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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

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

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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  
PROVISION OF LOANS  
AND  
EXTENSION OF LOAN**

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## CONTENTS

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	<i>Page</i>
<b>Definitions</b> .....	<b>1</b>
<b>Letter from the Board</b> .....	<b>5</b>
<b>Appendix I — Financial information of the Group</b> .....	<b>20</b>
<b>Appendix II — General information</b> .....	<b>23</b>

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## DEFINITIONS

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*In this circular, unless the context requires otherwise, the following terms shall have the following meanings:*

“Board”	the board of Directors
“Borrower I”	Cosmos Machinery (Holdings) Limited, a company incorporated in Hong Kong with limited liability. The Borrower I together with its associate is the controlling shareholder of CMEL. The Borrower I is the offeror of the Proposed Privatisation
“Borrower II”	Silver Eagle Limited, a company incorporated in British Virgin Islands with limited liability
“Borrower III”	Green Giant Energy Limited, a company incorporated in Hong Kong with limited liability
“Borrowers”	together the Borrower I, Borrower II and Borrower III
“CMEL”	Cosmos Machinery Enterprises Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 118)
“Company”	China Tonghai International Financial Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (Stock code: 952)
“Companies Ordinance”	the Companies Ordinance (Cap. 622 of the Laws of Hong Kong)
“Controlling Shareholder”	Oceanwide Holdings International Financial Development Co., Ltd., a company incorporated in the British Virgin Islands with limited liability, being the controlling Shareholder
“Directors”	the directors of the Company
“Extension of Loan”	the extension of the repayment date of the Loan III under the Fifth Supplemental Agreement
“Fifth Supplemental Agreement”	the supplemental agreement dated 31 December 2020 entered into between the Lender and the Borrower III to supplement the Loan Facility Agreement III (as amended by the Supplemental Agreements)

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## DEFINITIONS

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“First Supplemental Agreement”	the supplemental agreement dated 28 September 2018 entered into between the Lender and the Borrower III to supplement the Loan Facility Agreement III, details of which are set out in the announcement of the Company dated 28 September 2018
“Fourth Supplemental Agreement”	the supplemental agreement dated 5 March 2020 entered into between the Lender and the Borrower III to supplement the Loan Facility Agreement III (as amended by the First Supplemental Agreement, the Second Supplemental Agreement and the Third Supplemental Agreement)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Parties”	persons or companies who/which are not connected with (within the meaning of the Listing Rules) and are independent of the directors, chief executives and substantial shareholders of the Group or any of their respective associates
“Latest Practicable Date”	21 January 2021, being the latest practicable date prior to the despatch of this circular for ascertaining information contained in this circular
“Lender”	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 loan with a principal amount of HK\$70,000,000 granted by the Lender to the Borrower I pursuant to the Loan Facility Agreement I
“Loan II”	collectively the loan(s) resulting from utilisations under the loan facility granted by the Lender to the Borrower II under the Loan Facility Agreement II with an aggregate principal amount of up to HK\$15,000,000

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## DEFINITIONS

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“Loan III”	the term loan with principal amount of HK\$160 million granted by the Lender to the Borrower III pursuant to the Loan Facility Agreement III as supplemented by the First Supplemental Agreement and the Second Supplemental Agreement and with the principal amount being increased to HK\$163.8 million pursuant to the Third Supplemental Agreement, the Fourth Supplemental Agreement and the Fifth Supplemental Agreement (as the case may be)
“Loan Facility Agreement I”	the loan facility agreement dated 10 December 2020 entered into among the Lender, the Borrower I and the Personal Guarantor(s) I in relation to the provision of the Loan I
“Loan Facility Agreement II”	the loan facility agreement dated 30 December 2020 entered into among the Lender, the Borrower II and the Personal Guarantor II in respect of the provision of the Loan II
“Loan Facility Agreement III”	the loan facility agreement dated 29 June 2018 entered into between the Lender and the Borrower III in respect of the Loan III
“Loan Facility Agreements”	together the Loan Facility Agreement I and the Loan Facility Agreement II
“Loans”	together the Loan I and Loan II
“Mr. Lu”	Mr. Lu Zhiqiang, the ultimate controlling Shareholder
“Personal Guarantor(s) I”	Mr. TANG To and Mr. TANG Yu, Freeman
“Personal Guarantor II”	Mr. ZHU Mu Po, the sole shareholder and sole director of the Borrower II
“Personal Guarantor III”	Mr. SHI Yuzhu, the sole director of the Borrower III
“Personal Guarantors”	together the Personal Guarantor(s) I, the Personal Guarantor II and the Personal Guarantor III
“Proposed Privatisation”	the proposed privatisation of CMEL by way of the Scheme which is announced on 10 December 2020
“Repayment Date”	the date falling 12 months from the first utilisation date of the Loan II

