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

**MAJOR TRANSACTIONS
IN RELATION TO
EXTENSION OF LOANS
AND
GRANT OF CALL OPTION**

Financial Adviser to the Company



中國通海企業融資
CHINA TONGHAI CAPITAL

Unless the context otherwise requires, all capitalised terms used in this circular have the meanings set out in the section headed “Definitions” of this circular.

A letter from the Board is set out on pages 6 to 20 of this circular.

23 September 2020

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DEFINITIONS

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

“Agent”	BOCI Leveraged & Structured Finance Limited, a company incorporated in Hong Kong with limited liability and the agent of the Original Lenders I
“Amendment and Restatement Agreement”	the amendment deed dated 29 July 2020 entered into among the Lenders I, Borrower I, the Guarantors and the Agent to extend the maturity date of the Loan I from 2 September 2019 to the Maturity Date I together with other amendments
“Block Trade”	a single sale of shares or multiple sales of shares, of the block trade percentage, which is the maximum percentage of the registered share capital of the PRC Listco that is permitted to be sold in a single transaction or multiple transactions within a certain period of time under the rules of the Shanghai Stock Exchange in force at the time of such sale, being 2% at the date of the Amendment and Restatement Agreement, or such other percentage as consented to by the Agent, at a price allowable under the rules of the Shanghai Stock Exchange in force at the time of such sale
“Board”	the board of Directors
“Borrower I”	HGH and Huge Auto
“Borrower II”	Elion International Investment Limited, a company incorporated in Hong Kong with limited liability
“Call Option”	as defined in the section headed “The Deed of Call Option” in this circular
“Call Option Period”	as defined in the section headed “The Deed of Call Option” in this circular
“CGA”	China Grand Automotive Group Limited, an exempted company incorporated in the Cayman Islands with limited liability
“CGA Mauritius”	China Grand Automotive (Mauritius) Limited, a private company limited by shares incorporated under the laws of Mauritius
“China Tonghai Holdings”	China Tonghai Capital (Holdings) Limited, a direct wholly-owned subsidiary of the Company, a company incorporated in Hong Kong with limited liability

DEFINITIONS

“China Tonghai Securities”	China Tonghai Securities Limited (formerly known as Quam Securities Company Limited at the time of entering into the Original Facility Agreement), an indirect wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability and a corporation licensed to carry out Type 1 regulated activity (dealing in securities), Type 2 regulated activity (dealing in futures contracts), Type 4 regulated activity (advising on securities), Type 6 regulated activity (advising on corporate finance) and Type 9 regulated activity (asset management) under the SFO
“CMBC”	CMBC Capital Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 1141)
“Company”	China Tonghai International Financial Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock Code: 952)
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Deed of Call Option”	the agreement entered into among the Grantor, HGH, the Agent and the Grantees in respect of the Call Option
“Directors”	the directors of the Company
“Extension of Loans”	the Extension of Loan I and the Extension of Loan II
“Extension of Loan I”	the extension of the repayment date of the Loan I to the Maturity Date I and the amendment of certain terms of the Original Facility Agreement by the Amendment and Restatement Agreement
“Extension of Loan II”	the extension of the repayment date of the Loan II to the Maturity Date II and the amendment of certain terms of the Loan Facility Agreement by the Supplemental Agreement
“Exercise Price”	as defined in the section headed “The Deed of Call Option” in this circular
“Facility”	a loan facility in an aggregate amount of HK\$5,810,000,000 under the Original Facility Agreement
“Grantees”	China Tonghai Holdings and the other Original Lenders I, as grantees of the Call Option

DEFINITIONS

“Grant of Call Option”	the grant of the Call Option by the Grantor to the Grantees pursuant to the Deed of Call Option
“Group”	the Company and its subsidiaries
“Guarantors”	Mr. Huang and National Holdings
“HGH”	Huge Group Holdings Limited, a company incorporated in Hong Kong
“Huge Auto” or “Grantor”	Huge Auto Investment Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) or company(ies) who/which is/are not connected with (within the meaning of the Listing Rules) and is/are independent of the directors, chief executives and substantial shareholders of the Group or any of their respective associates
“Latest Practicable Date”	17 September 2020, being the latest practicable date for the purpose of ascertaining information contained in this circular
“Lender(s) I”	the Original Lenders I and any bank, financial institution, trust, fund or other entity which has become a lender pursuant to the Amendment and Restatement Agreement, which has not ceased to be a party to the Amendment and Restatement Agreement
“Lender II”	China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability and a registered money lender holding a valid money lenders license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) and is principally engaged in the business of money lending services
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan I”	the outstanding amount of the loan under the Original Facility Agreement
“Loan II”	the loan with principal amount of HK\$32.5 million granted by the Lender II to the Borrower II pursuant to the Loan Facility Agreement
“Loan Facility Agreement”	the loan facility agreement dated 19 December 2019 entered into between the Lender II and the Borrower II in respect of the Loan II

DEFINITIONS

“LTV Ratio”	the loan-to-value ratio of the PRC Listco
“Maturity Date I”	the maturity date of the Loan I after the extension of the repayment under the Amendment and Restatement Agreement, being 2 September 2020
“Maturity Date II”	the maturity date of the Loan II after the extension of the repayment under the Supplemental Agreement, being 18 June 2021
“Minsheng Bank”	China Minsheng Banking Corp., Ltd., a joint stock limited company incorporated in the PRC, the shares of which are listed on the main board of the Stock Exchange (stock code: 1988) and the Shanghai Stock Exchange (stock code: 600016)
“Mr. Huang”	Mr. Huang Chusheng (黃楚生)
“Mr. Lu”	Mr. Lu Zhiqiang (盧志強), the ultimate controlling Shareholder
“National Holdings”	National Holdings Group Company Limited, a company incorporated in the British Virgin Islands with limited liability
“Negotiation Period”	the period from 3 September 2019 being the date of the expiration of the Original Facility Agreement to 28 July 2020 being the date before the entering of the Amendment and Restatement Agreement and the Deed of Call Option
“Obligors”	Borrower I, the Guarantors, CGA, CGA Mauritius and any of their respective subsidiaries from time to time and “Obligor” mean each one of them
“Oceanwide Holdings IF”	Oceanwide Holdings International Financial Development Co., Ltd., a company incorporated in the British Virgin Islands with limited liability, the controlling Shareholder
“Option Shares”	all shares of China Grand Automotive Group Limited, which has 1,417,547,995 shares in aggregate, wholly-owned by the Grantor subject to the Deed of Call Option
“Original Facility Agreement”	the original facility agreement dated 28 August 2017 entered into among the Original Lenders I, Borrower I, the Guarantors and the Agent in relation to the provision of the Facility
“Original Lender(s) I”	the original lenders under the Original Facility Agreement

