrower) The Independent Lender (as the lender)
Facility amount	:	HK\$70,000,000
Interest rate	:	15% per annum
Purpose	:	Solely for the purpose of repayment of the SSII Loan

LETTER FROM THE BOARD

Conditions precedent : The grant of the Independent Financing under the Financing Agreement is conditional upon the fulfillment of the following conditions precedent (the “**Advance Condition(s)**”):

- (i) The SFC granting approval to Mr. Wong in becoming a substantial shareholder of the Company and the Licensed Corporations, as a result of the acquisition of the Sale Shares;
- (ii) The consent of the Executive in relation to the Repayment of SSII Loan as a “special deal” under Rule 25 of the Takeovers Code having been obtained;
- (iii) The Independent Financial Adviser having issued the opinion that the Special Deal is of normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and the passing of the necessary ordinary resolution by the Independent Shareholders at a special general meeting, namely with more than 50% of the votes cast by all Independent Shareholders who had attended the SGM in person or by proxy, to approve the Repayment of SSII Loan;
- (iv) Mr. Wong, SSII and the Group having obtained all the necessary approvals, consents (and/or if necessary, waivers) from the relevant governmental or regulatory authorities (including but not limited to Chongqing SASAC, Chongqing CSRC and CSRC) and/or the relevant written consent of other third parties (including the banks) in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder; and
- (v) If necessary, SWSC having convened a general meeting and obtained the approval from its shareholders in respect of the transactions contemplated under the Sale and Purchase Agreement.

LETTER FROM THE BOARD

Under the Financing Agreement, the Company and the Independent Lender have further acknowledged and agreed that there are no other conditions precedent (implied or otherwise) to the obligation of the Independent Lender to make the Independent Financing on the Drawdown Date other than the Advance Conditions.

Notwithstanding any other provision of the Financing Agreement, during the availability period, the Independent Lender shall not, and shall not be entitled to:

- (i) invoke any other conditions precedent which is not set out in the Financing Agreement as a ground for refusing to make the Independent Financing other than the Advance Conditions;
- (ii) cancel all or any part of the Independent Financing;
- (iii) rescind, terminate or cancel the Financing Agreement or the Independent Financing or exercise any similar right or remedy or make or enforce any claim under the Financing Agreement or otherwise that it may have;
- (iv) refuse to fund, or prevent or limit or delay, the making of the Independent Financing if the Advance Conditions are satisfied;
- (v) exercise any right of set-off or counterclaim in respect of any disbursement under the Independent Financing; or
- (vi) cancel, accelerate or cause repayment or prepayment of any amounts owing under the Financing Agreement.

Security : None

LETTER FROM THE BOARD

- Availability period : From the date of the Financing Agreement to the date on which the Sale and Purchase Agreement is lapsed or terminated (and if such date is not a bank business day, the first bank business day immediately after the date on which the Sale and Purchase Agreement is lapsed or terminated).
- Drawdown : The Company may submit a drawdown notice to the Independent Lender within five business days commencing from the date on which all the Advance Conditions are satisfied (or, if applicable, waived) to make a one-time drawdown of the fund available under the Independent Financing.
- Repayment and prepayment : The Company shall repay the entire principal amount and the corresponding interest to the Independent Lender on or before the Final Repayment Date.

Upon prior consent of Independent Lender, the Company may from time to time prepay all or any portion of the Independent Financing, including interest accrued up to the date of prepayment on the amount prepaid and any other amount then payable under the Financing Agreement.

3. UTILISING THE INDEPENDENT FINANCING FOR THE REPAYMENT OF SSII LOAN

SSII Loan drawdown by the Company

Reference is made to the announcement of the Company dated 31 January 2024.

On 31 January 2024, the Company had announced that SSII, the immediate controlling Shareholder and a wholly-owned subsidiary of SWSC, had entered into the SSII Term Loan Agreement with the Company. Pursuant to the SSII Term Loan Agreement, the Company may drawdown no more than HK\$120,000,000 or equivalent from SSII on 1 February 2024, being the drawdown date for the purpose of repayment of debts arising from the USD Bonds. The Company fully repaid the USD Bonds upon maturity in February 2024.

Further reference is made to the announcement of the Company dated 28 March 2024.

LETTER FROM THE BOARD

On 28 March 2024, SSII and the Company had entered into the SSII Revolving Facility Agreement, pursuant to which, the Company shall be entitled to drawdown a maximum of HK\$25,000,000 or equivalent from the SSII Revolving Facility, to provide general working capital in supporting the daily operation of the Group.

As of the Latest Practicable Date, the Company had made drawdown from the SSII Term Loan Agreement and the SSII Revolving Facility Agreement in the total amount of approximately HK\$125,349,324.28 or equivalent, and the amount of interest payable by the Company to SSII as of the Latest Practicable Date is HK\$3,609,272.41. Pursuant to the terms of the SSII Term Loan Agreement and the SSII Revolving Facility Agreement, the Company shall, unless otherwise agreed by SSII and the Company in writing, repay the entire principal amount and the corresponding interest under each of the SSII Term Loan Agreement and the SSII Revolving Facility Agreement to SSII on or before 31 December 2024, being the final repayment date. Should Completion shall take place later than 31 December 2024, it is the intention of SSII, being the lender of the aforesaid SSII Loan, to extend the final repayment date in respect of the SSII Loan to 30 June 2025 (and in any event no later than the expected Completion Date).

As of the Latest Practicable Date, other than the SSII Term Loan Agreement and the SSII Revolving Facility Agreement, no other loan agreements have been entered into between the Company as the borrower and SSII as the lender.

Utilisation of the Independent Financing to repay the SSII Loan

To facilitate the repayment of the SSII Loan, it has been agreed between SSII and Mr. Wong, as a Sale and Purchase Condition (i.e. Sale and Purchase Condition (iii)), that Mr. Wong shall procure the Independent Lender to enter into the Financing Agreement with the Company within seven business days after the execution of the Sale and Purchase Agreement to provide, in accordance with the terms of the Financing Agreement, the Independent Financing to the Company within five business days upon fulfillment of each of the Sale and Purchase Conditions (i), (ii), (iv), (v), (vi) and (vii), and the Company having received the Independent Financing.

Accordingly, it was a material term as agreed between the Company (as the borrower) and the Independent Lender (as the lender and as procured by the Offeror) that the purpose of the Independent Financing shall be designated solely for the Repayment of SSII Loan.

On 2 July 2024, the Financing Agreement had been entered into between the Company (as the borrower) and the Independent Lender (as the lender). Once each of the Sale and Purchase Conditions (i), (ii), (iv), (v), (vi) and (vii) (which mirrors with the Advance Conditions) have been fulfilled, the Independent Lender shall be obligated to advance the Independent Financing to the Company in accordance with the terms of the Financing Agreement. Once the Independent Financing is received by the Company, the Sale and Purchase Condition (iii) is considered fulfilled.

LETTER FROM THE BOARD

4. SETTLEMENT OF THE SSII LOAN BALANCE PRIOR TO COMPLETION

Settlement of the SSII Loan Balance

Reference is made to the Joint Announcement.

As disclosed therein, pursuant to the terms of the Sale and Purchase Agreement, Mr. Wong has made a specific post-completion undertaking to SSII that subject to:

- (a) the consent of the Executive in relation to the Repayment of SSII Loan as a “special deal” under Rule 25 of the Takeovers Code having been obtained;
- (b) the passing of the necessary ordinary resolution by the Independent Shareholders at a special general meeting, namely with more than 50% of the votes cast by Independent Shareholders who had attended the SGM in person or by proxy, to approve the Repayment of SSII Loan; and
- (c) SSII having discharged the repayment obligation of the Company in respect of the SSII Dischargeable Balance,

Mr. Wong shall procure the Company to repay the SSII Loan Balance within six months after the Completion Date (in any event no later than 30 June 2025).

For illustration:

SSII Loan Balance is calculated in accordance with the formula as follows:

$$\text{SSII Loan Balance} = \text{SSII Loan (inclusive of the corresponding interests)} - \text{Independent Financing} - \text{SSII Dischargeable Balance}$$

SSII Loan

As of the Latest Practicable Date, the outstanding balance of the SSII Loan was approximately HK\$129 million (of which comprising (i) HK\$120.0 million or equivalent drawn down from SSII Term Loan Agreement, (ii) approximately HK\$5.4 million or equivalent drawn down from the SSII Revolving Facility Agreement, and (iii) approximately HK\$3.6 million or equivalent being the corresponding interests payable as of the date of the Latest Practicable Date pursuant to the terms of SSII Term Loan Agreement and SSII Revolving Facility Agreement).

The Company may, depending on its general working capital need, further draw down the entire or part of the remaining facility amount of approximately HK\$19,650,675.72 or equivalent from the SSII Revolving Facility Agreement as of the Latest Practicable Date.

LETTER FROM THE BOARD

Independent Financing

Pursuant to the terms of the Financing Agreement, the amount of Independent Financing that may be drawn down from the Financing Agreement upon satisfaction or waiver of all Advance Conditions is HK\$70,000,000.

SSII Dischargeable Balance

SSII Dischargeable Balance shall be a balance to be ascertained between the Company and SSII before the Completion Date, whereby a Deed of Amendment in respect of the SSII Loan shall be entered into between the Company (as the borrower under the SSII Term Loan Agreement and the SSII Revolving Facility Agreement) and SSII (as the lender under the aforesaid agreements), pursuant to which SSII shall unequivocally discharge, prior to the Completion Date, the obligation of the Company to repay part of the principal sum and the corresponding interest under the SSII Term Loan Agreement and the SSII Revolving Facility Agreement, in the amount to be calculated by deducting (A) the SSII Loan and the interests thereof with (B) the balance of the restricted capital of the Licensed Corporations as of the Completion Date pursuant to Securities and Futures (Financial Resources) Rules and the requirement of the SFC.