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## DEFINITIONS

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“Scheme”	the scheme of arrangement to be proposed under s673 of the Companies Ordinance pursuant to which all the scheme share will be cancelled
“Second Supplemental Agreement”	the supplemental agreement dated 31 December 2018 entered into between the Lender and the Borrower III to supplement the Loan Facility Agreement III (as amended by the First Supplemental Agreement), details of which are set out in the announcement of the Company dated 31 December 2018
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of Hong Kong one third of one cent each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreements”	together the First Supplemental Agreement, the Second Supplemental Agreement, the Third Supplemental Agreement and the Fourth Supplemental Agreement
“Third Supplemental Agreement”	the supplemental agreement dated 2 April 2019 entered into between the Lender and the Borrower III to supplement the Loan Facility Agreement III (as amended by the First Supplemental Agreement and the Second Supplemental Agreement)
“Utilisation”	Utilisation of the respective Loans
“%”	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.*

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LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. HAN Xiaosheng *(Chairman)*

Mr. FANG Zhou *(Deputy Chairman)*

Mr. ZHANG Xifang

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:*

Clarendon House 2

Church Street

Hamilton HM 11

Bermuda

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

18th and 19th Floors

China Building

29 Queen's Road Central

Hong Kong

25 January 2021

*To the Shareholders,*

Dear Sir or Madam,

**MAJOR TRANSACTIONS  
IN RELATION TO  
PROVISION OF LOANS  
AND  
EXTENSION OF LOAN**

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## LETTER FROM THE BOARD

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### INTRODUCTION

References is made to the (i) announcement of the Company dated 10 December 2020 in relation to the Loan Facility Agreement I entered into among the Lender (an indirect wholly-owned subsidiary of the Company), the Borrower I and the Personal Guarantors I, pursuant to which the Lender agreed to provide the Borrower I the Loan I of HK\$70,000,000, (ii) announcement of the Company dated 30 December 2020 in relation to the Loan Facility Agreement II entered into among the Lender, the Borrower II and the Personal Guarantor II, pursuant to which the Lender agreed to make available to provide the Borrower II the Loan II and (iii) announcement of the Company dated 31 December 2020 in relation to the Fifth Supplemental Agreement.

The purpose of this circular is to provide you with, among other things, details of the Loans, the Extension of Loan and the financial information of the Group for information purposes only.

#### A. The LOAN I

##### The Loan Facility Agreement I

The principal terms of the Loan Facility Agreement I are set out below:

**Date:** 10 December 2020

**Parties:** (i) the Lender;  
(ii) the Borrower I; and  
(iii) the Personal Guarantors I

**Loan Amount:** HK\$70,000,000

**Interest Rate:** 12.0% per annum

**Default Interest:** If Borrower I fails to pay any due payable to the Lender under the Loan Facility Agreement I, it shall pay default interest on such sum from the due date up to the date of actual payment at the default rate of 8% per annum.

**Availability:** Utilisation is available from and including the date of the Loan Facility Agreement I to the earlier of (a) the date falling 8 business days after the Scheme effective date; (b) the Scheme fail date; and (c) the date falling 6 months after the date of the Loan Facility Agreement I.

**Purpose of Loan I:** The Borrower I shall apply the Loan I to partially finance the Proposed Privatisation.



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## LETTER FROM THE BOARD

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**Repayment:** 10 business days from the completion date of the Scheme. The Repayment Date shall be not more than 45 days from the Utilisation date.

