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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 transferred all your shares in **China Tonghai International Financial Limited**, you should at once hand this circular and all the accompanying form of proxy 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)

REVISION OF THE EXISTING ANNUAL CAPS FOR MAJOR AND CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE FRAMEWORK SERVICES AGREEMENTS AND NOTICE OF SPECIAL GENERAL MEETING

Financial Adviser to China Tonghai International Financial Limited



中國通海企業融資
CHINA TONGHAI CAPITAL

Independent financial adviser to the Independent Board Committee
and the Independent Shareholders



Lego Corporate
Finance Limited

力高企業融資有限公司

Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those set out in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 4 to 10 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 11 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 12 to 22 of this circular.

A notice convening the SGM to be held at 22/F, Euro Trade Centre, 13-14 Connaught Road Central, Central, Hong Kong on Friday, 26 February 2021 at 11:00 a.m. is set out on pages 36 to 38 of this circular.

Whether or not you are able to attend the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited, on Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof should you so desire. In the event that you attend the meeting after having deposited a form of proxy, your form of proxy shall be deemed to be reverted.

PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

To safeguard the health and safety of the Shareholders and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the SGM:

- compulsory temperature checks
- compulsory wearing of surgical face masks
- no refreshment will be served
- no distribution of corporate gift

Any person who does not comply with the above precautionary measures may be denied entry into the SGM venue. The Company reminds Shareholders that they may appoint the Chairman of the meeting as their proxy to vote on the relevant resolution at the SGM as an alternative to attending the SGM in person.

PRECAUTIONARY MEASURES FOR THE SGM

In view of the ongoing novel coronavirus (COVID-19) epidemic and recent requirements for prevention and control of its spread, the Company will implement the following preventive measures at the SGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:

- (i) compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee at the entrance of the SGM venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the SGM venue or be required to leave the SGM venue;
- (ii) the Company will require all attendees to wear surgical face masks before they are permitted to attend, and during their attendance of the SGM at all times, and to maintain a safe distance between seats;
- (iii) no refreshment will be served at the SGM;
- (iv) no corporate gift will be distributed at the SGM; and
- (v) each attendee may be asked whether (a) he/she travels outside of Hong Kong within the 14-day period immediately before the SGM; and (b) he/she is subject to any Hong Kong Government prescribed quarantine. Anyone who responds positively to any of these questions may be denied entry into the meeting venue or be required to leave the meeting venue.

Any person who does not comply with above requirements may be denied entry into the SGM venue or be required to leave the SGM venue. To the extent permitted under law, the Company reserves the right to deny entry into the SGM venue or require any person to leave the SGM venue in order to ensure the safety of other attendees at the SGM. In our case, denied entry to the SGM venue also means that person will not be allowed to attend the SGM.

In the interest of all stakeholders' health and safety and in accordance with recent guidelines for prevention and control of the spread of novel coronavirus, the Company reminds all Shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising voting rights. As an alternative, the Shareholders may complete the proxy forms and appoint the chairman of the SGM as their proxy to vote on the resolution at the SGM instead of attending the SGM in person.

The proxy forms were despatched to the Shareholders together with this circular, and can otherwise be downloaded from the websites of the Company at www.tonghaifinancial.com or the Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk. If you are not a registered Shareholder (i.e. if your Shares are held via banks, brokers, custodians or Hong Kong Securities Clearing Company Limited), you should consult directly with your banks, brokers or custodians (as the case may be) to assist you in the appointment of proxy.

If you have any questions relating to the SGM, please contact the branch share registrar of the Company in Hong Kong and transfer office, Tricor Tengis Limited, via the following:

Address:	Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
Email:	is-enquiries@hk.tricorglobal.com
Telephone:	(852) 2980 1333
Fax:	(852) 2810 8185

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DEFINITIONS

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

“Board”	the board of Directors
“China Oceanwide”	China Oceanwide Holdings Limited, a company incorporated in Bermuda with limited liability, the share of which are listed on the Stock Exchange (Stock code: 715)
“China Oceanwide Group”	China Oceanwide and its subsidiaries
“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)
“Director(s)”	the director(s) of the Company
“Framework Services Agreements”	the framework services agreements entered into with each of Oceanwide Holdings and Tohigh on 30 August 2019 in relation to various services and transactions including provision of financial assistance
“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 Board Committee”	an independent committee of the Board (which comprises Mr. Roy LO Wa Kei, Mr. KONG Aiguo, Mr. LIU Jipeng, Mr. HE Xuehui, and Mr. HUANG Yajun, all being the independent non-executive Directors) established to advise the Independent Shareholders with regard to the Revised Annual Caps
“Independent Financial Adviser” or “Lego Corporate Finance”	Lego Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders with regard to the Revised Annual Caps

DEFINITIONS

“Independent Shareholders”	the Shareholders, other than Oceanwide Holdings IF and its associates (as defined under the Listing Rules)
“Latest Practicable Date”	25 January 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. LU”	Mr. Lu Zhiqiang, the ultimate controlling Shareholder
“Oceanwide Group”	the Tohigh Group and the Oceanwide Holdings Group
“Oceanwide Holdings”	Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司), a joint stock company established in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000046)
“Oceanwide Holdings Group”	Oceanwide Holdings and its subsidiaries which for the purpose of the Oceanwide Holdings Framework Services Agreement, exclude the Group
“Oceanwide Holdings IF”	Oceanwide Holdings International Financial Development Co., Ltd., a company incorporated in the British Virgin Islands with limited liability
“PRC”	the People’s Republic of China, for the purpose of this circular exclude Hong Kong
“Revised Annual Caps”	the revised annual caps for the financial assistance and the income from service transactions provided by the Group to each of the Oceanwide Holdings Group and the Tohigh Group under the Framework Services Agreements for the years ending 31 December 2021 and 31 December 2022
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held for the purpose of, considering and if thought fit, approving the Revised Annual Caps