DEFINITIONS

“Participation Percentage”	the respective proportion of the participation or outstanding principal amount of the Loan I owned to each Grantee as recorded by the Agent expressed as a percentage of the total outstanding principal amount of the Loan I pursuant to the Amendment and Restatement Agreement
“Personal Guarantor”	Mr. Wang Weitao, the sole director of the Borrower II
“Prime Rate”	the HK\$ prime rate quoted by the Standard Chartered Bank (Hong Kong) Limited from time to time, which was 5.25% as at the Latest Practicable Date
“PRC”	the People’s Republic of China
“PRC Listco”	China Grand Automotive Services Group Co., Ltd, a joint stock limited company incorporated in the PRC, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600297)
“SFO”	the Securities & Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the issued ordinary shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement dated 21 August 2020 entered into between the Lender II and the Borrower II to supplement the Loan Facility Agreement
“Transactions”	the transactions contemplated under the Amendment and Restatement Agreement, the Deed of Call Option (including the Extension of Loan I and the Grant of Call Option) and the Supplemental Agreement
“Unpaid Sum”	any sum due and payable but unpaid by the Borrower II under the Loan Facility Agreement, the Supplemental Agreement and any other finance documents in relation to Loan II
“HK\$”	Hong Kong Dollar(s), the lawful currency of Hong Kong
“US\$”	United States dollar(s), the lawful currency of the United States of America
“%”	per cent

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



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

(Incorporated in Bermuda with limited liability)

(Stock Code: 952)

Executive Directors:

Mr. HAN Xiaosheng (*Chairman*)
Mr. ZHANG Bo (*Deputy Chairman*)
Mr. ZHANG Xifang
Mr. FENG Henian
Mr. LIU Hongwei
Mr. Kenneth LAM Kin Hing

Non-executive Directors:

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

Independent Non-executive Directors:

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

Registered Office:

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

23 September 2020

To the Shareholders,

Dear Sir or Madam,

**MAJOR TRANSACTIONS
IN RELATION TO
EXTENSION OF LOANS
AND
GRANT OF CALL OPTION**

INTRODUCTION

Reference is made to (i) the announcement of the Company dated 28 August 2017 in relation to the Original Facility Agreement entered into among China Tonghai Securities, other Lenders I, Borrower I, the Guarantors and the Agent, pursuant to which the Original

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Lenders I agreed to provide Borrower I the Facility in an aggregate amount of HK\$5,810,000,000, (ii) the announcement of the Company dated 29 July 2020 in relation to the Amendment and Restatement Agreement and the Deed of Call Option and (iii) the announcement of the Company dated 21 August 2020 in relation to the Supplemental Agreement.

The purpose of this circular is to provide you with further details of the Extension of Loans and the Grant of Call Option for information purposes only.

A. EXTENSION OF LOAN I

Background

A loan of HK\$5,810,000,000 was drawn on 1 September 2017 by Borrower I under the Original Facility Agreement which matured on 2 September 2019. The participation of China Tonghai Securities under the Original Facility Agreement was HK\$500,000,000, representing the Participation Percentage of approximately 8.61%. In 2018, China Tonghai Holdings entered into a transfer agreement with China Tonghai Securities, pursuant to which China Tonghai Securities has agreed to transfer by novation to China Tonghai Holdings the loan commitment (the participation of China Tonghai Securities), being part of the total commitment under the Original Facility Agreement which was entered into amongst the Original Lenders I, Borrower I, the Guarantors and the Agent on 28 August 2017. Following several repayments made by Borrower I, the total outstanding principal amount of the Loan I was HK\$3,108,486,752.64 as at the date of the Amendment and Restatement Agreement, of which HK\$267,511,768.44 was attributable to China Tonghai Holdings.

Pursuant to the Original Facility Agreement, all Original Lenders I may by notice to the Borrower I extend a date falling 12 months after the maturity date of the Loan I.

In July 2019, the Lenders I, Borrower I, the Guarantors and the Agent has begun the discussion on the restructuring of the Loan I. The negotiation of the terms and conditions of the restructuring of the Loan I including but not limited to the extension and interest rate of the Loan I. Since there were 12 parties involved in the Original Facility Agreement, the discussion and negotiation of the terms and conditions in relation to the restructuring of the Loan I required more time than expected as each party involved has its own internal approval procedures. To the best knowledge, information and belief of the Directors, the internal approval procedures of one of the Lenders I took about 7 months. At the beginning of 2020, Hong Kong was affected by the outbreak of COVID-19 and the Hong Kong government has implemented various measures to contain the outbreak. The discussion and negotiation was therefore disrupted and the entering of the extension agreement was further delayed under the situation.

On 29 July 2020, the Lenders I, Borrower I, the Guarantors and the Agent entered into the Amendment and Restatement Agreement in respect of the extension of the repayment date of the Loan I by 12 months to the Maturity Date I and the amendment of certain terms of the Original Facility Agreement.

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On the same day, in connection with the Amendment and Restatement Agreement, the Grantor, HGH, the Agent and the Grantees entered into the Deed of Call Option, pursuant to which the Grantor has agreed to grant the Grantees the Call Option upon the terms and subject to the conditions as set out in the Deed of Call Option over all shares of CGA.

THE AMENDMENT AND RESTATEMENT AGREEMENT

The principal terms of the Amendment and Restatement Agreement are set out below:

Date

29 July 2020

Parties

- (i) China Tonghai Holdings, as one of the Lenders I;
- (ii) other Lenders I;
- (iii) HGH and Huge Auto, as the Borrower I;
- (iv) National Holdings and Mr. Huang, as the Guarantors; and
- (v) BOCI Leveraged & Structured Finance Limited, as the Agent.

The Loan I

The total outstanding principal amount of the Loan I as at 2 September 2019 was HK\$4,731,775,808.00, of which HK\$407,209,621.93 was attributable to China Tonghai Holdings. Several repayments were made during the Negotiation Period with an aggregate amount of HK\$144,279,235.88 attributable to China Tonghai Holdings including principal amount of HK\$139,697,853.49 and interest of HK\$4,581,381.88.

The total outstanding principal amount of the Loan I as at the date of the Amendment and Restatement Agreement was HK\$3,108,486,752.64, of which HK\$267,511,768.44 was attributable to China Tonghai Holdings. As at the Latest Practicable Date, the total outstanding principal amount of the Loan I was approximately HK\$2,927,635,915, of which approximately HK\$251,948,013 was attributable to China Tonghai Holdings.

Maturity Date I

2 September 2020

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Interest rate

The detail of early repayment obligation and actual interest rate per annum for each periods are listed out as below:

- (i) 12% per annum on and after 3 September 2019;
- (ii) If CGA Mauritius fails to carry out a Block Trade between 1 April and 30 June 2020, interest shall accrue on the outstanding Loan I at a rate of 14% per annum from 1 July 2020; and
- (iii) For each 90-day period starting from 1 July 2020, if CGA Mauritius fails to carry out a Block Trade, the interest rate applicable on the outstanding Loan I shall further increase by 2% per annum from the first day of the next 90-day period until the Maturity Date I provided that the interest rate shall not in any event exceed 18% per annum.