**Personal Guarantors I:** Mr. TANG To and Mr. TANG Yu, Freeman

**Security:** Share charge over 450,813,463 shares in aggregate, which represents approximately 52.3% of all issued shares of CMEL.

The value of securities is fixed at approximately HK\$247.9 million, which is calculated based on the offer price of the Proposed Privatisation at HK\$0.55 per share. Hence, the value of the security is substantially higher than the loan amount of the Loan I.

**Arrangement Fee:** A non-refundable fee of 1.5% of the Loan I, being HK\$1,050,000, shall be paid by the Borrower I to the Lender at the date of signing the Loan Facility Agreement I.

**Conditions Precedent of Utilisation:** The Loan I will be made available to the Borrower I upon the fulfillment, among others, of the following conditions precedent:

- (i) all necessary approval has been obtained from the Borrower I in respect of the Loan I;
- (ii) all necessary approval has been obtained from the Board of the Company and the board of directors of the Lender in respect of the Loan I;
- (iii) written shareholders' approval of the Company has been obtained in respect of the Loan I;
- (iv) all the conditions precedent in relation to the Scheme are fulfilled;
- (v) no major default is continuing or would result from the utilisation; and
- (vi) all the major representations are true in all material respects.

As at the Latest Practicable Date, the conditions precedent (i), (ii), and (iii) had been fulfilled.

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## LETTER FROM THE BOARD

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**Events of Default:**

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

- (i) the Borrower I defaults in any payment on its due date;
- (ii) the Borrower I does not comply with or is in breach of any provision of the Loan Facility Agreement I;
- (iii) if the information made or deemed to be made by the Borrower I in the Loan Facility Agreement I or any other document provided by the Borrower I, is or proves to have been incorrect or misleading in any material respect when made or deemed to be made;
- (iv) The cross default as the result of the event of any financial indebtedness of Borrower I is not paid when due nor within any originally applicable grace period, or declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default, or any commitment for any financial indebtedness of Borrower I is cancelled or suspended by a creditor as a result of an event of default, or any creditor of Borrower I becomes entitled to declare any financial indebtedness of Borrower I due and payable prior to its specified maturity as a result of an event of default;
- (v) the Borrower I 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, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness, other than in the ordinary course of business;
- (vi) If there is any change in the shareholding structure or the share capital structure of the Borrower I since the date of the Loan Facility Agreement I; and
- (vii) The Borrower I fails to provide the bank statement of the designated accounts showing that the account balance of the designated accounts in aggregate is not less than HK\$72,000,000.

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## LETTER FROM THE BOARD

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If any of the events of default occurs, the Lender would make immediate demand for the full repayment of all outstanding due under Loan I together with accrued interest and all any other due and payable.

### **B. The LOAN II**

#### **The Loan Facility Agreement II**

The principal terms of the Loan Facility Agreement II are set out below:

**Date:** 30 December 2020

**Parties:** (i) the Lender;  
(ii) the Borrower II; and  
(iii) the Personal Guarantor II

**Loan Amount:** The Lender shall make available a loan facility of up to HK\$15,000,000 to the Borrower II and the Borrower II shall be entitled to utilise it by making a maximum of six utilizations provided that each utilisation shall be no less than HK\$500,000.

**Interest Rate:** 9% per annum

**Default Interest:** If the Borrower II fails to pay any due payable to the Lender under this Loan Facility Agreement II, it shall pay default interest on such sum from the due date up to the date of actual payment at the default rate of 10% per annum.

**Availability:** Utilisation of the loan facility is available for a period of up to six months commencing on the date of the written notification received by the Borrower II provided that the conditions precedent in the Loan Facility Agreement II are all fulfilled.

**Repayment:** the Borrower II shall repay the Loan II together with accrued interest and all other amounts due by it under the Loan Facility Agreement II in full on the earlier of (a) the Repayment Date; or (b) within one business day of written demand by the Lender in the event of material adverse effect of the Borrower II or on the occurrence of an event of default.

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## LETTER FROM THE BOARD

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**Purpose of Loan II:** the Borrower II shall apply the Loan II towards future development of its business.

**Personal Guarantor II:** Mr. Zhu Mu Po

**Interest Payment:** Interest is payable on the date falling six months from the first utilisation date and on the Repayment Date.