For illustration:

SSII Dischargeable Balance = SSII Loan (inclusive of the corresponding interests) – the balance of the restricted capital of the Licensed Corporations as of the Completion Date pursuant to Securities and Futures (Financial Resources) Rules and the requirement of the SFC

Balance of the restricted capital of the Licensed Corporations

“The balance of the restricted capital of the Licensed Corporations as of the Completion Date pursuant to Securities and Futures (Financial Resources) Rules and the requirement of the SFC” refers to the aggregate cash balance expected to be held by the Licensed Corporations, namely SWS Asset Management, SWS Brokerage, SWS Capital, SWS Futures, as of the Completion Date. As of the Latest Practicable Date, the amount of cash balance held by the Licensed Corporations in total is approximately HK\$80 million.

Furthermore, the Company is in the process of recovering approximately HK\$20 million from an ongoing litigation dispute between SWS Brokerage and an individual concerning recovery of outstanding margin loan. It is also expected that the Licensed Corporations would generate net cash income of around HK\$5 million from business operations and other litigation settlements prior to Completion. Accordingly, the approximate balance of restricted capital as of the Completion Date is estimated to range from approximately HK\$100 million to HK\$105 million.

LETTER FROM THE BOARD

Having considered the above and assuming no further drawdown from the SSII Revolving Facility Agreement prior to the Completion Date, the approximate amount for SSII Dischargeable Balance is estimated in the range of:

HK\$129 million – HK\$100 million = HK\$29 million

to

HK\$129 million – HK\$105 million = HK\$24 million

Accordingly, it is estimated that immediately prior to the Completion Date, the SSII Loan Balance, calculated by deducting the SSII Loan and the interests thereof of approximately HK\$129 million with (a) the Independent Financing of HK\$70 million and (b) the SSII Dischargeable Balance, shall be in the range of HK\$30 million to HK\$35 million.

Principal terms of the Deed of Amendment

The principal terms of the Deed of Amendment, which is expected to be entered into between SSII (as the lender), the Company (as the borrower) and Mr. Wong (as the guarantor) before the Completion Date, are as follows:

Partial discharge

SSII (as the lender) agrees to partially discharge the Company (as the borrower) from the principal and corresponding interest that should be repaid according to the SSII Loan Agreements signed by both parties from the date of this Sale and Purchase Agreement up to the Completion Date that are entered into for the purpose of maintaining the daily operations of the Group, so that as of the date of signing the Deed of Amendment, the amount the Company (as the borrower) should repay or pay to SSII (as the lender) shall become an amount equivalent to the SSII Loan Balance.

LETTER FROM THE BOARD

Guarantee by the Offeror

Mr. Wong (as the guarantor) agrees to unconditionally and irrevocably guarantee to SSII (as the lender) from the date of signing the Deed of Amendment that the Company (as the borrower) will properly and timely perform all its responsibilities and obligations under the SSII Loan Agreements and the Deed of Amendment, and to cause the Company (as the borrower) to repay the SSII Loan Balance to SSII within six months after the Completion Date (and in any case no later than 30 June 2025). Should the Company fail to properly and timely perform any responsibility or obligation, Mr. Wong as the guarantor must immediately perform such responsibilities and obligations of the Company upon SSII's request and ensure the Company's responsibilities and obligations are fulfilled.

Default interest in the event of failure by the Company to repay the SSII Loan Balance

If the Company fails to repay the SSII Loan Balance within six months after the Completion Date (and in any case no later than 30 June 2025) according to the terms of the Deed of Amendment, the Company shall additionally pay default interest on the overdue unpaid amount. The interest rate for overdue interest will be the Hong Kong Interbank Offered Rate (HIBOR) plus one percent, calculated daily until the overdue amount and interest are paid in full, from the due date of the overdue payment until the actual payment date.

5. REASONS FOR AND BENEFITS OF THE SPECIAL DEAL

The Special Deal, which refers to the obligation of the Company (as the borrower) to repay, in accordance with the terms of the SSII Loan Agreements and the proposed Deed of Amendment, to SSII (as the lender and the controlling shareholder of the Company) the SSII Loan by utilising the Independent Financing and by the internal resources of the Company, is an integral part of the Sale and Purchase Transactions.

LETTER FROM THE BOARD

The Sale and Purchase Transactions, the completion of which is conditional upon, among others, the consent of the Executive in relation to the Repayment of SSII Loan as a “special deal” under Rule 25 of the Takeovers Code having been obtained (i.e. Sale and Purchase Condition (iv)). If the consent from the Executive is not obtained, the Special Deal will not proceed, and neither for the Sale and Purchase Transactions will complete. As the Special Deal forms an integral part of the Sale and Purchase Transactions, the Company is of the view that consent from the Executive is determinant to the completion of the Sale and Purchase Transactions, the proposed change of control of the Company, and the possible eventual resumption of trading in the Shares on the Stock Exchange upon change of control, which will be vital as part of the process of fulfilling the resumption guidance imposed by the Stock Exchange on the Company, and resolving the going concern issue of the Company.

Prior to entering into the Financing Agreement, the Company has explored other financing alternatives such as debt financing, rights issue, open offer or internal cash resources of the Group, if appropriate and taking into consideration the then financial position, capital structure and cost of funding of the Group. Back in December 2023, the Company had reached out to other financial institutions to discuss on bank loan to meet the needs of repayment of the USD Bonds, however after discussions, the other financial intuitions concluded that they are unable to provide borrowing due to the loss-making position of the Company and the lack of fix assets as a collateral.

SSII and Mr. Wong had been in talks for the sale of the Sale Shares since the end of 2022, therefore any new Share issuances during the Offer Period would need Mr. Wong’s consent. In addition, rights issue or open offer may also involve substantial time and cost to complete as compared to obtaining a shareholder’s loan. Although rights issue and open offer would allow the Shareholders to maintain their respective pro-rata shareholdings in the Company, lengthy discussion with potential commercial underwriters may be required and the Company had an urgent need to repay the USD Bond by its maturity date. In addition, carrying out rights issue and open offer may incur certain transaction costs such as underwriting commission and involve extra administrative work and cost. Furthermore, due to the suspension of trading in the Shares since 4 March 2024, rights issue and open offer had become difficult and shall require further consent from regulatory authorities.

Opus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Shareholder and the Independent Board Committee as to whether, among others, the Special Deal is an arm’s length transaction on normal commercial terms and its terms are fair and reasonable. The Board understands that the Independent Financial Adviser has reviewed the Special Deal and is of the opinion that the Special Deal is an arm’s length transaction on normal commercial terms and the terms of the Special Deal are fair and reasonable.

LETTER FROM THE BOARD

6. INFORMATION OF THE INDEPENDENT LENDER

Ms. Huang Hou (黄后), the Independent Lender, was introduced by Mr. Wong to the Company in order to fulfill Condition (iii) of the Sale and Purchase Agreement. Ms. Huang is a professional investor based in the PRC and is experienced in investing in securities.

Based on publicly available information, Ms. Huang is the controlling shareholder and an ultimate beneficial owner of Yield Go Holdings Limited (Stock Code: 01796), the shares of which are listed on the Main Board of the Stock Exchange. In addition, Ms. Huang is a substantial shareholder of China Health Technology Group Holdings Company Limited (Stock Code: 01069), the shares of which are listed on the Main Board of the Stock Exchange.

The Independent Lender is a third party independent of, and not connected with, the Company and its connected persons. Furthermore, the Independent Lender is independent of, and is not a party acting in concert with, Mr. Wong and the Offeror.

7. IMPLICATIONS UNDER THE TAKEOVERS CODE

Based on the terms of the Financing Agreement, the purpose of the Independent Financing is designated solely for the purpose of repaying part of the SSII Loan, and SSII is the sole recipient of the Independent Financing. Furthermore, the SSII Loan Balance, which shall be settled by the Company using its internal resources within six months after Completion, shall be repayable only to SSII. As the Repayment of SSII Loan is not extended to all the other Shareholders, such transaction shall constitute a “special deal” under Rule 25 of the Takeovers Code and will be conditional upon obtaining the consent of the Executive under Note 5 to Rule 25 of the Takeovers Code.

An application has been made to the Executive for its consent to the Special Deal pursuant to Note 5 to Rule 25 of the Takeovers Code. The Executive will normally consent to the Special Deal provided that: (i) the Independent Financial Adviser publicly states in its opinion that the Special Deal is an arm’s length transaction on normal commercial terms and that its terms are fair and reasonable; and (ii) the Special Deal is approved at the SGM by way of poll by the Independent Shareholders.

The Independent Board Committee comprising three (3) independent non-executive Directors, namely Mr. Meng Gaoyuan, Mr. Liang Jilin and Mr. Cao Ping, has been established in accordance with Rule 2.1 and Rule 2.8 of the Takeovers Code to advise and give recommendations to the Independent Shareholders as to whether the terms of the Repayment of SSII Loan are fair and reasonable and as to the voting action at the SGM.

LETTER FROM THE BOARD

8. SGM

The SGM will be held on Wednesday, 21 August 2024 at 9:30 a.m. at Meeting Room Hennessy, 31/F, Hysan Place, 500 Hennessy Road, Causeway Bay, Hong Kong to consider and, if thought fit, to approve the proposed resolution relating to the Special Deal and the vote will be conducted by way of a poll pursuant to Rule 2.9 of the Takeovers Code and Rule 13.39(5) of the Listing Rules. A notice of the SGM is set out on pages 55 to 56 of this circular. A proxy form for appointing proxy is despatched with this circular and published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.swsc.hk). Whether or not you intend to attend the SGM, you are requested to complete the proxy form and return it to the Company's branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for the holding of the SGM or the adjourned meeting. Completion and return of a proxy form will not preclude you from attending and voting at the SGM and any adjourned SGM if you so wish.