The interest rate was determined after arm's length negotiation between the parties and taking into account, among others, the prevailing market interest rate for similar loans and the decline in the value of the collateral.

CGA Mauritius did not carry out any Block Trade as of the Latest Practicable Date. Hence, according to the terms of the Amendment and Restatement Agreement, the interest rate charged from 1 July 2020 to the Latest Practicable Date was 14%.

Payment of interest

If the Facility or any part thereof is prepaid prior to the Maturity Date I, Borrower I shall pay on such prepayment date the total amount of interest accrued on the amount of the Loan I so prepaid from 2 September 2019 to the date of such prepayment.

Default interest

- (i) If an Obligors fail to pay any amount payable, the interest shall accrue on the unpaid amount from its due date to the date of actual payment; or in any event of default occurs, the interest shall accrue on the Loan I from the date of event of default occurs to the date of the event of default is waived, at the rate of 18% per annum. Any interest accruing shall be immediately payable by the Obligors on the demand by the Agent.
- (ii) Any unpaid default interest arising from the unpayable will be compounded with the unpayable at the end of each month but will remain immediately due and payable.

LETTER FROM THE BOARD

The Agent (acting on the instructions of the Lenders I) agrees to waive HK\$430,654,045.46 which represents 50% of the outstanding default interest payable from 19 October 2018 to 2 September 2019 which was triggered by the LTV Ratio exceeding 48% according to the Original Facility Agreement.

The waiver of a portion of the default interest was determined as part of the overall negotiations between the Borrower I and the Lenders I during the Negotiation Period. Several principal repayments and interest payment were made during the Negotiation Period, as a result, the total outstanding loan principal amount of Loan I reduced from HK\$407,209,621.93 as at original maturity date to HK\$267,511,768.44 as at the date of the Amendment and Restatement Agreement. As such, the Directors are of the view that that Extension of Loan I would be a better alternative to the enforcement of the collateral. Furthermore, all of the Lenders I also reached a consensus and obtained each of their internal approval for the Extension of Loan I and acceptance of the waiver of the default interest. Hence, the Directors are of the view that the waiving of the default interest is fair and reasonable and in the interest of the Company and the shareholders as a whole.

Agent fees

Borrower I shall pay to the Agent (for its own account) a non-refundable fee of HK\$23,658,879.04 in accordance with the payment schedule set out in the Amendment and Restatement Agreement.

Conditions precedents

The Amendment and Restatement Agreement shall be conditional upon the Agent having received all of the necessary documents in form and substance satisfactory to all of the Lenders I.

Save as disclosed above, the Amendment and Restatement Agreement and the Original Facility Agreement shall be read and construed as one instrument and save as amended, all other terms and provisions of the Original Facility Agreement shall remain in full force and effect.

As at the date of this circular, all the conditions precedents has been fulfilled.

Guarantee

Each Guarantors should guarantee to each Lenders I including but not limited to the following issues:

- (i) the obligation be punctually performed by Borrower I;
- (ii) undertaking the obligation of Borrower I whenever Borrower I do not pay any amount when due;

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- (iii) if any obligation guaranteed becomes unenforceable, invalid or illegal, they will indemnify immediately on demand against any cost, loss or liability it incurs.

Events of Default

The events of default should include, but not limited to:

- (i) *Non-payment*: a default is made if any Obligors do not pay on due date any amount payable unless the failure is caused by administrative or technical error and disruption events such as material disruption to the payment or communication systems, and the occurrence of any other events results in a disruption to the treasury or payments operation etc. In additionally, such default is not remedied within five days from the due date thereof;
- (ii) *Cross default*: (a) any financial indebtedness of any Obligors or PRC Lisco is not paid when due nor within any originally applicable grace period; or (b) any financial indebtedness of any Obligors or PRC Lisco is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described); or (c) any commitment for any financial indebtedness of any Obligors or PRC Listco is cancelled or suspended by a creditor of any Obligors or PRC Listco as a result of an event of default (however described); or (d) any creditor of any Obligors or PRC Listco becomes entitled to declare any financial indebtedness of any Obligors or PRC Listco due and payable prior to its specified maturity as a result of an event of default (however described); or (e) no event of default will occur if the aggregate amount of financial indebtedness or commitment for financial indebtedness falling within paragraphs (a) to (d) above is less than HK\$3,000,000 (or its equivalent in any other currency or currencies);
- (iii) *Insolvency*: any Obligors or PRC Listco is or is presumed or deemed to be unable or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties or the value of the assets of any Obligors or PRC Listco is less than its liabilities;
- (iv) *Insolvency proceedings*: (a) any corporate action, legal proceedings or other procedure or step is taken in relation to the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, bankruptcy, administration, provisional supervision or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of any Obligors or PRC Listco; or (b) a composition or arrangement with any creditor of any Obligors or PRC Listco, or an assignment for the benefit of creditors generally of any Obligors or PRC Listco or a class of such creditors; or (c) the appointment of a liquidator, receiver, administrator, administrative receiver, compulsory manager, provisional supervisor, manager of the estate or business, nominee in relation to any voluntary arrangement or other

LETTER FROM THE BOARD

similar officer in respect of any Obligors or PRC Listco or any of their respective assets; or (d) enforcement of any security over any assets of any Obligors or PRC Listco.

If the event of default occurs, the commitments would be cancelled, and the outstanding liabilities should be immediately due and payable together with exercise any or all of its rights, remedies, powers or discretions under the Amendment and Restatement Agreement.

Loan I has expired on 2 September 2020 pursuant to the Amendment and Restatement Agreement. The Lenders I, the Agent and the Borrower I had commenced the discussion regarding the repayment or restructuring of the Loan I prior to the Maturity Date I. As at the Latest Practicable Date, no finalised terms and conditions have been reached. As the outstanding amount of the Loan I has not been repaid on or before the Maturity Date, the interest rate of the Loan I was increased to 18% per annum pursuant to the Amendment and Restatement Agreement.

B. THE DEED OF CALL OPTION

Set out below are the principal terms of the Deed of Call Option:

Date

29 July 2020

Parties

- (i) China Tonghai Holdings, as a one of the Grantee;
- (ii) Other Lenders I, as Grantees;
- (iii) Huge Auto, as the Grantor;
- (iv) HGH; and
- (v) BOCI Leveraged & Structured Finance Limited, as the Agent.

Subject matter

The Grantor has agreed to grant to each of the Grantees an irrevocable right to purchase from the Grantor and to require the Grantor to sell to each of the Grantees, all (but not part) of the corresponding number of Option Shares together with all related rights during the Call Option Period (the “**Call Option**”) at the total consideration of HK\$1.00.