**Conditions Precedent:** the Loan II will be made available to the Borrower II upon the among others, of the following conditions precedent:

- (i) shareholder's approval of the Company has been obtained;
- (ii) all necessary approval has been obtained from the Borrower II and Personal Guarantor II in respect of the Loan II; and
- (iii) written notification has been provided by the Lender when conditions precedent (i) has been fulfilled.

As at the Latest Practicable Date, the conditions precedent (i), (ii) and (iii) had been fulfilled.

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

- (i) the Borrower II defaults in any payment on its due date;
- (ii) the Borrower II does not comply with or is in breach of any provision of the Loan Facility Agreement II;
- (iii) if the information made or deemed to be made by the Borrower II in the Loan Facility Agreement II or any other document provided by the Borrower II, is or proves to have been incorrect or misleading in any material respect when made or deemed to be made;

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## LETTER FROM THE BOARD

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- (iv) the Borrower II 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, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness, other than in the ordinary course of business;
- (v) if any legal proceedings and/or enforcement proceedings in pursuance of any judgment, decree or order has been instituted or commenced by any third parties against the Borrower II in any jurisdiction; and
- (vi) The Personal Guarantor II ceases to be the sole shareholder and or sole director of the Borrower II.

If any of the events of default occurs, the Lender would make immediate demand for the full repayment of all outstanding due under Loan II together with accrued interest and all any other due and payable.

### C. EXTENSION OF LOAN

#### **Background**

Reference is made to the announcements of the Company dated 28 September 2018, 31 December 2018, 5 March 2020 and 31 December 2020 in relation to the entering of First Supplemental Agreement, the Second Supplemental Agreement, the Fourth Supplemental Agreement and the Fifth Supplemental Agreement respectively with the Borrower III.

On 29 June 2018, a Loan Facility Agreement III was entered into between the Lender, an indirect wholly-owned subsidiary of the Company, and the Borrower III, pursuant to which the Lender agreed to provide the Borrower III the Loan III in an amount of HK\$160 million for a period of three months.

On 28 September 2018, the parties entered into the First Supplemental Agreement to extend the repayment date of the Loan III to 27 December 2018 and change the interest rate of the Loan III from 5.4% per annum to 8.5% per annum. Save as aforesaid, all other terms of the Loan Facility Agreement III shall remain in full force and effect.

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## LETTER FROM THE BOARD

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On 31 December 2018, the parties entered into the Second Supplemental Agreement to further extend the repayment date of the Loan III to 27 March 2019 at the same interest rate of 8.5% per annum. Save as aforesaid, all other terms of the Loan Facility Agreement III (as amended by the First Supplemental Agreement) shall remain in full force and effect.

On 2 April 2019, the parties entered into the Third Supplemental Agreement to increase the principal amount of the Loan III to HK\$163.8 million and to further extend the repayment date of the Loan III to 27 June 2019 at the same interest rate of 8.5% per annum. Save as aforesaid, all other terms of the Loan Facility Agreement III (as amended by the First Supplemental Agreement and the Second Supplemental Agreement) shall remain in full force and effect.

On 5 March 2020, the parties entered into the Fourth Supplemental Agreement to further extend the repayment date of the Loan III to 27 June 2020 and changed the interest rate of the Loan III from 8.5% per annum to 6.0% per annum. The Borrower III paid to the Lender a non-refundable extension fee, which was equivalent to 3.75% of the Loan III and the accrued interest on the Loan III due on the last repayment date of 27 June 2019 prior to the entering of the Fourth Supplemental Agreement. Save as aforesaid, all other terms of the Loan Facility Agreement III (as amended by the First Supplemental Agreement, the Second Supplemental Agreement and the Third Supplemental Agreement) shall remain in full force and effect.

On 24 June 2020, the Borrower III informed the Lender that it might not be able to settle the Loan III on or before the expiry date due to liquidity problem and requested an extension for Loan III. The Lender then started due diligence on Borrower III and commenced negotiation on the terms and conditions of the extension. On 27 June 2020, the Lender and Borrower III had not reached agreement for the terms of the extension on the expiry date. The default of Loan III constituted an event of default under the Loan Facility Agreement III. Accordingly, the Lender is entitled to charge the default interest of 12.0% on any overdue sum on Borrower III.