As at the Latest Practicable Date:

- (1) SSII, being the immediate controlling shareholder of the Company, owns and control 2,713,469,233 Shares, representing approximately 74.1% of the entire issued share capital of the Company. SSII is wholly owned by SWSC, the ultimate holding company of the Company, which is incorporated in the PRC with limited liability and its shares are listed on the Shanghai Stock Exchange;
- (2) neither the Offeror, Mr. Wong nor any party acting in concert with any of them owned or had control or direction over any voting rights or rights over the Shares or options, warrants, derivatives or securities convertible into Shares or other derivatives in respect of securities in the Company;

SSII and its associates and parties acting in concert with it will abstain from voting on the proposed resolution in respect of the Special Deal at the SGM. Any other Shareholders who are involved in or interested in the Special Deal or any transactions contemplated therein will abstain from voting on the proposed resolution in respect of the Special Deal at the SGM.

9. WARNING

The Financing Agreement and the arrangements concerning the Independent Financing are conditional upon fulfillment of the Sale and Purchase Conditions set out in the Sale and Purchase Agreement, the Shareholders and potential investors of the Company shall note that the above transaction may or may not proceed. In the event that the Offeror fails to fulfill the relevant Sale and Purchase Conditions, the Repayment of SSII Loan shall cease to be a “special deal” under Rule 25 of the Takeovers Code, and shall no longer require consent of the Executive or approval of the Independent Shareholders. Shareholders should also note that the resumption of trading in the Shares

LETTER FROM THE BOARD

is not solely dependent on the Repayment of SSII Loan or the proposed change of control of the Company from SSII to the Offeror, but also subject to the fulfilment of the resumption guidance to the Stock Exchange's satisfaction, including to demonstrate the Company's compliance with Rule 13.24 of the Listing Rules. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

10. RECOMMENDATION

The Directors (including the independent non-executive Directors who have expressed their views in the letter from the Independent Board Committee after taking into account the advice of the Independent Financial Adviser) consider that the Special Deal is fair and reasonable and are in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole. Accordingly, the Directors (including the independent non-executive Directors who have expressed their views in the letter from the Independent Board Committee after taking into account the advice of the Independent Financial Adviser) recommend the Independent Shareholders to vote for the resolution to approve the Special Deal. You are advised to read the letter from the Independent Board Committee and the letter from the Independent Financial Adviser before deciding how to vote on the resolution(s) relating to the Special Deal to be proposed at the SGM.

11. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular and the notice convening the SGM.

12. CONTINUED SUSPENSION OF TRADING

Trading in the Company's shares on the Stock Exchange, which was suspended with effect from 9:00 a.m. on 4 March 2024, remains suspended and will continue to be so until the Company fulfils the resumption guidance issued by the Stock Exchange to the Company (and any supplement or modification thereto). The Company will publish further announcement(s) to inform the Shareholders of its progress in complying with the resumption guidance as and when appropriate, as well as quarterly updates on its development pursuant to Rule 13.24A of the Listing Rules.

Yours faithfully

By order of the Board

Southwest Securities International Securities Limited

Huang Changsheng

Executive Director and Chief Executive Officer

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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)

26 July 2024

To the Independent Shareholders

Dear Sir or Madam,

SPECIAL DEAL IN RELATION TO REPAYMENT OF SSII LOAN

We have been appointed to form an independent board committee to consider and advise you on the Special Deal, details of which are set out in the circular issued by the Company to the Shareholders dated 26 July 2024 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular will have the same meanings when used herein unless the context otherwise requires.

We wish to draw your attention to the letter from the Board set out on pages 8 to 21 of the Circular and the letter of advice from the Independent Financial Adviser set out on pages 23 to 49 of the Circular, respectively, and the additional information set out in the appendix to the Circular.

Having taken into account the background of and reasons for the Special Deal and having taken into consideration of the advice of the Independent Financial Adviser, we concur with the view of the Independent Financial Adviser and consider that the Special Deal is fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Special Deal.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Meng Gaoyuan

*Independent
non-executive Director*

Mr. Liang Jilin

*Independent
non-executive Director*

Mr. Cao Ping

*Independent
non-executive Director*

* *For identification purpose only*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the letter of advice from the Independent Financial Adviser, Opus Capital Limited, to the Independent Board Committee, in respect of the Special Deal in relation to the Repayment of SSII Loan, which has been prepared for the purpose of inclusion in this Circular.



18th Floor, EC Healthcare Tower (Central)
19–20 Connaught Road Central
Central, Hong Kong

26 July 2024

To: the Independent Board Committee of Southwest Securities International Securities Limited

Dear Sirs/Madams,

SPECIAL DEAL IN RELATION TO THE REPAYMENT OF SSII LOAN

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Special Deal in relation to the Repayment of SSII Loan. Details of the Special Deal in relation to the Repayment of SSII Loan is set out in the Letter from the Board (the “**Letter from the Board**”) of the circular of the Company dated 26 July 2024 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

The Special Deal

Reference is made to the announcements of the Company dated 31 January 2024 and 28 March 2024 in relation to the SSII Term Loan Agreement (the “**SSII Term Loan Announcement**”) and the SSII Revolving Facility Agreement (the “**SSII Revolving Facility Announcement**”), the Joint Announcement in relation to, among others, the Repayment of SSII Loan and the announcement of the Company dated 2 July 2024 in relation to the execution of the Financing Agreement (the “**Independent Financing Announcement**”).

As referred to in the SSII Term Loan Announcement, on 31 January 2024, the Company had announced that SSII, being the immediate controlling Shareholder and the wholly-owned subsidiary of SWSC, had entered into the SSII Term Loan Agreement with the Company. Pursuant to the SSII Term Loan Agreement, the Company may drawdown no more than HK\$120,000,000 or equivalent from SSII on 1 February 2024, being the drawdown date for the purpose of repayment of debts arising from the USD Bonds.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As referred to in the SSII Revolving Facility Announcement, on 28 March 2024, SSII and the Company had further entered into the SSII Revolving Facility Agreement, pursuant to which, the Company shall be entitled to drawdown a maximum of HK\$25,000,000 or equivalent from the SSII Revolving Facility, to provide general working capital in supporting the daily operation of the Group.

As referred to in the Joint Announcement, on 21 June 2024 (after trading hours), SSII and the Offeror had entered into the Sale and Purchase Agreement in respect of the Sale and Purchase Transactions. It is one of the Sale and Purchase Conditions (i.e. the Sale and Purchase Condition (iii)) that the Offeror shall procure the Independent Lender to enter into the Financing Agreement with the Company within seven business days after the execution of the Sale and Purchase Agreement to provide, in accordance with the terms of the Financing Agreement, the Independent Financing to the Company within five business days upon fulfillment of each of the Sale and Purchase Conditions (i), (ii), (iv), (v), (vi) and (vii), and the Company having received the Independent Financing.

As referred to in the Independent Financing Announcement, on 2 July 2024 (after trading hours) (being a date within seven business days after the execution of the Sale and Purchase Agreement), the Financing Agreement had been entered into between the Company (as the borrower) and the Independent Lender (as the lender). The terms of the Financing Agreement are set out in the section headed “3. Information of the Independent Financing and the Repayment of SSII Loan” below.

As disclosed in the Joint Announcement, it is one of the Sale and Purchase Conditions (i.e. the Sale and Purchase Condition (iv)) that the consent of the Executive in relation to the Repayment of SSII Loan as a “special deal” under Rule 25 of the Takeovers Code shall have been obtained, in order for the Sale and Purchase Transactions to proceed to Completion.

Based on the terms of the Financing Agreement, the purpose of the Independent Financing is designated solely for the purpose of repaying part of the SSII Loan, and SSII is the sole recipient of the Independent Financing. Furthermore, the SSII Loan Balance, which shall be settled by the Company using its internal resources within six months after Completion, shall be repayable only to SSII. As the Repayment of SSII Loan is not extended to all the other Shareholders, such transaction shall constitute a “special deal” under Rule 25 of the Takeovers Code and will be conditional upon obtaining the consent of the Executive under Note 5 to Rule 25 of the Takeovers Code.

An application has been made to the Executive for its consent to the Special Deal pursuant to Note 5 to Rule 25 of the Takeovers Code. The Executive will normally consent to the Special Deal provided that: (i) we as the Independent Financial Adviser publicly states in our opinion that the Special Deal is an arm’s length transaction on normal commercial terms and that its terms are fair and reasonable; and (ii) the Special Deal is approved at the SGM by way of poll by the Independent Shareholders. SSII and its associates and parties acting in concert with it will abstain from voting on the proposed resolution in respect of the Special

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Deal at the SGM. Any other Shareholders who are involved in or interested in the Special Deal or any transactions contemplated therein will abstain from voting on the proposed resolution in respect of the Special Deal at the SGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, which comprises all the independent non-executive Directors, who have no direct or indirect interest in the Offer, namely Mr. Meng Gaoyuan, Mr. Liang Jilin and Mr. Cao Ping, has been established by the Board to make a recommendation to the Independent Shareholders as to, among others, whether the terms of the Special Deal are fair and reasonable and as to voting at the SGM. We have been appointed by the Company, pursuant to Rule 2.1 of the Takeovers Code and with the approval of the Independent Board Committee, to advise the Independent Board Committee with respect to the same.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any connection, financial or otherwise with the Group, Mr. Wong, the Offeror, SSII, or any of their respective controlling shareholders, or any party acting, or presumed to be acting in concert with, or have control over any of them, which would create or likely to create the perception of a conflict of interest or reasonably likely to affect the objectivity of our advice. During the past two years, except the normal independent financial advisory fees paid or payable to us in connection with this appointment regarding the Special Deal and the Offer, no arrangements exist whereby we had received or will receive any fees or benefits from the Group, the Offeror, SSII or any of their respective controlling shareholders, or any party acting, or presumed to be acting in concert with, or have control over any of them that could reasonably be regarded as relevant to our independence. We therefore consider ourselves suitable to give independent advice to the Independent Board Committee in respect of the Special Deal pursuant to Rule 2.6 of the Takeovers Code.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee, we have reviewed, amongst other things:

- (i) the information and facts contained, referred to in the SSII Term Loan Announcement, SSII Revolving Facility Announcement, the Independent Financing Announcement, the Joint Announcement and the Circular;
- (ii) the information supplied by the Directors and the management of the Group (collectively, the “**Management**”);
- (iii) the opinions expressed by and the representations of the Directors and the Management;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iv) the Company's annual report for the year ended 31 December ("FY") 2022 (the "**2022 Annual Report**");
- (v) the Company's interim report for the six months ended 30 June 2023 (the "**2023 Interim Report**");
- (vi) the Company's annual report for the year ended 31 December 2023 (the "**2023 Annual Report**");
- (vii) the Sale and Purchase Agreement (including the principal terms of the Deed of Amendment as set out in the relevant appendix therein);
- (viii) the SSII Loan Agreements; and
- (ix) the Financing Agreement.