LETTER FROM THE BOARD

Option Shares

The Option Shares are 100% share capital of CGA. CGA holds 100% equity interest in CGA Mauritius, which hold 1,621,932,099 shares of the PRC Listco, representing approximately 19.88% of the total issued shares of PRC Listco as at 29 July 2020. Base on the average closing price for the five business days immediately preceding of the Latest Practical Date, the market value of the shares of the PRC Listco held by CGA Mauritius was approximately RMB6,104,952,420.64.

Option period

The Grantees shall have the right to exercise the Call Option within two years after the Deed of Call Option becoming effective (the “**Call Option Period**”), provided that the Borrower I fail to irrevocably pay all outstanding amount owed by the Borrower I under the Amendment and Restatement Agreement on the Maturity Date I in full.

Exercise price

On the exercise of the Call Option by the Grantees, the Grantees shall be bound to purchase and the Grantor shall become bound to transfer the Option Shares then held by the Grantor to the Grantees, at a consideration (the “**Exercise Price**”) payable by each Grantee, equal to the corresponding Participation Percentage of the aggregate amount of outstanding amounts owed by the Borrower I and the Obligors payable to such Grantee and the Agent.

Following the exercise of the Call Option, the Exercise Price payable by such Grantee under the Call Option shall set off automatically against the corresponding Participation Percentage of the total outstanding amount of the Loan I owed by the Borrower I and the Obligors payable to such Grantee and the Agent, and no further amount is payable by the Grantee to the Grantor as the exercise price of the Call Option.

For any transfer of the Option Shares to each of the Grantees pursuant to the Call Option, any declared but unpaid dividends to which the Grantor is otherwise entitled in respect of the Option Shares subject to the Call Option shall be transferred with the Option Shares, and no additional consideration is payable by any Grantee for such declared but unpaid dividends on or after completion of the transfer of the Option Shares.

Exercise of the Call Option

Upon exercise of the Call Option by the Grantees, the maximum of 1,417,547,995 shares of CGA (which indirectly hold 1,621,932,099 shares of PRC Listco) held by the Grantor will be transferred to the Lenders I.

LETTER FROM THE BOARD

Lapse of the Call Option

The Call Option may only be exercised once and the Call Option not exercised shall lapse and cease to have any further effect on the expiration of the Call Option Period.

Our Group has performed internal assessment to assess credit and risk management of the extension of Loan I. Our Group has closely monitored the PRC Listco including the news, LTV Ratio and the share price performance. As a normal process for credit assessment and risk management of extension of loans, an internal committee consisted of four senior management members of the Group and a member from the risk department, has considered the relevant information including, among other things, the background of the Borrower I, its repayment history including several payments made during the Negotiation Period which reduce the principal amount and hence lower the respective risk associated to the Loan I and the value of the shares of the PRC Listco indirectly held by the Grantor which covers the outstanding principal amount and the interest of the Loan I.

C. EXTENSION OF LOAN II

Background

On 19 December 2019, the Lender II, an indirect wholly-owned subsidiary of the Company, entered into the Loan Facility Agreement with the Borrower II, pursuant to which the Lender II agreed to provide the Borrower II the Loan II in an amount of HK\$32.5 million for six months. The interest rate of the Loan II was the Prime Rate plus 1% per annum. The Personal Guarantor guaranteed the performance by the Borrower II of its obligations under the Loan Facility Agreement. All of the accrued interest on the Loan II up to 18 June 2020 was paid prior to the entering into the Supplemental Agreement.

The Lender II and the Borrower II had commenced the discussion in relation to the extension of the Loan II prior to the expiration of the Loan Facility Agreement. As time was required to negotiate and agree on the terms including interest rate of the extension of the Loan II, the Supplemental Agreement was finalised and executed on 21 August 2020.

Save for the payment of the accrued interest on the Loan II pursuant to the Loan Facility Agreement in August, no payment was made for the period from 19 June 2020, being the day after the expiration of the Loan Facility Agreement, to 20 August 2020, being the day before the date of the Supplemental Agreement.

On 21 August 2020, the Lender II and the Borrower II entered into the Supplemental Agreement, pursuant to which, the repayment date of the Loan II was extended to 18 June 2021 and an increase in the interest rate of the Loan II from Prime Rate plus 1% per annum to Prime Rate plus 3.7% per annum. Save as aforesaid, all other terms of the Loan Facility Agreement shall remain in full force and effect.

LETTER FROM THE BOARD

SUPPLEMENTAL AGREEMENT

The principle terms of the Supplemental Agreement are set out below:

Date

21 August 2020

Parties

- (i) China Tonghai Finance Limited, as the Lender II; and
- (ii) Elion International Investment Limited, as the Borrower II.

Principal

The principal amount of the Loan II was HK\$32.5 million.

Maturity date

18 June 2021

Interest rate

Prime rate plus 3.7% per annum effective from the period from 19 June 2020 and up to and including 18 June 2021.

Default interest

If the Borrower II and the Personal Guarantor failed to pay any amount it is obliged to pay under the Loan Facility Agreement, the Supplemental Agreement and any other finance documents, when it is due, the Borrower II shall pay interest of the Unpaid Sum from time to time outstanding for the period beginning on its due date and ending on the date the Lender II receives it in full, or before and after judgment.

The rate of interest applicable to the Unpaid Sum shall be a fixed rate of 12% per annum.

Personal guarantee

The personal guarantee given by the Personal Guarantor in favour of the Lender II will remain as the continuing security for the due performance of the obligation of the Borrower II under the Loan Facility Agreement (as amended and supplemented by the Supplemental Agreement).

LETTER FROM THE BOARD

Conditions precedents

The Supplemental Agreement is conditional upon the obtaining of the written approval from Oceanwide Holdings IF in respect of the entering of the Supplemental Agreement and the transaction contemplated thereunder.

As at the date of this circular, the above condition has been fulfilled.

Save as disclosed above, the Supplemental Agreement and the Loan Facility Agreement shall be read and construed as one instrument and save as amended, all other terms and provisions of the Loan Facility Agreement shall remain in full force and effect.

D. INTERNAL MEASURES

For the loan transactions of our Group, our Group normally issues a payment reminder to the borrower three to four weeks prior to the maturity of loan. In the event that the borrower seeks to extend the loan, the lender will conduct due diligence and assessment on the borrower and commence negotiating the terms and conditions of the extension of the loan. The status of the negotiation shall be reported to a senior management on a weekly basis. In addition, the risk department monitors the risk level of the loan portfolio regularly and provide updates to executive Directors on a monthly basis. The Directors are of the view that the aforementioned internal procedures can initiate and facilitate the discussion and negotiation in relation to the extension of loan.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The granting of loans is one of the principal businesses of the Group. The terms of the Amendment and Restatement Agreement, the Deed of Call Option and the Supplemental Agreement were arrived after arm's length negotiations and are on normal commercial terms.