After 27 June 2020, the Lender and the Borrower III continued to negotiate terms of the Extension of Loan. On 31 December 2020, the parties entered into the Fifth Supplemental Agreement to further extend the repayment date of the Loan III to 27 June 2021 at the same interest rate of 6.0% per annum effective for the period from 28 June 2020 and up to and including 27 June 2021. The Borrower III has given an undertaking in the Fifth Supplemental Agreement to pay to the Lender a non-refundable extension fee, which is equivalent to 3.75% of the Loan III and the accrued interest on the Loan III due on 27 June 2020, on or before 11 February 2021. As at the Latest Practicable Date, the Lender had not received the non-refundable extension fee. Save as aforesaid, all other terms of the Loan Facility Agreement III (as amended by the First Supplemental Agreement, the Second Supplemental Agreement, the Third Supplemental Agreement and the Fourth Supplemental Agreement) shall remain in full force and effect.

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## LETTER FROM THE BOARD

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### The Fifth Supplemental Agreement

The principal terms of the Fifth Supplemental Agreement are set out below:

<b>Date:</b>	31 December 2020
<b>Parties:</b>	(i) the Lender; and (ii) the Borrower III
<b>Loan Amount:</b>	HK\$163,800,000
<b>Maturity Date:</b>	27 June 2021
<b>Interest Rate:</b>	6% per annum
<b>Default Interest:</b>	If Borrower III fails to pay any due payable to the Lender under the Fifth Supplemental Agreement, it shall pay default interest on such sum from the due date up to the date of actual payment at the default rate of 12.0% per annum.
<b>Extension Fee:</b>	3.75% of the Loan III and Borrower III shall pay on or before 11 February 2021.
<b>Early Repayment:</b>	Notwithstanding anything in the Loan Facility Agreement III, the Borrower III may on any business day prior to the 5th New Maturity Date (upon giving the Lender five (5) days prior written notice) make early repayment of the Loan III in full or in part (and if in part it must be no less than HKD5,000,000 and thereafter in multiples of HKD1,000,000) and provided that accrued interest shall also be paid at the same time on the principal amount of early repayment.
<b>Personal Guarantor III:</b>	Mr. SHI Yuzhu
<b>Condition Precedent:</b>	The Fifth Supplemental Agreement is conditional upon the obtaining of the written approval from the Controlling Shareholder in respect of the entering of the Fifth Supplemental Agreement and the transaction contemplated thereunder.

As at the Latest Practicable Date, the above condition has been fulfilled and the Fifth Supplemental Agreement had become unconditional.

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## LETTER FROM THE BOARD

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

**Events of Default:**

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

- (i) the Borrower III defaults in any payment on its due date;
- (ii) if any corporate action (in the case other than the Personal Guarantor III), legal proceedings, petition or other procedures or steps is taking in relation to the suspension of payments, a moratorium of any indebtedness, bankruptcy or winding up, dissolution, administration, provisional supervision or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of Borrower III;
- (iii) if any creditor of Borrower III becomes entitled to declare any indebtedness of Borrower III due and payable prior to its specified maturity as a result of an event of default; and
- (iv) the Borrower III becomes 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, commences negotiations with one or more of its creditors with a view to a general assignment for the benefit of or enters into a composition with its creditors or rescheduling any of its indebtedness.

If any of the events of default occurs, the Lender would make immediate demand for the full repayment of all outstanding due under Loan III together with accrued interest and all any other due and payable.

The Loans are financed with the internal resources of the Group.



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## LETTER FROM THE BOARD

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### 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 PROVISION OF LOANS AND EXTENSION OF LOAN

The granting of loan is one of the principal businesses of the Group. The Group conducted due diligence and assessment on the Borrower III after the Borrower III requested an extension of the repayment date of the Loan III. The terms of the Loan Facility Agreements and the Fifth Supplemental Agreement were arrived after arm's length negotiations and are on normal commercial terms.