We have also discussed with and reviewed the information provided to us by the Company, the Management regarding the business and outlook of the Group.

We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Management. We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive (i) at the time when they were provided; (ii) at the time they were made; or (iii) as at the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us and the contents of this letter after the Latest Practicable Date pursuant to Rule 9.1 of the Takeovers Code. Shareholders will also be informed of our opinion in relation to such material changes, if any, as soon as possible.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has 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 Management, which have been provided to us.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information (save for examining numerical figures and conducting cross-checking the relevant information, data and disclosures against the contents of our letter) provided by the Management, and nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular (including the relevant information concerning the Group provided by the Management set out in our letter) and confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

This letter is issued to the Independent Board Committee solely in connection with and for their consideration of the Special Deal, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

PRINCIPAL TERMS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regards to the Special Deal, we have taken into account the following principal factors and reasons:

1. Information of the Company

a. Principal activities of the Group

The Company is incorporated in Bermuda with limited liability. The Group, through its subsidiaries principally engages in businesses covering brokerage and margin financing, corporate finance, asset management and proprietary trading.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

b. Historical financial information of the Company

The following is a summary of the financial results of the Group for each of FY2021, FY2022 and FY2023, as extracted from the 2022 Annual Report and the 2023 Annual Report:

Table 1: Highlights of the financial results of the Group

	FY2023	Audited FY2022	FY2021
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Revenue	31,192	(102,042)	129,633
— Brokerage	98	1,473	7,970
— Corporate finance	5,522	10,983	8,774
— Margin finance	5	810	4,803
— Net gain/(losses) from proprietary trading	25,567	(115,308)	108,086
Loss for the year attributable to the Shareholders	(15,943)	(241,138)	(63,786)

Sources: the 2022 Annual Report and the 2023 Annual Report

FY2023 vs FY2022

During FY2023, the revenue of the Group was approximately HK\$31.2 million, representing a significant turnaround from a loss of approximately HK\$102.0 million for FY2022. The increase in revenue was mainly due to the net gain from proprietary trading of approximately HK\$25.6 million during FY2023, in comparison to a net loss of approximately HK\$115.3 million during FY2022.

The Group recorded loss attributable to the Shareholders for FY2023 of approximately HK\$15.9 million, representing a significant reduction from the loss position of approximately HK\$241.1 million for FY2022, by approximately 93.4%. The decrease in the loss position of the Group for FY2023 was in line with the increase in revenue as abovementioned, which was mainly due to the Group continuing its investment strategy since the 2nd half of FY2022, strengthening its risk control management, and focusing on high-level fixed income investments and the Group sold fixed income securities to lock in profits when the respective prices recovered. As referred to the 2023 Annual Report, the Company had sold fixed income securities issued by: (i) Bi Hai Co., Ltd. (a subsidiary of Yunnan Provincial Investment Holdings Group Co., Ltd.) with a principal amount of US\$3,000,000 for approximately US\$2,809,969 in the open market; (ii) GF Financial Holdings BVI Ltd. (a subsidiary of GF Holdings (Hong Kong) Corporation Limited) with a principal amount of US\$2,650,000 for approximately US\$2,531,595 in the open

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

market; and (iii) Central Plaza Development Ltd. (a subsidiary of Beijing Capital Land Ltd.) with a principal amount of US\$5,500,000 for approximately US\$4,885,161 in the open market. The sale of fixed income securities ensued following 31 December 2023, the Company sold more notes with a combined principal amount US\$5,100,000 in January 2024.

Furthermore, as referred to in the 2023 Annual Report, in order to adapt to the market, the Company was focusing on controlling risks and reducing costs, actively introducing business teams and strategic investors, gradually adjusting its business structure and realising a comprehensive restructuring in 2023. In addition, as highlighted in the 2023 Annual Report, the Group, in order to enhance cost efficiency, has ceased the direct operation of futures and options business since December 2021 and has suspended the direct operation of brokerage business of “Securities Brokerage and Margin Business Segment” and discontinued the insurance brokerage business was discontinued in 2022, with a view to focusing existing resources on business strengths.

FY2022 vs FY2021

During FY2022, the revenue of the Group was a loss of approximately HK\$102.0 million, representing a significant deterioration from the positive revenue recorded of approximately HK\$129.6 million for FY2021. The significant decrease in revenue was mainly attributable to: (i) the net losses from proprietary trading of approximately HK\$115.3 million; (ii) the decrease in the revenue from brokerage segment from approximately HK\$8.0 million in 2021 to approximately HK\$1.5 million in 2022; and (iii) the decrease of revenue from margin finance from approximately HK\$4.8 million in 2021 to HK\$0.8 million in 2022.

The Group recorded loss attributable to the Shareholders for FY2022 of approximately HK\$241.1 million, representing a significant increase in its loss position of HK\$63.8 million for FY2021, by approximately 277.9%. The increase in the loss position of the Group for FY2022 was in line with the drop in revenue from the brokerage, margin finance and the net losses from proprietary trading, which was mainly due to the underwent perplexing fluctuations and continued weakness of the Hang Seng Index, geopolitical instability and the remaining impact brought by COVID-19 to the economies of both the PRC and Hong Kong.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is a summary of the financial positions of the Group as at 30 June 2023 and 31 December 2023, as extracted from the 2023 Interim Report and the 2023 Annual Report:

Table 2: Highlights of the financial positions of the Group

	Audited As at 31 December 2023 (HK\$'000)	Unaudited As at 30 June 2023 (HK\$'000)
Non-current assets	913	1,301
— Fixed assets	613	901
— Other non-current assets	300	400
Current assets	708,804	720,673
— Financial assets at fair value through profit or loss	99,090	317,306
— Accounts receivable	678	12,108
— Prepayments, other receivables and other assets	5,072	3,836
— Cash and bank balances	603,964	387,423
Current liabilities	746,794	748,669
— Bonds payable	722,422	723,841
— Other payables and accrued charges	15,163	15,382
— Provisions	9,209	9,446
Net liabilities attributable to the Shareholders	(37,077)	(26,695)

Sources: the 2023 Interim Report and the 2023 Annual Report

The non-current assets of the Group were mainly comprised of fixed assets and other non-current assets. The total non-current assets experienced a decrease of approximately 30.8% from approximately HK\$1.3 million as at 30 June 2023 to approximately HK\$0.9 million as at 31 December 2023, which was primarily attributable to the decrease in fixed assets by approximately HK\$0.3 million.

The current assets of the Group mainly consisted of cash and bank balances, financial assets at fair value through profit or loss (“FAFVTPL”), accounts receivable, prepayments, other receivables and other assets. The total current assets slightly decreased from approximately HK\$720.7 million as at 30 June 2023 to approximately HK\$708.8 million as at 31 December 2023, which was due to the decrease in FAFVTPL as a result of the sale of fixed income securities.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The major components of the current liabilities of the Group as at 31 December 2023 were bonds payable, other payables and accrued charges, provisions and lease liabilities. As at 31 December 2023, the current liabilities stood at approximately HK\$746.8 million which mainly represented the payable balance of the USD Bonds. Details of the USD Bonds are set out below.

USD Bonds

On 9 February 2021, the Group issued the USD Bonds with an aggregate principal amount of US\$178,000,000 due on 9 February 2024 which bear a fixed interest rate of 4.00% per annum and listed on the Stock Exchange (previous bond stock code: 40594). The USD Bonds were guaranteed by SWSC, the ultimate holding company of the Company and the sole shareholder of SSII. Interest on the USD Bonds was payable semi-annually in arrears. As disclosed in circular dated 10 February 2021 in relation to the USD Bonds, a deed of guarantee had been executed by SWSC (as the guarantor) and the trustee relating to the USD Bonds. According to the terms of the deed of guarantee, SWSC as the guarantor is obligated to and shall unconditionally and irrevocably guarantee the due and punctual payment of all sums expressed to be payable by the Company under the USD Bonds and the trust deed. Since the issuance of the USD Bonds, the Company had repurchased and subsequently cancelled various portions of the USD Bonds, representing approximately 48.0% of the initial aggregate principal amount of the USD Bonds. During FY2022, the Company completed the repurchase of a portion amounting to US\$75.5 million of the USD Bonds and during FY2023, the Company completed the repurchase of yet another US\$10 million worth of the USD Bonds. As referred to in the Letter from the Board, the USD Bonds have been fully repaid by the Company upon maturity in February 2024. Following such repayment, the cash and bank balances as well as the fixed income securities accounted for as the FAFVTPL are expected to be exhausted, while a new payable balance would be recorded in relation to the drawdown of the SSII Loan.

Gearing ratio

The gearing ratios of the Group (ratio(s) of total borrowings to the total equity of the Group) were approximately 1,948.4% in 31 December 2023 and approximately 2,711.5% in 30 June 2023. Given that the USD Bonds have been fully repaid by the Company upon maturity in February 2024, the gearing ratio of the Group is expected to revert to nil and be recomputed in the future.