Having taken into consideration of the following principal factors and reasons regarding the entering of the Amendment and Restatement Agreement, the Deed of Call Option and the Supplemental Agreement:

- (i) Pursuant to the Amendment and Restatement Agreement, the terms including the interest for the Loan I was applicable for the Negotiation Period, hence the entering of the Amendment and Restatement Agreement after 10 months of the original maturity date did not reduce the interest income generated from the Loan I;
- (ii) the interest rate of the Loan I increases from 5% per annum pursuant to the Original Facility Agreement to 12% per annum pursuant to the Amendment and Restatement Agreement;

LETTER FROM THE BOARD

- (iii) the value of the shares of the PRC Listco indirectly held by the Grantor as an alternate settlement of the Loan I in the event that Borrower I fail to pay all outstanding amount of the Loan I in full on the Maturity Date I pursuant to the Deed of Call Option;
- (iv) China Tonghai Holdings are subject to the same terms as other Lenders I;
- (v) Borrower I made several repayments during the Negotiation Period to demonstrate the repayment ability and to lower the outstanding amount of the Loan I;
- (vi) Pursuant to the Supplemental Agreement, the terms including the interest for the Loan II was applicable for the period from 19 June 2020, being the day after the expiration of the Loan Facility Agreement, to 20 August 2020, being the day before the date of the Supplemental Agreement. Hence, the entering into the Supplemental Agreement two months after the expiration of the Loan Facility Agreement did not reduce the interest income of the Group generated from the Loan II;
- (vii) based on the experience in other loan transactions, the Directors considered that the time required to discuss and negotiate terms and conditions of the extension of loan can be lengthy and unexpected;
- (viii) the interest rate of the Loan II increases from Prime Rate plus 1% per annum pursuant to the Loan Facility Agreement to Prime Rate plus 3.7% per annum pursuant to the Supplemental Agreement;
- (ix) the interest income to be received by the Group; and
- (x) the credit assessment of the Extension of the Loan II including, among other things, the repayment ability of the Personal Guarantor in relation to the Loan II having considered his net worth are sufficient in case of default,

the Directors are of the view that the terms of the Amendment and Restatement Agreement, the Deed of Call Option and the Supplemental Agreement are fair and reasonable, on normal commercial terms and follows normal market practice and hence the Transactions are in the interests of the Company and the Shareholders as a whole.

Financial effects of the Extension of Loans and Grant of Call Option

The Extension of Loans and Grant of Call Option will not cause any material change to the assets and liabilities of the Group. Earnings of the Group of approximately HK\$39.5 million will be generated as a result of recognition of interest income in the relevant period.

LETTER FROM THE BOARD

INFORMATION ON THE AGENT, THE OBLIGORS, THE PRC LISTCO AND THE LENDERS I

The Agent is a company incorporated in Hong Kong with limited liability whose principal business is the provision of structured financing services. The Agent is a subsidiary of BOC International Holdings Limited, which is 100% owned by Bank of China Limited. To the best of the knowledge, information and belief of the Directors having made all reasonable enquires, the Company and its connected person have no other business relationship with the Agent.

The Borrower I is HGH and Huge Auto. HGH a company incorporated in Hong Kong with limited liability whose principal business is investment holding, the shares of which are wholly-owned by National Holdings. Huge Auto is a company incorporated in the British Virgin Islands with limited liability whose principal business is investment holding, the shares of which are wholly-owned by HGH.

National Holdings is a company incorporated in the British Virgin Islands with limited liability whose principal business is investment holding, the shares of which are wholly-owned by Mr. Huang, a PRC resident.

CGA is an exempted company incorporated in the Cayman Islands with limited liability whose principal business is investment holding, the shares of which are wholly-owned by Huge Auto.

CGA Mauritius is a private company limited by shares incorporated under the laws of Mauritius whose principal business is investment holding, the shares of which are wholly-owned by CGA.

The PRC Listco operates as an auto dealership in mainland China, which sells luxury passenger cars, second hand cars, and auto parts. It also conducts vehicle maintenance and financial leasing businesses.

Other Lenders I comprise of financial institutions and entities incorporated in the PRC, Hong Kong or British Virgin Islands. Two intermediate holding companies of the Company collectively holds approximately 6.94% interest in Minsheng Bank, which in turn owns approximately 63.25% interest in CMBC, one of the Lenders I. Mr. Lu is a non-executive director and the Vice-Chairman of Minsheng Bank.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, save as disclosed above, each of the Agent, the Obligors, the PRC Listco, other Lenders I and their respective ultimate beneficial owners are Independent Third Parties and do not have any relationships with the Group and connected persons of the Company.

LETTER FROM THE BOARD

INFORMATION ON THE BORROWER II AND THE PERSONAL GUARANTOR

The Borrower II is Elion International Investment Limited, a company incorporated in Hong Kong with limited liability. Its principal business is equity investment. Its ultimate beneficial owner is Mr. Wang Wenbiao. The Borrower II is a client of China Tonghai Securities.

The Personal Guarantor is Mr. Wang Weitao, a sole director of the Borrower II.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, save as disclosed above, the Borrower II and the Personal Guarantor and their respective associate are Independent Third Parties and do not have any relationships with the Group and connected persons of the Company.

INFORMATION ON THE GROUP, CHINA TONGHAI HOLDINGS AND THE LENDER II

The Group is principally engaged in (i) discretionary and non-discretionary dealing services for securities, futures and options, securities placing and underwriting services, margin financing and money lending services, insurance broking and wealth management services; (ii) corporate finance advisory and general advisory services; (iii) fund management, discretionary portfolio management and portfolio management advisory services; (iv) financial media services; and (v) investing and trading of various investment products.

China Tonghai Holdings is a wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability. It is principally engaged in investment holding and import/export trading liaison in Hong Kong.

The Lender II is China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability. It is a registered money lender holding a valid money lenders license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) and is principally engaged in the business of money lending services.

LISTING RULES IMPLICATIONS

The Extension of Loans constitute provision of financial assistance under the Listing Rules. As one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of each of the Extension of Loans exceeds 25%, each of the Extension of Loans constitutes a major transaction for the Company and is therefore subject to reporting, announcement and shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

Pursuant to Rule 14.74(1) of the Listing Rules, given the exercise of the Call Option is not at the sole discretion of the Company, the transactions contemplated under the Deed of Call Option shall be classified as if the Call Option had been exercised. As one of the applicable percentage ratios under Rule 14.07 of the Listing Rules for the Grant of Call Option exceeds 25% but less than 100%, the Grant of Call Option constitute a major transaction for the Company which is subject to the reporting, announcement and shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the Extension of Loans and the Grant of Call Option and therefore no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Extension of Loans and the Grant of Call Option.