The interest rate of Loan I, Loan II and Loan III was determined by taking into consideration of the following factors, among others: (i) the principal amount of loan; (ii) the loan period; (iii) the repayment ability of the Borrowers and Personal Guarantors; (iv) the credit worthiness of the Borrowers and Personal Guarantors; and (v) the quality of the collateral.

In particular, the Directors have considered the following in determining the interest rate, arrangement fee (if applicable) and extension fee (if applicable) for Loan I, Loan II and Loan III:

The interest rate and arrangement fee of Loan I are based on: (i) the short loan period of Loan I being 10 business days upon the draw down; and (ii) the financial situation and repayment ability of Borrower I. The Directors considered that an upfront arrangement fee of 1.5% is fair in view of the uncertainty of the draw down, which is subject to the shareholders' approval in the special general meeting in relation to the Proposed Privatisation.

The interest rate of Loan II is base on: (i) the loan period for Loan II being one year; and (ii) the financial and repayment ability of Personal Guarantor II.

The interest rate and extension fee of Loan III are based on: (i) the loan period for Loan III being one year; and (ii) the financial situation and repayment ability of Personal Guarantor III. In determining the extension fee under the Fifth Supplemental Agreement, the Company has considered (i) the cost of capital; (ii) the previous extension fee for the Fourth Supplemental Agreement; (iii) the bank prime lending rates for Hong Kong dollar, which is currently 5% per annum; and (iv) the current market norm in relation to similar

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## LETTER FROM THE BOARD

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transactions. The respective portion of interest rate and extension fee was based on arm's length negotiation and the Directors are of the view that extension fee is charged upfront and will enhance the cash flow and liquidity of the Company.

With regard to credit assessment, the Company had performed the following due diligence works on Loan I, Loan II and Loan III:

### **In relation to the Loan Facility Agreement I**

The Company had performed credit assessment by assessing the value of the investments held by the Personal Guarantor I including securities, property and shares in a private company. The Group also performed due diligence works on the background of the Borrower I and Personal Guarantor I. In particular, the Company had (i) performed background search on the Borrower I and the Personal Guarantor I; (ii) reviewed the bank statements of Borrower I; and (iii) conducted interview with the Personal Guarantor I.

Having taking into consideration of, among other things, (i) interest income and the arrangement fee to be received by the Group, (ii) the financial background of the Borrower I, (iii) the purpose of the Loan I, and (iv) the credit assessment of the provision of Loan I including, among others, the repayment ability of the Personal Guarantor I in relation to the Loan I having considered his net worth is sufficient in case of default, the Directors consider the terms of Loan Facility Agreement I, including but not limited to the interest rate and arrangement fee are fair and reasonable and each of the Loans is in the interests of the Company and the Shareholders as a whole.

### **In relation to the Loan Facility Agreement II**

The Company had performed credit assessment by assessing the value of the investments held by the Personal Guarantor II including securities, property and shares in a private company. The Group also performed due diligence works on the background of Borrower II and Personal Guarantor II. In particular, the Company had (i) performed background search on the Borrower II and Personal Guarantor II; (ii) reviewed the securities account statement of the Personal Guarantor II; and (iii) conducted interview with the Personal Guarantor II.

Having taking into consideration of, among other things, (i) interest income to be received by the Group, (ii) the business and financial information of the Borrower II, (iii) the financial information of the Personal Guarantor II, and (iv) the purpose of the Loan II, the Directors consider the terms of Loan Facility Agreement II, including but not limited to the interest rate are fair and reasonable and each of the Loans is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### **In relation to the Fifth Supplemental Agreement**

The Company had performed due diligence procedures on the credit worthiness for the Extension of Loan III, including but not limited to reviewing the financial performance, financial position of the Borrower III and assessing the operation of its onshore subsidiaries such as the progress of the Borrower III's onshore projects with reference to the repayment plan. The Company also conducted assessment on the financial recoverability of the Personal Guarantor III, including but not limited to performing background search, internet search and analysing the Personal Guarantor III's net worth.