Net liabilities

Based on above, the net liabilities attributable to the Shareholders as at 31 December 2023 amounted to approximately HK\$37.1 million, representing an increase of approximately 39.0% as compared to the net liabilities attributable to the Shareholders as at 30 June 2023 of approximately HK\$26.7 million.

c. Prospects of the Group

As referred to in the 2023 Annual Report, the global economy saw a mix of opportunities and challenges in 2023 as it transitioned towards normalcy, with the PRC's economy thriving but facing weak manufacturing and trade recovery. Central banks in the United States and Europe raised interest rates, causing regional divergence in stock markets globally, while emerging markets struggled due to tight financial conditions and sluggish demand. Meanwhile, Hong Kong experienced economic improvement driven by tourism and local demand, and with measures introduced to support citizens and businesses. Despite concerns over the global economic outlook, Hong Kong's stock market showed volatility, with the Hang Seng Index fluctuating throughout 2023 due to uncertainties in the global markets.

Further, according to the 2023 Annual Report, the Company mentioned that the PRC has actively advanced the two-way openness of its capital market in recent years, emphasising deeper systematic integration. Initiatives like the Shanghai-Shenzhen-Hong Kong Stock Connect have broadened the range of interconnected stocks. The Shanghai-London Stock Connect mechanism has been enhanced, now encompassing the Shenzhen Stock Exchange and other overseas markets. With established rules for domestic enterprises listing overseas, regulatory cooperation has improved, leading to a more open capital market. Amid the PRC's heightened market openness, the link between international and domestic markets is strengthening.

Moreover, as disclosed in the 2023 Annual Report and as discussed in section below, the operation of the brokerage and margin financing business and the corporate finance business, being the primary business operations of the Company had significantly scaled down and had been loss-making in recent years. Although the Company considers that the reforms introduced by the Stock Exchange during 2023 are expected to have a positive impact in 2024, the recovery of the Hong Kong stock market will also depend on regaining investor confidence and the economic recovery of the PRC. Currently, the Company is focusing on controlling risks and reducing costs, actively introducing business teams and strategic investors, gradually adjusting business structure and realising a comprehensive restructuring, with a view to seizing the opportunity of the market rebound to enhance its profitability and overall competitiveness.

d. Going Concern Issue

We note that the Company received an unqualified audit opinion on the Group's consolidated financial statements for FY2023 as set out in the 2023 Annual Report. However, the auditor of the Company, SHINEWING (HK) CPA Limited (the "**Auditor**"), has drawn the attention of the readers of the 2023 Annual Report indicating that a material uncertainty existed that might cast doubt on the Group's ability to continue as a going concern (the "**Going Concern Issue**") pointing to the financial conditions that the Group has reported (i) a consolidated loss of approximately HK\$15.9 million for FY2023; (ii) net current liabilities of approximately HK\$38.0 million as at 31

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December 2023; and (iii) a capital deficiency of approximately HK\$37.1 million as at 31 December 2023. The Auditor explained that the liabilities and deficiency were primarily due to the outstanding balance of the USD Bonds of approximately HK\$722.4 million due for repayment on 9 February 2024, while the Group's cash and bank balances stood at approximately HK\$604.0 million as at 31 December 2023.

As set out in the corporate governance report (the “**2023 Corporate Governance Report**”) enclosed in the 2023 Annual Report, it was stated that in the preparation of the Group's consolidated financial statements for FY2023, the Directors had considered the on-going cash flow situation and the continuous financial support that might have from SSII covering a period of not less than twelve months from 31 December 2023 and have given careful consideration to the Group's future liquidity and performance and its available sources of financing to resolve the Going Concern Issue.

In the 2023 Corporate Governance Report, the Directors have cited that they have taking into account the following considerations, before preparing the Group's consolidated financial statements for FY2023 on a going concern basis to resolve the Going Concern Issue:

- (i) subsequent to the end of the FY2023 reporting period, on 9 February 2024, the USD Bonds were fully settled with the proceeds from the disposal of all the Group's FAFVTPL of approximately HK\$99.0 million and the SSII Term Loan Agreement;
- (ii) the repayment of the SSII Term Loan Agreement could be negotiated and further agreed upon in writing as stipulated in the SSII Term Loan Agreement, if necessary; and
- (iii) as of the date on which the Group's consolidated financial statements for FY2023 are being approved by the Directors, SSII also provided a written letter to the Company to confirm its intention to provide adequate financial support to ensure that the Group has sufficient working capital to maintain its operations until 30 June 2025.

The Directors also explained that 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) the financial ability of SSII (being the controlling shareholder of the Company) to ensure the Group is able to continue as a going concern and has sufficient working capital for the Group's requirements till 30 June 2025; and (ii) the final settlement date of the shareholders' loan as further mutually agreed upon with SSII, if necessary.

If the Group fails to meet the abovementioned measures, it might not be able to continue in business as a going concern and adjustments to assets and liabilities of the Group may be needed to address the Going Concern Issue.

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e. LRC Decision, Suspension and Resumption Guidance

On 15 September 2023, the Company received a letter from the Stock Exchange notifying the Company of the decision of the Listing Division of the Stock Exchange that the Company has failed to maintain a sufficient level of operations and assets of sufficient value as required under Rule 13.24 of the Listing Rules to warrant the continued listing of the Shares. The Company subsequently requested both the Listing Committee as well as the Listing Review Committee of the Stock Exchange to review the relevant decisions made by the Listing Division and the Listing Committee of the Stock Exchange, respectively. On 18 March 2024, the Company received a letter from the Listing Review Committee of the Stock Exchange notifying that it, having considered all submissions (both written and oral) made by the Company and the Listing Division, was of the view that the Company failed to maintain a sufficient level of operations and assets as required under Rule 13.24 of the Listing Rules to warrant the continued listing of the Shares and decided to uphold the relevant subsequent decisions to suspend trading in the Shares under Rule 6.01(3) of the Listing Rules (the “**LRC Decision**”). It was worthwhile noting that the Listing Review Committee of the Stock Exchange noted that many of the Company’s plans depended on the completion of the Sale and Purchase Transactions, the completion of which as of the time of the hearing to arrive at the LRC Decision remained uncertain, and, further business to be introduced by and generated from the Mr. Wong which had not yet materialised and the full impact of which on the Company’s business remained uncertain. For details of the relevant decisions made by the Listing Division, the Listing Committee and the Listing Review Committee of the Stock Exchange, please refer to the announcements of the Company dated 7 September 2023, 9 November 2023 and 19 March 2024.

In light of the LRC Decision, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 4 March 2024 (the “**Suspension**”) and remained suspended as at the Latest Practicable Date.

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On 25 March 2024, the Company received a letter from the Stock Exchange setting out the following guidance for the resumption of trading in the Shares on the Stock Exchange (the “**Resumption Guidance**”): (i) demonstrate the Company’s compliance with Rule 13.24 of the Listing Rules; and (ii) inform the market of all material information for the Shareholders and investors to appraise the Company’s position. The Company must meet all the Resumption Guidance, remedy the issues causing its trading suspension and fully comply with the Listing Rules to the Stock Exchange’s satisfaction before trading in its securities is allowed to resume. Under Rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period expires on 3 September 2025. If the Company fails to remedy the issues causing its trading suspension, fulfill the Resumption Guidance and fully comply with the Listing Rules to the Stock Exchange’s satisfaction and resume trading in its Shares by 3 September 2025, the Listing Division will recommend the Listing Committee to proceed with the cancellation of the Company’s listing.

As set out in the announcement of the Company dated 27 June 2024 in relation to the quarterly update on the Company’s resumption status (the “**First Quarterly Update Announcement**”), it has been the common goal of the Company and Mr. Wong to improve the business and financial performance of the Group so as to comply with Rule 13.24 of the Listing Rules. Mr. Wong is expected to introduce new business opportunities and engagements to the Group and revitalise the Company’s businesses with a particular focus on the corporate finance and asset management segments. Furthermore, as stated in the First Quarterly Update Announcement, the Company believes that with the support from Mr. Wong, it will be able to more effectively implement its resumption plan and demonstrate the viability and sustainability of its business operations. The Company is of the view that with the successful implementation of the resumption plan, the Company’s business operation and financial performance will record a significant improvement thereby enabling the Company to comply with the Rule 13.24 of the Listing Rules and fulfil the Resumption Guidance.

f. Our assessment

After going through testing times during the past few years, we note the Group is heading towards a crossroad with challenges presented by the Going Concern Issue and the Resumption Guidance, which in our view, are essentially the same set of hardship besetting the Group. We note however the Group does not sit idly by and has been proactively overcoming the relevant challenges by restructure its assets and liabilities and paying off significant debts while implementing other cost reduction and rationalisation measures. Following the repayment of the USD Bonds, at the center of the resumption plan is the Sale and Purchase Transactions with the introducing of Mr. Wong and his resources and networks to help reinvigorate and instill new dynamics to the Group.

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Independent Shareholders should note that the introduction of Mr. Wong as the new controlling shareholder of the Company is subject to Completion, which is in turn conditional upon, among others, the consent of the Executive in relation to the Repayment of SSII Loan as a “special deal” under Rule 25 of the Takeovers Code having been obtained (i.e. Sale and Purchase Condition (iv)) and the passing of the necessary ordinary resolution by the Independent Shareholders at the SGM, namely with more than 50% of the votes cast by all Independent Shareholders who had attended the SGM in person or by proxy, to approve the Repayment of SSII Loan (i.e. Sale and Purchase Condition (v), together with Sale and Purchase Condition (iv), the “**Special Deal Conditions**”). If the consent from the Executive is not obtained or the relevant resolution is not passed, the Special Deal will not proceed, and the Sale and Purchase Transactions will not complete. Consequently, the Company may need to explore alternative resumption plan(s) to meet the Resumption Guidance and to resolve the Going Concern Issue.