The controlling Shareholder, Oceanwide Holdings IF, which holds 4,493,764,732 shares of the Company, representing approximately 72.51% of the total issued share of the Company, has given the written approval of the Transactions and such written approval has been accepted in lieu of holding a general meeting for the approval of the Transactions pursuant to Rule 14.44 of the Listing Rules on the date of entering into Amendment and Restatement Agreement, Deed of Call Option and the Supplemental Agreement. Therefore, no general meeting of the Company for the approval of the Transactions will be convened and held.

RECOMMENDATION

Having considered the reasons set out herein, the Directors consider that the Amendment and Restatement Agreement, the Deed of Call Option and the Supplemental Agreement were entered into after arm's length negotiation and in the ordinary and usual course of business of the Group and the terms of the Original Facility Agreement as supplemented and amended by the Amendment and Restatement Agreement and the Loan Facility Agreement as supplemented and amended by the Supplemental Agreement are on normal commercial terms and fair and reasonable and in the interests of the Company and Shareholders as a whole. Accordingly, the Directors would have recommended the Shareholders to vote in favour of the ordinary resolutions if the Company were to convene a general meeting to approve the Extension of Loans and the Grant of Call Option and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

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

Your faithfully,
By order of the Board of
China Tonghai International Financial Limited
HAN Xiaosheng
Chairman

1. FINANCIAL INFORMATION

The financial information of the Group the year ended 31 March 2017, nine months ended 31 December 2017, years ended 31 December 2018 and 2019 were disclosed in the annual reports of the Company for the year ended 31 March 2017 (pages 65 to 155), nine months ended 31 December 2017 (pages 61 to 167), year ended 31 December 2018 (pages 65 to 178), year ended 31 December 2019 (pages 85 to 206). The aforementioned financial information of the Group has been published on both the website of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the website of the Company (www.tonghaifinancial.com). Please refer to the hyperlinks as stated below:

2017 annual report (for the year ended 31 March 2017):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0720/ltn20170720602.pdf>

2017 annual report (for the nine months ended 31 December 2017):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0417/ltn201804171195.pdf>

2018 annual report (for the year ended 31 December 2018):

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0417/ltn201904171252.pdf>

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

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

2. INDEBTEDNESS

At the close of business on 31 July 2020, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the indebtedness of the Group was as follows:

Borrowings

Obligations under repurchase agreements, bank loans, notes payable and lease liabilities totaling approximately HK\$2,515,737,000, comprising:

- (a) Unguaranteed obligations under repurchase agreements of approximately HK\$1,924,000, which were secured by corporate bonds of US\$621,000.

(b) Bank loans, which were:

	<i>HK\$'000</i>
Secured and guaranteed by the Company*	948,304
Secured and guaranteed by the ultimate controlling Shareholder**	747,330
Unsecured and unguaranteed	<u>100,073</u>
	<u><u>1,795,707</u></u>

* These bank loans were secured by marketable securities as at 31 July 2020 and the Company's guarantee. The marketable securities include securities collaterals provided by the margin clients to the Group.

** These bank loans were secured by corporate bonds and notes, listed equity securities and bank deposits held by the Company as at 31 July 2020, certain Shares held by the immediate controlling Shareholder and certain fellow subsidiary's listed shares held by its immediate controlling Shareholder. These bank loans were also guaranteed by the ultimate controlling Shareholder and a wholly-owned subsidiary of the Company.

(c) Unsecured and unguaranteed notes payable of approximately HK\$623,190,000.

(d) Lease liabilities of approximately HK\$94,916,000.

Contingent liabilities

As at 31 July 2020, the Group had contingent liabilities in respect of a counterclaim by the defendant in a High Court case in respect of a service fee paid by the defendant of HK\$0.9 million.

Disclaimers

Save as aforesaid, and apart from intra-group liabilities and normal accounts payable, the Group did not have any outstanding bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance leases, hire purchases commitments (whether guaranteed, unguaranteed, secured or unsecured), guarantees or other material contingent liabilities at the close of business on 31 July 2020.

To the best knowledge of the Directors, having made all reasonable enquiries, there have been no material changes in indebtedness or contingent liabilities of the Group since 31 July 2020 and up to Latest Practicable Date.

3. WORKING CAPITAL

After taking into account the present financial resources and the borrowings, the Directors are of the opinion that the working capital available to the Group is sufficient for the Group's requirements for at least twelve months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group will continue to impose cost control measures to curb unnecessary expenses in order to mitigate the pressure from possible decrease in revenue. In light of the considerable uncertainties for the current situation, the Group will, from time to time, review our investment portfolios and business segments, to ensure a smooth transition in the severe environment.

The Group will explore new securities customers and to increase the number of corporate financing and financial advisory projects, as well as launching new product platforms (such as Quamnet Derivative investment platform) and seeking to broaden assets management products.

5. MATERIAL ADVERSE CHANGE

Save as the profit warning announcement dated 24 July 2020, the Directors confirm that there has been no material adverse change in the financial or trading position or outlook of the Group since 31 December 2019, the date to which the latest audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS**Interests of the Directors**

As at the Latest Practicable Date, interests of the Directors and the chief executive of the Company and their respective associates in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules (the “**Model Code**”) to be notified to the Company and the Stock Exchange were as follows:

I. Long position in the Shares

Name of Directors	Capacity	Number of Shares held	Approximate percentage of shareholding in the Shares in issue (Note 1)
Mr. Kenneth LAM Kin Hing	Beneficial owner	113,072,833	1.82%

II. Long positions in the shares of associated corporations of the Company**(a) Oceanwide Holdings Co., Ltd. (“Oceanwide Holdings”)**

Name of Director	Capacity	Number of shares in Oceanwide Holdings	Approximate percentage of shareholding in Oceanwide Holdings (Note 2)
Mr. HAN Xiaosheng	Beneficial owner	3,500,000	0.06%
Mr. ZHANG Bo	Beneficial owner	510,000	0.009%
Mr. ZHANG Xifang	Beneficial owner	276,000	0.005%
Mr. LIU Hongwei	Beneficial owner	30,000	0.0005%
Mr. LIU Bing	Beneficial owner	90,000	0.001%
Mr. ZHAO Yingwei	Beneficial owner	200,000	0.003%
Mr. ZHAO Xiaoxia	Beneficial owner	183,500	0.003%

(b) China Oceanwide Holdings Limited (“China Oceanwide”)

Name of Director	Capacity	Number of shares in China Oceanwide	Approximate percentage of shareholding in China Oceanwide (Note 2)
Mr. LIU Jipeng	Beneficial owner	9,212,000	0.05%