Having taking into consideration of, among other things, (i) interest income and the and extension fee to be received by the Group; (ii) the background and the repayment ability of the Borrower III and the Personal Guarantor III; (iii) the purpose of the Extension of Loan; (iv) repayment record of interests by the Borrower III; (v) timely repayment of interest by the Borrower III; (vi) the intention of maintaining a long term business relationship with the Borrower III; and (vii) the credit assessment of the Extension of Loan III including, among other things, the repayment ability of the Personal Guarantor III in relation to the Loan III having considered his net worth is sufficient in case of default and the repayment history of interests of the Borrower III, the Directors consider that the terms of the Fifth Supplemental Agreement, including but not limited to the interest rate and extension fee, are fair and reasonable and the Extension of the Loan are in the best interest of the Company and the Shareholders as a whole.

### **INFORMATION ON THE BORROWERS AND THE PERSONAL GUARANTORS**

The Borrower I is a company incorporated in Hong Kong with limited liability. Its principal business is investment holding.

The Personal Guarantors I are the directors, shareholders and ultimate beneficial owners of the Borrower I. The Personal Guarantors I have each provided an irrevocable and unconditional guarantee and indemnity to secure the due performance of the Borrower I's obligations under the Loan Facility Agreement I.

The Borrower II is a company incorporated in the British Virgin Islands with limited liability. Its principal business is investment holding.

The Personal Guarantor II is the director, shareholder and the ultimate beneficial owner of the Borrower II. The Personal Guarantor II has provided an irrevocable and unconditional guarantee and indemnity to secure the due performance of the Borrower II's obligations under the Loan Facility Agreement II.

The Borrower III is a company incorporated in Hong Kong with limited liability. Its principal business is equity investment. It is indirectly wholly-owned by an irrevocable discretionary trust which Mr. SHI Yuzhu and his family members are the beneficiaries and no individual beneficiary holds more than 10% vested interest in the trust and the trustee is Wickhams Cay Trust Company Limited.

The Personal Guarantor III is Mr. SHI Yuzhu, the sole director of the Borrower III.

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## LETTER FROM THE BOARD

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

### INFORMATION ON THE GROUP AND THE LENDER

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.

The Lender is 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 provision of the Loans and Extension of Loan 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 provision of the Loans and Extension of Loan exceed 25%, each of the provision of Loans and Extension of Loan constitute major transaction of the Company and are therefore subject to reporting, announcement and the shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

As the amount of each of the provision of Loans and Extension of Loan does not exceed 8% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules, each of the provision of the Loans and the Extension of Loan is not subject to the general disclosure obligations under Rules 13.13 and 13.15 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, no Shareholder or any of their respective associates have any material interest in the provision of the Loans and the Extension of Loan and therefore no Shareholder is required to abstain from voting if the Company were to convene a general meeting for approving the entering into the Loan Facility Agreements and the Fifth Supplemental Agreement, the Controlling Shareholder, who is interested in 4,493,764,732 shares of the Company, representing approximately 72.51% of the issued share capital of the Company, has given the written approval of the provision of Loans and the Extension of Loan and such written approval has been accepted in lieu of holding a general meeting for the approval of the provision of Loans and the Extension of Loan pursuant to Rule 14.44 of the Listing Rules. Therefore, no general meeting of the Company for the approval of the provision of Loans and the Extension of Loan will be convened and held.

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## LETTER FROM THE BOARD

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### **FINANCIAL EFFECTS OF THE PROVISION OF LOANS AND THE EXTENSION OF LOAN ON THE GROUP**

The provision of Loans and Extension of Loan, in total amount of HK\$248,800,000, represents approximately 4% of the net assets value of the Group as at 30 June 2020 extracted from the unaudited condensed consolidated financial statements of the Group. The provision of Loans and Extension of Loan will not cause any material impact on total assets, total liabilities and net asset value of the Group. Earnings of the Group of approximately HK\$19.4 million will be generated as a result of recognition of interest income in the relevant period.

### **ADDITIONAL INFORMATION**

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

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 Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company ([www.tonghaifinancial.com](http://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/ltd20170720602.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/ltn2020042802410.pdf>

**2. INDEBTEDNESS**

At the close of business on 30 November 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\$2,179,575,000, comprising:

- (a) Unguaranteed obligations under repurchase agreements of approximately HK\$1,956,000, 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*	792,603
Secured and guaranteed by the ultimate controlling Shareholder**	606,779
Unsecured and unguaranteed	<u>85,014</u>
	<u><u>1,484,396</u></u>

\* *These bank loans were secured by marketable securities as at 30 November 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, listed equity securities and bank deposits held by the Group as at 30 November 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\$610,103,000.