2. SSII Loan Agreements and repayment of the USD Bonds

As referred to in the SSII Term Loan Announcement, on 31 January 2024, the Company had announced that SSII, being the immediate controlling Shareholder and the wholly-owned subsidiary of SWSC, had entered into the SSII Term Loan Agreement with the Company. Pursuant to the SSII Term Loan Agreement, the Company may drawdown no more than HK\$120,000,000 or equivalent from SSII on 1 February 2024, being the drawdown date for the purpose of repayment of debts arising from the USD Bonds. The SSII Term Loan is unsecured, unguaranteed, interest bearing at fixed rate of 6.1475% per annum and repayable on or before 31 December 2024. We understood from the Management that the entire loan amount of HK\$120,000,000 has been drawn down together with the Group’s cash and bank balances amounted to approximately HK\$603,964,000 as at 31 December 2023 to repay the USD Bonds.

As referred to in the SSII Revolving Facility Announcement, on 28 March 2024, SSII and the Company had further entered into the SSII Revolving Facility Agreement, pursuant to which, the Company shall be entitled to drawdown a maximum of HK\$25,000,000 or equivalent from the SSII Revolving Facility, to provide general working capital in supporting the daily operation of the Group. The SSII Revolving Facility is unsecured, unguaranteed, interest bearing at fixed rate of 6.18774% per annum and repayable on or before 31 December 2024. We understood from the Management that the SSII Loan amount of HK\$125,349,324.28 has been drawn down up to and including the Latest Practicable Date, and the amount of interest payable by the Company to SSII as of the Latest Practicable Date is HK\$3,609,272.41.

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As advised by the Management, SWSC was obligated to fulfil its guarantee responsibilities for the USD Bonds and the assets of the Company were insufficient to cover the repayment of the USD Bonds, necessitating SWSC to act and address the possible default risk vis a vis the USD Bonds. Additionally, challenges in cross-border fund transfers may arise due to regulatory requirements and the defaulting on the USD Bonds will potentially lead to negative public opinion on both the Company and SWSC. Therefore, SWSC proactively sought to address the possible risk of defaulting on the USD Bonds by extending the SSII Loan to the Company.

Furthermore, as advised by the Management, the Company had considered other alternative financing and its internal resources to satisfy the repayment of the USD Bonds and working capital needs. Given the current loss-making and net liability position of the Group, we concur with the Directors' view that it was challenging for the Company to obtain debt financing without incurring high interest rates and fixed assets as collateral to the relevant borrowing. Furthermore, the Management advised that as the cash and cash balances of the Licensed Corporations are restricted under the Securities and Futures (Financial Resources) Rules and form the backbone of the business operation of the Group, the Company was unable to freely utilise such resources to repay the USD Bonds in February 2024.

Pursuant to the terms of the SSII Term Loan Agreement and the SSII Revolving Facility Agreement, the Company shall, unless otherwise agreed by SSII and the Company in writing, repay the entire principal amount and the corresponding interest under each of the SSII Term Loan Agreement and the SSII Revolving Facility Agreement to SSII on or before 31 December 2024, being the final repayment date. Should Completion shall take place later than 31 December 2024, it is the intention of SSII, being the lender of the aforesaid SSII Loan, to extend the final repayment date in respect of the SSII Loan to 30 June 2025 (and in any event no later than the expected Completion Date).

We regard the loan transactions under the SSII Loan Agreements to be arm's length transactions which carried normal commercial terms or better that were entered into at the relevant times to facilitate the timely repayment of the USD Bonds by the Company.

Given the USD Bonds have been fully repaid by the Company in February 2024, we further understood from the Management that the only material outstanding borrowing of the Group as at the Latest Practicable Date was the SSII Loan, particularly the SSII Term Loan. As of the Latest Practicable Date, the Company had made drawdown from the SSII Term Loan Agreement and the SSII Revolving Facility Agreement in the total amount of approximately HK\$125,349,324.28 or equivalent, and the amount of interest payable by the Company to SSII as of the Latest Practicable Date is HK\$3,609,272.41. As of the Latest Practicable Date, other than the SSII Term Loan Agreement and the SSII Revolving Facility Agreement, no other loan agreement had been entered into between the Company as the borrower and SSII as the lender.

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3. Information of the Independent Financing and the Repayment of SSII Loan

a. Terms of the Financing Agreement

As referred to in Letter from the Board, the Company (as the borrower) and the Independent Lender had entered into the Financing Agreement on 2 July 2024. Pursuant to the terms of the Financing Agreement, the Independent Lender shall, subject to the fulfilment of the following the Advance Conditions as set out in the table below, offer a term loan in the amount of HK\$70,000,000 to the Company. The principal terms of the Financing Agreement, which has been disclosed in the Joint Announcement dated 21 June 2024 and announcement of the Company dated 2 July 2024, are summarised as follows:

Date:	2 July 2024
Parties:	The Company (as the borrower) The Independent Lender (as the lender)
Facility amount:	HK\$70,000,000
Interest rate:	15% per annum
Purpose:	Solely for the purpose of repayment of the SSII Loan
Conditions precedent:	The grant of the Independent Financing under the Financing Agreement is conditional upon the fulfilment of the following the Advance Condition(s): (i) The SFC granting approval to Mr. Wong in becoming a substantial shareholder of the Company and the Licensed Corporations, as a result of the acquisition of the Sale Shares; (ii) The consent of the Executive in relation to the Repayment of SSII Loan as a “special deal” under Rule 25 of the Takeovers Code having been obtained;

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- (iii) The Independent Financial Adviser having issued the opinion that the Special Deal is of normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and the passing of the necessary ordinary resolution by the Independent Shareholders at a special general meeting, namely with more than 50% of the votes cast by all Independent Shareholders who had attended the SGM in person or by proxy, to approve the Repayment of SSII Loan;
- (iv) Mr. Wong, SSII and the Group having obtained all the necessary approvals, consents (and/or if necessary, waivers) from the relevant governmental or regulatory authorities (including but not limited to Chongqing SASAC, Chongqing CSRC and CSRC) and/or the relevant written consent of other third parties (including the banks) in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder; and
- (v) If necessary, SWSC having convened a general meeting and obtained the approval from its shareholders in respect of the transactions contemplated under the Sale and Purchase Agreement.

Under the Financing Agreement, the Company and the Independent Lender have further acknowledged and agreed that there are no other conditions precedent (implied or otherwise) to the obligation of the Independent Lender to make the Independent Financing on the Drawdown Date other than the Advance Conditions.

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Notwithstanding any other provision of the Financing Agreement, during the availability period, the Independent Lender shall not, and shall not be entitled to:

- (i) invoke any other conditions precedent which is not set out in the Financing Agreement as a ground for refusing to make the Independent Financing other than the Advance Conditions;
- (ii) cancel all or any part of the Independent Financing;
- (iii) rescind, terminate or cancel the Financing Agreement or the Independent Financing or exercise any similar right or remedy or make or enforce any claim under the Financing Agreement or otherwise that it may have;
- (iv) refuse to fund, or prevent or limit or delay, the making of the Independent Financing if the Advance Conditions are satisfied;
- (v) exercise any right of set-off or counterclaim in respect of any disbursement under the Independent Financing; or
- (vi) cancel, accelerate or cause repayment or prepayment of any amounts owing under the Financing Agreement.

Security:

None

Availability period:

From the date of the Financing Agreement to the date on which the Sale and Purchase Agreement is lapsed or terminated (and if such date is not a bank business day, the first bank business day immediately after the date on which the Sale and Purchase Agreement is lapsed or terminated).

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Drawdown: The Company may submit a drawdown notice to the Independent Lender within five business days commencing from the date on which all the Advance Conditions are satisfied (or, if applicable, waived) to make a one-time drawdown of the fund available under the Independent Financing.

Repayment and prepayment: The Company shall repay the entire principal amount and the corresponding interest to the Independent Lender on or before the Final Repayment Date.

Upon prior consent of Independent Lender, the Company may from time to time prepay all or any portion of the Independent Financing, including interest accrued up to the date of prepayment on the amount prepaid and any other amount then payable under the Financing Agreement.

b. Utilisation of the Independent Financing to repay the SSII Loan

To facilitate the Repayment of SSII Loan, it has been agreed between SSII and Mr. Wong, as a Sale and Purchase Condition (i.e. Sale and Purchase Condition (iii)), that Mr. Wong shall procure the Independent Lender to enter into the Financing Agreement with the Company within seven business days after the execution of the Sale and Purchase Agreement to provide, in accordance with the terms of the Financing Agreement, the Independent Financing to the Company within five business days upon fulfilment of each of the Sale and Purchase Conditions (i), (ii), (iv), (v), (vi) and (vii), and the Company having received the Independent Financing.

Accordingly, it was a material term as agreed between the Company (as the borrower) and the Independent Lender (as the lender and as procured by the Offeror) that the purpose of the Independent Financing shall be designated solely for the Repayment of SSII Loan.

On 2 July 2024, the Financing Agreement had been entered into between the Company (as the borrower) and the Independent Lender (as the lender). Once each of the Sale and Purchase Conditions (i), (ii), (iv), (v), (vi) and (vii) (which mirrors with the Advance Conditions) have been fulfilled, the Independent Lender shall be obligated to advance the Independent Financing to the Company in accordance with the terms of the Financing Agreement. Once the Independent Financing is received by the Company, the Sale and Purchase Condition (iii) is considered fulfilled.