III. Interest in the debentures of the associated corporation of the Company

Name of Director	Name of associated corporation	Nature of interest	Amount of debenture
Mr. Kenneth LAM Kin Hing	Oceanwide Holdings International Development III Co., Ltd.	Personal interest	US\$5,500,000 (Note 3)

Notes:

1. The approximate percentage shown was the number of Shares the relevant Director was interested in expressed as a percentage of the total number of issued Shares as at the Latest Practicable Date.
2. The approximate percentage shown was the number of shares the relevant Director was interested in expressed as a percentage of the total number of issued shares of the relevant entity as at the Latest Practicable Date.
3. Mr. Kenneth LAM Kin Hing has an interest in (i) US\$5,000,000 of the US\$215,000,000 12% guaranteed senior notes due 2021; and (ii) US\$500,000 of the US\$280,000,000 14.5% guaranteed senior notes due 2021, both issued by Oceanwide Holdings International Development III Co., Ltd.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they would be taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, none of the Directors was a director or employee of a company which had or was deemed to have an interest or short position in the Shares or underlying shares in respect of equity derivatives of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Interest of the substantial Shareholders

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of SFO, and so far as was known to the Directors or chief executive of the Company, the following persons (other than a Director or a chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the issued voting shares capital of any other member of the Group:

Long positions in Shares and underlying Shares

Name of holder of Shares/underlying Shares	Capacity	Number of Shares and underlying Shares held	Approximate percentage of shareholding in the Shares in issue (Note 11)
Mr. LU	Interest of controlled corporations	4,493,764,732 (Note 1)	72.51%
Ms. HUANG Qiongzi	Interest of controlled corporations	4,493,764,732 (Note 1)	72.51%
Tohigh Holdings Co., Ltd.* (通海控股有限公司)	Interest of controlled corporations	4,493,764,732 (Note 2)	72.51%
Oceanwide Group Co., Ltd.* (泛海集團有限公司)	Interest of controlled corporations	4,493,764,732 (Note 3)	72.51%
China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團 有限公司)	Interest of controlled corporations	4,493,764,732 (Note 4)	72.51%
Oceanwide Holdings	Interest of controlled corporations	4,493,764,732 (Note 5)	72.51%

Name of holder of Shares/underlying Shares	Capacity	Number of Shares and underlying Shares held	Approximate percentage of shareholding in the Shares in issue (Note 11)
China Oceanwide Group Limited	Interest of controlled corporations	4,493,764,732 (Note 5)	72.51%
Oceanwide Holdings IF	Beneficial owner	4,493,764,732 (Note 5)	72.51%
Haitong Securities Co., Ltd.	Interest of controlled corporation	4,100,000,000 (Note 6)	66.16%
Haitong International Holdings Limited	Interest of controlled corporation	4,100,000,000 (Note 7)	66.16%
Haitong International Securities Group Limited	Interest of controlled corporation	4,100,000,000 (Note 8)	66.16%
Haitong International Investment Solutions Limited	Security interest in Shares	4,100,000,000 (Note 9)	66.16%

Notes:

1. Mr. LU and Ms. HUANG Qiongzi (the spouse of Mr. LU) together hold more than one-third of the voting power at general meetings of Tohigh Holdings Co., Ltd.* (通海控股有限公司). By virtue of the SFO, Mr. LU and Ms. HUANG Qiongzi are deemed to be interested in all the Shares in which Tohigh Holdings Co., Ltd.* (通海控股有限公司) is interested.
2. Tohigh Holdings Co., Ltd.* (通海控股有限公司) holds the entire issued share capital of Oceanwide Group Co., Ltd.* (泛海集團有限公司). By virtue of the SFO, Tohigh Holdings Co., Ltd.* (通海控股有限公司) is deemed to be interested in all the Shares held by Oceanwide Group Co., Ltd.* (泛海集團有限公司).
3. Oceanwide Group Co., Ltd.* (泛海集團有限公司) holds 98% interest in the issued share capital of China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司). By virtue of the SFO, Oceanwide Group Co., Ltd.* (泛海集團有限公司) is deemed to be interested in all the Shares held by China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司).

4. China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司) directly and indirectly holds 70.88% interest in the issued share capital of Oceanwide Holdings. By virtue of the SFO, China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司) is deemed to be interested in all the Shares held by Oceanwide Holdings.
5. Oceanwide Holdings IF is a wholly-owned subsidiary of China Oceanwide Group Limited, which in turn is a wholly-owned subsidiary of Oceanwide Holdings. During 2 January 2020 to the Latest Practicable Date, the Company was informed by the Oceanwide Holdings IF that a total of 690,000 Shares were sold in the open market, as a result of which the number of Shares it held was reduced from 4,494,454,732 to 4,493,764,732. By virtue of the SFO, China Oceanwide Group Limited and Oceanwide Holdings are deemed to be interested in 4,493,764,732 Shares.
6. Haitong Securities Co., Ltd held 100% interest in the issued share capital of Haitong International Holdings Limited. By virtue of the SFO, Haitong Securities Co., Ltd is deemed to be interested in all the Shares held by Haitong International Holdings Limited.
7. Haitong International Holdings Limited indirectly held 63.08% interest in the issued share capital of Haitong International Securities Group Limited. By virtue of the SFO, Haitong International Holdings Limited is deemed to be interested in all the Shares held by Haitong International Securities Group Limited.
8. Haitong International Investments Solutions Limited is an indirect subsidiary of Haitong International Securities Group Limited. By virtue of the SFO, Haitong International Securities Group Limited is deemed to be interested in all the Shares held by Haitong International Investments Solutions Limited.
9. According to the announcement of Oceanwide Holdings dated 5 December 2018, Oceanwide Holdings IF issued to Haitong International Investment Solutions Limited the short term notes in the principal amount up to HK\$1,100,000,000 pursuant to which Oceanwide Holdings IF has pledged 4,100,000,000 Shares (representing 66.16% of the issued share capital of the Company as at the Latest Practicable Date) to Haitong International Investment Solutions Limited.
10. The following entities, namely Tisé Media Fund LP and China Alliance Properties Limited (and its associates), disclosed to the Company that they were, directly or indirectly interested or deemed to be interested in 5% or more of the Shares on 28 August 2015 pursuant to the subscription agreement entered among the Company, CMBC International Holdings Limited (“**CMBCI**”), and the co-investors, namely New Hope Global Holding Co., Limited, United Energy International Trading Limited, Mind Power Investments Limited, China P&I Services (Hong Kong) Limited, China Alliance Properties Limited, Good First International Holding Limited, Divine Unity Limited, Tisé Media Fund LP, Novel Well Limited, Ristora Investments Limited and Insight Multi-Strategy Funds SPC for the account of Insight Phoenix Fund III SP (together “**Co-Investors**”) on 28 August 2015 which CMBCI and the Co-Investors had conditionally agreed to subscribe for an aggregate of 23,054,875,391 shares of the Company at the subscription price of HK\$0.565 per subscription share (the “**First Subscription Agreement**”).