(d) Lease liabilities of approximately HK\$83,120,000.

### **Contingent liabilities**

As at 30 November 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 30 November 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 30 November 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 and the underlying Shares*

Name of Directors	Capacity	Number of Shares held	Approximate % of total
			interests 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”)**

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of shares in Oceanwide Holdings</b>	<b>Approximate percentage of shareholding in Oceanwide Holdings (Note 2)</b>
Mr. HAN Xiaosheng	Beneficial owner	3,500,000	0.06%
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”)**

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

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

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Nature of interest</b>	<b>Amount of debenture</b>
Mr. Kenneth LAM Kin Hing	Oceanwide Holdings International Development III Co., Ltd.	Personal Interest	USD5,500,000 (Note 3)

**Notes:**

1. The approximate percentage shown was the number of Shares the relevant Director was interested 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 % of the total issued share capital of the Company (Note 10)
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%
China Oceanwide Group Limited	Interest of controlled corporations	4,493,764,732 (Note 5)	72.51%
Oceanwide Holdings International Financial Development Co., Ltd.	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 International Financial Development Co., Ltd is a wholly-owned subsidiary of China Oceanwide Group Limited, which in turn is a wholly-owned subsidiary of Oceanwide Holdings Co., Ltd.\* (泛海控股股份有限公司). During 2 January 2020 to the Latest Practicable Date, the Company was informed by the Oceanwide Holdings International Financial Development Co., Ltd 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 International Financial Development Co., Ltd 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 International Financial Development Co., Ltd 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 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 Xifang	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 Fifth Supplemental Agreement dated 31 December 2020 entered into between the Lender and the Borrower III in relation to the extension of a loan in the amount of HK\$163.8 million to 27 June 2021;
- (ii) The Loan Facility Agreement II dated 30 December 2020 entered into between the Lender, the Borrower II and the Personal Guarantor II;
- (iii) The Loan Facility Agreement I dated 10 December 2020 entered into between the Lender, the Borrower I and the Personal Guarantors I;
- (iv) the supplemental agreement dated 21 August 2020 entered into between the lender and the borrower;
- (v) the amendment and restatement agreement dated 29 July 2020 entered into among the lenders, the borrower, the guarantors and the agent in relation to the extension of maturity date of loan to 2 September 2020, of which HK\$267,511,768.44 is attributable to China Tonghai Holdings;

- (vi) the deed of call option entered into among the grantor, Huge Group Holdings Limited, the agent and the grantee in respect of the call option;
- (vii) 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;
- (viii) 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);
- (ix) the loan facility agreement dated 8 May 2020 entered into between the lender and the borrower in relation to the short term loan with principal amount of HK\$120 million;
- (x) the third supplemental agreement dated 17 April 2020 entered into between the lender and the borrower in relation to the extension of a loan in the amount of HK\$194 million to 31 March 2021;
- (xi) the fourth supplemental agreement dated 17 April 2020 entered into between the lender and the borrower in relation to the extension of a loan in the amount of HK\$255 million to 31 March 2021;
- (xii) the fifth supplemental agreement dated 17 April 2020 entered into between the lender and the borrower in relation to the extension of a loan in the amount of HK\$245 million to 31 March 2021;
- (xiii) 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;
- (xiv) 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;
- (xv) 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; and
- (xvi) the facility agreement dated 1 March 2019 entered into among the lenders, 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 the lenders under the facility was HK\$166,000,000.



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 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 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 8 February 2021:

- (i) the memorandum of association and bye-laws of the Company;
- (ii) the annual reports of the Company for the year ended 31 March 2017, nine months ended 31 December 2017, years ended 31 December 2018 and 2019 and the interim report of the Company for the six months ended 30 June 2020;
- (iii) the material contracts referred to in the paragraph headed "Material contracts" in this appendix;
- (iv) the circulars dated 26 May 2020, 23 July 2020, 4 September 2020, 23 September 2020; and
- (v) This circular.