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c. Settlement of the SSII Loan Balance

As disclosed therein, pursuant to the terms of the Sale and Purchase Agreement, Mr. Wong has made a specific post-completion undertaking to SSII that subject to:

- (a) the consent of the Executive in relation to the Repayment of SSII Loan as a “special deal” under Rule 25 of the Takeovers Code having been obtained;
- (b) the passing of the necessary ordinary resolution by the Independent Shareholders at a special general meeting, namely with more than 50% of the votes cast by Independent Shareholders who had attended the SGM in person or by proxy, to approve the Repayment of SSII Loan; and
- (c) SSII having discharged the repayment obligation of the Company in respect of the SSII Dischargeable Balance,

Mr. Wong shall procure the Company to repay the SSII Loan Balance within six months after the Completion Date (in any event no later than 30 June 2025).

For illustration:

SSII Loan Balance is calculated in accordance with the formula as follows:

$$\text{SSII Loan Balance} = \text{SSII Loan (inclusive of the corresponding interests)} - \text{Independent Financing} - \text{SSII Dischargeable Balance}$$

SSII Loan

As of the Latest Practicable Date, the outstanding balance of the SSII Loan was approximately HK\$129 million (of which comprising (i) HK\$120.0 million or equivalent drawn down from SSII Term Loan Agreement, (ii) approximately HK\$5.4 million or equivalent drawn down from the SSII Revolving Facility Agreement, and (iii) approximately HK\$3.6 million or equivalent being the corresponding interests payable as of the date of the Latest Practicable Date pursuant to the terms of SSII Term Loan Agreement and SSII Revolving Facility Agreement).

The Company may, depending on its general working capital need, further draw down the entire or part of the remaining facility amount of approximately HK\$19,650,675.72 or equivalent from the SSII Revolving Facility Agreement as of the Latest Practicable Date.

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Independent Financing

Pursuant to the terms of the Financing Agreement, the amount of Independent Financing that may be drawn down from the Financing Agreement upon satisfaction or waiver of all Advance Conditions is HK\$70,000,000.

SSII Dischargeable Balance

SSII Dischargeable Balance shall be a balance to be ascertained between the Company and SSII before the Completion Date, whereby the Deed of Amendment in respect of the SSII Loan shall be entered into between the Company (as the borrower under the SSII Term Loan Agreement and the SSII Revolving Facility Agreement) and SSII (as the lender under the aforesaid agreements), pursuant to which SSII shall unequivocally discharge, prior to the Completion Date, the obligation of the Company to repay part of the principal sum and the corresponding interest under the SSII Term Loan Agreement and the SSII Revolving Facility Agreement, in the amount to be calculated by deducting (a) the SSII Loan and the interests thereof with (b) the balance of the restricted capital of the Licensed Corporations as of the Completion Date pursuant to Securities and Futures (Financial Resources) Rules and the requirement of the SFC (the “**Regulatory Balance**”).

For illustration:

$$\text{SSII Dischargeable Balance} = \text{SSII Loan (inclusive of the corresponding interests)} - \text{the Regulatory Balance}$$

Balance of the restricted capital of the Licensed Corporations

“The balance of the restricted capital of the Licensed Corporations as of the Completion Date pursuant to Securities and Futures (Financial Resources) Rules and the requirement of the SFC (i.e. the Regulatory Balance)” refers to the aggregate cash balance expected to be held by the Licensed Corporations, namely SWS Asset Management, SWS Brokerage, SWS Capital and SWS Futures, as of the Completion Date. As of the Latest Practicable Date, the amount of cash balance held by the Licensed Corporations in total was approximately HK\$80 million.

Furthermore, the Company is in the process of recovering approximately HK\$20 million from an ongoing litigation dispute between SWS Brokerage and an individual concerning recovery of outstanding margin loan. It is also expected that the Licensed Corporations would generate net cash income of around HK\$5 million from business operations and other litigation settlements prior to Completion. Accordingly, the approximate balance of restricted capital as of the Completion Date is estimated to range from approximately HK\$100 million to HK\$105 million.

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Having considered the above and assuming no further drawdown from the SSII Revolving Facility Agreement prior to the Completion Date, the approximate amount for the SSII Dischargeable Balance is estimated in the range of:

HK\$129 million – HK\$100 million = HK\$29 million

to

HK\$129 million – HK\$105 million = HK\$24 million

Accordingly, it is estimated that immediately prior to the Completion Date, the SSII Loan Balance, calculated by deducting the SSII Loan and the interests thereof of approximately HK\$129 million with (a) the Independent Financing of HK\$70 million and (b) the estimated range of the SSII Dischargeable Balance as set out above, shall be in the range of HK\$30 million to HK\$35 million.

d. Principal terms of the Deed of Amendment

As stated in the Letter from the Board, the principal terms of the Deed of Amendment, which is expected to be entered into between SSII (as the lender), the Company (as the borrower) and Mr. Wong (as the guarantor) before the Completion Date, are as follows:

Partial discharge

SSII (as the lender) agrees to partially discharge the Company (as the borrower) from the principal and corresponding interest that should be repaid according to the SSII Loan Agreements signed by both parties from the date of this Sale and Purchase Agreement up to the Completion Date that are entered into for the purpose of maintaining the daily operations of the Group, so that as of the date of signing the Deed of Amendment, the amount the Company (as the borrower) should repay or pay to SSII (as the lender) shall become an amount equivalent to the SSII Loan Balance.

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Guarantee by the Offeror

Mr. Wong (as the guarantor) agrees to unconditionally and irrevocably guarantee to SSII (as the lender) from the date of signing the Deed of Amendment that the Company (as the borrower) will properly and timely perform all its responsibilities and obligations under the SSII Loan Agreements and the Deed of Amendment, and to cause the Company (as the borrower) to repay the SSII Loan Balance to SSII within six months after the Completion Date (and in any case no later than 30 June 2025). Should the Company fail to properly and timely perform any responsibility or obligation, Mr. Wong as the guarantor must immediately perform such responsibilities and obligations of the Company upon SSII's request and ensure the Company's responsibilities and obligations are fulfilled.

Default interest in the event of failure by the Company to repay the SSII Loan Balance

If the Company fails to repay the SSII Loan Balance within six months after the Completion Date (and in any case no later than 30 June 2025) according to the terms of the Deed of Amendment, the Company shall additionally pay default interest on the overdue unpaid amount. The interest rate for overdue interest will be the Hong Kong Interbank Offered Rate (HIBOR) plus one percent, calculated daily until the overdue amount and interest are paid in full, from the due date of the overdue payment until the actual payment date.

e. Our assessment

We have obtained and reviewed the Financing Agreement and the principal terms of the Deed of Amendment (being an annexure to the Sale and Purchase Agreement), which are consistent with the disclosure above. As advised by the Management, the principal terms of the Financing Agreement, including the interest rates applicable, were arrived at after arm's length negotiations between the Company and the Independent Lender having taken into account the prevailing market interest rates and practices.

Independent Shareholders should note that the fixed interest rates of the unsecured and unguaranteed SSII Loan Agreements were in the range of 6.1475% to 6.18774% per annum while the Independent Financing carries a fixed interest rate of 15% per annum. Given the difficult circumstances of the Group, we understood from the Management,

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such interest rate from the Independent Financing can be considered the only available benchmark from the market. SSII in fact provided the much-needed financing to the Group as early as in February 2024 to assist the Group to pay down the USD Bonds in a timely manner, whereas the Independent Financing was secured in July 2024, nearly five months after the maturity of the USD Bonds. In addition, SSII (as the lender) has agreed to partially discharge the Company (as the borrower) from the principal and corresponding interest that should be repaid according to the SSII Loan Agreements signed by both parties from the date of the Sale and Purchase Agreement up to the Completion Date that are entered into for the purpose of maintaining the daily operations of the Group, so that as of the date of signing the Deed of Amendment, the amount the Company (as the borrower) should repay or pay to SSII (as the lender) shall become an amount equivalent to the SSII Loan Balance. The entire commercial arrangement which will end with the Repayment of SSII Loan can be seen as SSII's goodwill towards to the Group during the transitional period of the Sale and Purchase Transactions to provide the bridging loan (i.e. the SSII Loan) to the Company to pay down the USD Bonds so as to mitigate the default risks of the USD Bonds until the Group receives financings arranged by Mr. Wong (i.e. the Independent Financing) to refinance such bridging loan following Completion.

We regard the loan transactions under the Financing Agreement to be arm's length transactions which carried normal commercial terms or better that were entered into at the relevant times to facilitate the repayment of a part of the SSII Loan by the Company on a dollar-to-dollar basis following Completion. We also regard the repayment of the SSII Loan Balance, being the remainder of the SSII Loan following a partial discharge pursuant to the Deed of Amendment and on a dollar-to-dollar basis, to be arm's length transactions which carried normal commercial terms or better to enable the repayment of the SSII Loan Balance by the Company within six months after the Completion Date.

4. Alternative financing to repayment of the USD Bonds

As informed by the Management, prior to the entering into the SSII Loan Agreements and the Financing Agreement, the Company has explored other financing alternatives such as debt financing, rights issue, open offer or internal cash resources of the Group, if appropriate and taking into consideration the then financial position, capital structure and cost of funding of the Group. Back in December 2023, the Company had reached out to other financial institutions to discuss on bank loan to meet the needs of repayment of the USD Bonds, however after discussions, the other financial intuitions concluded that they are unable to provide borrowing due to the loss-making position of the Company and the lack of fix assets as a collateral.

Furthermore, as advised by the Management, SSII and Mr. Wong had been in talks for the sale of the Sale Shares since the end of 2022, therefore any new Share issuances during the Offer Period would need Mr. Wong's consent. In addition, rights issue or open offer may also involve substantial time and cost to complete as compared to obtaining a

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shareholder's loan. Although rights issue and open offer would allow the Shareholders to maintain their respective pro-rata shareholdings in the Company, lengthy discussion with potential commercial underwriters may be required and the Company had an urgent need to repay the USD Bonds by the maturity date (i.e. 9 February 2024). In addition, carrying out rights issue and open offer may incur certain transaction costs such as underwriting commission and involve extra administrative work and cost. Furthermore, due to the suspension of trading in the Shares since 4 March 2024, rights issue and open offer had become difficult and shall require further consent from regulatory authorities.