As disclosed in the announcement of the Company dated 1 March 2016, the First Subscription Agreement ceased to be effective as of 28 February 2016 as certain conditions precedent under the First Subscription Agreement remained outstanding as at the long stop date. Accordingly, as at the Latest Practicable Date, as far as the Directors were aware, CMBCI and the Co-Investors had ceased to have any interests in the shares.

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

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

3. COMPETING INTERESTS

As at the Latest Practicable Date, the following Directors had interests in the following businesses (apart from the businesses of the Company or its subsidiaries) conducted through the companies named below, their subsidiaries, associated companies or other investment forms which are considered to compete or be likely to compete, either directly or indirectly, with the principal businesses of the Group conducted during the year and are required to be disclosed pursuant to Rule 8.10(2) of the Listing Rules:

Name of Director	Investing entity	Nature of interest	Nature of business considered to compete or likely to compete with the business of the Group
Mr. ZHANG Bo	Minsheng Securities Co., Ltd.* (民生證券股份有限公司)	director	Securities business
Mr. ZHANG Xifang	Minsheng Securities Co., Ltd.* (民生證券股份有限公司)	director	Securities business
Mr. FENG Henian	Minsheng Securities Co., Ltd.* (民生證券股份有限公司)	director	Securities business
Mr. LIU Bing	Minsheng Securities Co., Ltd.* (民生證券股份有限公司)	director	Securities business

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

The Directors are aware of their fiduciary duties and will act honestly and in good faith in the interests of the Company and will avoid any potential conflict of interests and duties.

4. INTERESTS IN CONTRACT OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors had any interests in contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group taken as a whole.

5. INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets acquired by or disposed of or leased to any member of the Group, or is proposed to be acquired by or disposed of or leased to any member of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which were not expiring and determinable by the Group within one year without payment of compensation (other than statutory compensation).

7. LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or arbitration of material importance known to the Directors to be pending or threatened by or against any members of the Group.

8. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) had been entered into by the Company or any of its subsidiaries within two years preceding the issue of this circular and ending on the Latest Practicable Date, which are or may be material in relation to the business of the Group:

- (i) the Supplemental Agreement dated 21 August 2020 entered into between the Lender II and the Borrower II;

- (ii) the Amendment and Restatement Agreement dated 29 July 2020 entered into among the Lenders I, Borrower I, the Guarantors and the Agent in relation to the extension of maturity date of Loan I to 2 September 2020, of which HK\$267,511,768.44 is attributable to China Tonghai Holdings;
- (iii) the Deed of Call Option entered into among the Grantor, HGH, the Agent and the Grantee in respect of the Call Option;
- (iv) the sale and purchase agreement dated 22 June 2020 entered into between China Tonghai Holdings and the purchaser in relation to the sale and purchase of the notes in the principal amount of HK\$25 million;
- (v) the hedging contract dated 17 June 2020 entered into between China Tonghai Holdings and the counterparty in relation to the hedging of reference shares being maximum of 154,275,711 shares of Guotai Junan International Holdings Limited (stock code: 1788);
- (vi) the loan facility agreement dated 8 May 2020 enter into between Lender II and the borrower in relation to the short term loan with principal amount of HK\$120 million;
- (vii) the third supplemental agreement dated 17 April 2020 entered into between Lender II and the borrower in relation to the extension of a loan in the amount of HK\$194 million to 31 March 2021;
- (viii) the fourth supplemental agreement dated 17 April 2020 entered into between Lender II and the borrower in relation to the extension of a loan in the amount of HK\$255 million to 31 March 2021;
- (ix) the fifth supplemental agreement dated 17 April 2020 entered into between Lender II and the borrower in relation to the extension of a loan in the amount of HK\$245 million to 31 March 2021;
- (x) the framework services agreement entered into between the Company and China Oceanwide on 30 August 2019 in relation to various services, investment, lending and underwriting transactions with each other effective from 1 January 2020 to 31 December 2022;
- (xi) the framework services agreement entered into between the Company and Oceanwide Holdings on 30 August 2019 in relation to various services, investment, lending and underwriting transactions with each other effective from 1 January 2020 to 31 December 2022;
- (xii) the framework services agreement entered into between the Company and Tohigh Holdings Co., Ltd* (通海控股有限公司) on 30 August 2019 in relation to various services, investment, lending and underwriting transactions with each other effective from 1 January 2020 to 31 December 2022;

- (xiii) the facility agreement dated 1 March 2019 entered into among Lender II and another lender, the borrower and the agent in relation to the provision of a loan facility of HK\$294,000,000 for 24 months following the first utilisation date, pursuant to which the commitment of Lender II under the facility was HK\$166,000,000;
- (xiv) the second supplemental agreements dated 15 January 2019 entered into between Lender II and the borrower in relation to the extension of a loan in the aggregate amount of HK\$245 million to 21 March 2019;
- (xv) the subscription agreement dated 31 December 2018 entered into among Well Foundation Company Limited (an indirect wholly-owned subsidiary of the Company), Filled Converge Limited and China Ruifeng Renewable Energy Holdings Limited (the “**Issuer**”) in relation to the subscription of the 8% secured redeemable convertible bonds due 2021 issued by the Issuer in the principal amount of HK\$19,612,000 and HK\$294,183,000 respectively; and
- (xvi) the supplemental agreement dated 22 October 2018 entered into among Lender II, the borrower and China Tonghai Securities (as the arranger) in relation to the extension of a loan in the amount of HK\$270,000,000 to 22 October 2019.

Save as disclosed above, as at the Latest Practicable Date, no contract (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) had been entered into by any members of the Group within two years preceding the issue of this circular and ending on the Latest Practicable Date and are or may be material.

9. GENERAL

- (i) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (ii) The head office and principal place of business in Hong Kong of the Company is located on 18th and 19th Floors, China Building, 29 Queen’s Road Central, Hong Kong.
- (iii) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited on Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.
- (iv) The company secretary of the Company is Ms. Hortense CHEUNG Ho Sze who is an associate member of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as “The Institute of Chartered Secretaries and Administrators”) in United Kingdom.
- (v) This circular has been prepared in both English and Chinese. In the event of any discrepancy, the English text shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hour on business day at 18th Floor, China Building, 29 Queen's Road Central, Hong Kong on a period of 14 days from the date of this circular up to and including 7 October 2020:

- (i) the memorandum of association and bye-laws of the Company;
- (ii) the material contracts referred to under the paragraph headed "Material contracts" in this appendix;
- (iii) the annual reports of the Company for the year ended 31 March 2017, the nine months ended 31 December 2017, the year ended 31 December 2018 and the year ended 31 December 2019;
- (iv) the circulars dated 26 May 2020 and 23 July 2020; and
- (v) this circular;