Based on the above, we concur with the Directors' view that the entering into the SSII Loan Agreements and subsequently the Independent Financing provides the Company a simpler financing alternative with less negotiation time process, as well as the Company do not need to provide guarantee and/or collateral. Further, given the current financial position of the Group and the high gearing ratio, it is extremely difficult for the Company to obtain debt financing with financial institutions without incurring unfavourable terms such as high interest rates and tightened collateral requirements.

5. Reasons for and benefits of the Special Deal

As referred to in the Letter from the Board, the Special Deal, which refers to the obligation of the Company (as the borrower) to repay, in accordance with the terms of the SSII Loan Agreements and the proposed Deed of Amendment, to SSII (as the lender and the controlling shareholder of the Company) the SSII Loan by utilising the Independent Financing and by the internal resources of the Company, is an integral part of the Sale and Purchase Transactions.

The settlement of a portion of the SSII Loan following Completion and the settlement of the SSII Loan Balance within six months after the Completion Date are on a dollar-to-dollar basis. SSII, being the only major debtor to the Group as at the Latest Practicable Date, have been extending its goodwill to the Group by providing the much-needed financing to the Group to fund the repayment of the USD Bonds in February 2024. SSII will also partially discharge the indebtedness under the SSII Loan Agreements through the entering into of the Deed of Amendment. The Repayment of SSII Loan, in this context, is about honoring the repayment obligation as set out in the relevant SSII Loan Agreements and not extending any favourable conditions to SSII.

The Sale and Purchase Transactions, the completion of which is conditional upon, among others, the Special Deal Conditions as discussed in the sub-section above. If the consent from the Executive is not obtained; or the relevant resolution is not passed, the Special Deal will not proceed, and the Sale and Purchase Transactions will not complete.

Based on the discussions in the sub-section above, we concur with the Directors' view that as the Special Deal forms an integral part of the Sale and Purchase Transactions, that consent from the Executive is determinant to the completion of the Sale and Purchase Transactions, the proposed change of control of the Company, and the

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possible eventual resumption of trading in the Shares on the Stock Exchange upon change of control, which will be vital as part of the process of fulfilling the Resumption Guidance and resolving the Going Concern Issue. The reason why we state that the Special Deal is part of the process of fulfilling the Resumption Guidance and resolving the Going Concern Issue is because it remains unknown whether Mr. Wong will be able to turn around the business of the Group and to do so before the 3 September 2025, being the deadline for the Resumption Guidance. But it can be viewed as a positive critical step towards fulfilling the Resumption Guidance.

In fact, the Independent Shareholders should also be aware that the Special Deal along with Completion can also be regarded as the precursors to the Offer, should the Company fail to attain the Special Deal Conditions, Completion will not take place and the Offer will not be made. As the Shares are currently under the Suspension, and without opining on the fairness and reasonableness of the Offer (which would be set out in a separate opinion letter to be issued by us to the Independent Board Committee as and when a composite offer and response document of the Offer is to be despatched), the Offer can be viewed as a valuable exit opportunity for those Independent Shareholders who intend to dispose of the Shares held by them during the period of the Suspension.

OPINION AND RECOMMENDATION

Based on the above principal factors and reasons, in particular:

- (i) following a full repayment of the USD Bonds in February 2024, the Group is racing against time, by 3 September 2025, to restructure and reinvigorate its business operations as to fulfil the Resumption Guidance and to resolve the Going Concern Issue;
- (ii) the Company believes that with the support from Mr. Wong, it will be able to more effectively implement its resumption plan and demonstrate the viability and sustainability of its business operations. The Company is of the view that with the successful implementation of the resumption plan, the Company's business operation and financial performance will record a significant improvement thereby enabling the Company to comply with the Rule 13.24 of the Listing Rules and fulfil the Resumption Guidance;
- (iii) the introduction of Mr. Wong as the new controlling shareholder of the Company is subject to Completion and the Special Deal is an integral part of the Sale and Purchase Transactions and the Special Deal is in turn subject to the Special Deal Conditions;
- (iv) should the Company fail to attain the Special Deal Conditions, Completion will not take place and therefore the Offer will not be made, the Independent Shareholders may lose a valuable opportunity to dispose of the Shares held by them during the period of the Suspension;

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- (v) given the current financial conditions of the Group, it had explore various alternative financing sources but was unable to obtain financing more favorable than the entering into the SSII Loan Agreements for the timely repayment of the USD Bonds in February 2024;
- (vi) the entire commercial arrangement which will end with the Repayment of SSII Loan can be seen as SSII's goodwill towards to the Group during the transitional period of the Sale and Purchase Transactions to provide the bridging loan (i.e. the SSII Loan) to the Company to pay down the USD Bonds so as to mitigate the default risks of the USD Bonds until the Group receives financings arranged by Mr. Wong (i.e. the Independent Financing) to refinance such bridging loan following Completion;
- (vii) the loan transactions under the SSII Loan Agreements and the Financing Agreements are arm's length transactions and are on normal commercial terms or better to the Company;
- (viii) the Repayment of SSII Loan is on a dollar-to-dollar basis and would follow a partial discharge pursuant to the Deed of Amendment; and
- (ix) the Repayment of SSII Loan, is about honoring the repayment obligation as set out in the relevant SSII Loan Agreements and not extending any favourable conditions to SSII,

we consider that the Special Deal in relation to the Repayment of SSII Loan is an arm's length transaction on normal commercial terms and the terms of which are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, that the Independent Shareholders to vote in favor of the ordinary resolution to be proposed at the SGM to approve the Special Deal in relation to the Repayment of SSII Loan.

Yours faithfully,
For and on behalf of
Opus Capital Limited
Cheung On Kit Andrew
Executive Director

Mr. Cheung On Kit Andrew is an Executive Director of Opus Capital Limited and is licensed under the SFO as a Responsible Officer to conduct Type 6 (advising on corporate finance) regulated activity. Mr. Cheung has over 16 years of corporate finance experience in Asia Pacific and has participated in and completed various financial advisory and independent financial advisory transactions.

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.

This circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS

(A) Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company or its associated corporations

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 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 as set out in Appendix C3 to the Listing Rules.

(B) Substantial shareholders' interests and short positions in shares, underlying shares and debentures of the Company or its associated corporations

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 "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company or its associated corporations" 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	Note	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%
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.

3. 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 2023, being the date to which the latest published audited financial statements of the Group were made up.

4. 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.

5. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of the Group within the two (2) years immediately preceding the Latest Practicable Date which are or may be material:

- (a) the Business Cost Sharing Agreement
- (b) the SSII Term Loan Agreement
- (c) the SSII Revolving Facility Agreement
- (d) the Financing Agreement

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) had been entered into by any member of the Group within the two years immediately preceding the issue of this circular.

6. 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.

7. DIRECTORS' 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.

8. DIRECTORS' INTERESTS IN ASSETS AND/OR CONTRACTS AND OTHER INTERESTS

None of the Directors has any direct or indirect interest in any assets which have been, since 31 December 2023, 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.

None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

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).

9. EXPERT AND CONSENT

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

Name	Qualifications
Opus Capital Limited	licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, the Independent Financial Adviser

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, the Independent Financial Adviser did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the Independent Financial Adviser did not have any direct or indirect interest in any assets which have been acquired or disposed of or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2023 (being the date to which the latest published audited statements of the Company were made up).

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the website of the SFC (www.sfc.hk), the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.swsc.hk) from the date of this circular up to the date of the SGM:

- (a) the “Letter from the Board”, the text of which is set out on pages 8 to 21 of this circular;
- (b) the “Letter from the Independent Board Committee”, the text of which is set out on page 22 of this circular;
- (c) the “Letter from the Independent Financial Adviser”, the text of which is set out on pages 23 to 49 of this circular;
- (d) the material contracts referred to in the paragraph headed “5. Material Contracts” in this appendix; and
- (e) the written consent referred to in the paragraph headed “9. Expert and Consent” in this appendix.

NOTICE OF SGM

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)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “SGM”) of Southwest Securities International Securities Limited (the “Company”) will be held at Meeting Room Hennessy, 31/F, Hysan Place, 500 Hennessy Road, Causeway Bay, Hong Kong on Wednesday, 21 August 2024 at 9:30 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

1. **“THAT:**

- (a) the Repayment of SSII Loan and all transactions contemplated thereunder, details of which are set out in the circular of the Company dated 26 July 2024, which constitutes a special deal under Rule 25 of the Hong Kong Code on Takeovers and Mergers, be and are hereby approved, ratified and confirmed; and
- (b) the directors of the Company be and is hereby authorised to do all such acts and things and execute all such documents which he may consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Repayment of SSII Loan and the transactions contemplated thereunder and all matters incidental thereto.”

By order of the Board

Southwest Securities International Securities Limited

Huang Changsheng

Executive Director and Chief Executive Officer

Hong Kong, 26 July 2024

Head Office and Principal Place of Business in Hong Kong:

14/F, One Hysan Avenue
Causeway Bay
Hong Kong

* *For identification purpose only*

NOTICE OF SGM

As at the date of this notice, the executive director of the Company is Mr. Huang Changsheng (Chief executive officer); and the independent non-executive directors of the Company are Mr. Meng Gaoyuan, Mr. Liang Jilin and Mr. Cao Ping.

Notes:

1. A member of the Company entitled to attend and vote at the SGM is entitled to appoint one or, if he is the holder of two or more shares, more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
2. In the case of joint holders of shares in the Company, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s), seniority being determined by the order in which names stand in the register of members.
3. To be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be deposited at the Company's Hong Kong branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting. Completion and return of the form of proxy will not preclude a member from attending the meeting and voting in person. In such event, the form of proxy will be deemed to have been revoked.
4. In compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, all resolutions to be proposed at the SGM convened by this notice will be voted on by way of poll.