DEFINITIONS

“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 Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tohigh”	Tohigh Holdings Co., Ltd.* (通海控股有限公司), a company incorporated in the PRC with limited liability
“Tohigh Group”	Tohigh and its subsidiaries which for the purpose of the Tohigh Framework Services Agreement, exclude the Oceanwide Holdings Group and the Group
“%”	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.*

LETTER FROM THE BOARD



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

28 January 2021

To the Shareholders

Dear Sir or Madam,

**REVISION OF THE EXISTING ANNUAL CAPS FOR
MAJOR AND CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
THE FRAMEWORK SERVICES AGREEMENTS
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the circular of the Company dated 24 September 2019 in relation to, among other things, the Framework Services Agreements entered into between the Company and each of Oceanwide Holdings and Tohigh and the respective annual caps of the continuing connected transactions mentioned therein.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among others, (i) the particulars of the Revised Annual Caps; (ii) the recommendation of the Independent Board Committee in respect of the Revised Annual Caps; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its advice on the Revised Annual Caps; (iv) a notice of the SGM; and (v) other information as required under the Listing Rules in relation to the Revised Annual Caps.

REVISION OF THE EXISTING ANNUAL CAPS

Pursuant to the Framework Services Agreements, among other things, the Group provides financial assistance and service transactions to each of the Oceanwide Holdings Group and the Tohigh Group. The Group provides secured or unsecured financings and/or loans to each of the Oceanwide Holdings Group and the Tohigh Group; the Group acts as an arranger, agent or lead lender of syndicated loans for each of the Oceanwide Holdings Group and the Tohigh Group, all of which shall be subject to payments of the principal amounts, the relevant fees, expenses and/or interests arising from the provision of, or engagement in, the services or transactions.

Based on the amounts of the historical maximum daily outstanding balance of the financial assistance and the projected demand of the Oceanwide Holdings Group and the Tohigh Group, the Company expects that the relevant existing annual caps for the financial assistance and service transactions provided by the Group to each of the Oceanwide Holdings Group and the Tohigh Group for the years ending 31 December 2021 and 2022 will not be sufficient to meet the requirements of the Group. Hence, the Company proposes to revise the relevant annual caps. The table below sets out the historical amounts for the 11 months ended 30 November 2020 based on the management accounts of the Group, the existing annual caps and the Revised Annual Caps:

	For the 11 months ended 30 November 2020 Historical amounts (HK\$ million)	For the year ended 31 December 2020 (HK\$ million)	For the year ending 31 December 2021 2022 (HK\$ million) (HK\$ million)		For the year ending 31 December 2021 2022 (HK\$ million) (HK\$ million)	
Existing annual caps		Existing annual caps			Revised Annual Caps	
Maximum daily outstanding balance of the financial assistance provided by the Group to the following parties:						
(a) the Oceanwide Holdings Group	1,290	1,300	1,300	1,300	1,500	1,500
(b) the Tohigh Group	988	1,000	1,000	1,000	1,200	1,200
Income from service transactions ^(Note) provided by the Group to the following parties:						
(a) the Oceanwide Holdings Group	143	234	234	234	264	264
(b) the Tohigh Group	100	181	181	181	211	211

Note: Income from provision of financial assistance is included in income from service transactions.

LETTER FROM THE BOARD

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the existing annual caps for the financial assistance and income from service transactions provided by the Group to each of Oceanwide Holdings Group and Tohigh Group is not expected to be exceeded up to the date of the SGM.

The Revised Annual Caps are conditional upon the Independent Shareholders' approval at the SGM.

Other than the Revised Annual Caps, all of the annual caps for the other transactions contemplated under the Framework Services Agreements as well as the terms therein shall remain unchanged.

Basis of the Revised Annual Caps

Based on the unaudited management accounts of the Group for the 11 months ended 30 November 2020, the amounts of the maximum daily outstanding balance of financial assistance provided by the Group to each of the Oceanwide Holdings Group and the Tohigh Group are approaching the limits of the existing annual caps for the years ending 31 December 2021 and 31 December 2022. The Revised Annual Caps were determined having considered (i) the projected demand of such financial assistance for the years ending 31 December 2021 and 31 December 2022; and (ii) the prevailing interest rates charged on the financial assistance provided by the Group to the Oceanwide Holdings Group and the Tohigh Group.

The historical amounts for the maximum daily outstanding balance of the financial assistance provided by the Group to each of the Oceanwide Holdings Group and the Tohigh Group reached approximately 99.2% and 98.8% respectively during the 11 months ended 30 November 2020, and hence the existing annual caps would not be sufficient if the Oceanwide Holdings Group and the Tohigh Group require additional facilities from the Group. Oceanwide Holdings Group and Tohigh Group intended to increase HK\$200 million in the maximum daily outstanding balance of the financial assistance provided by the Group in order to maintain higher flexibility in liquidity under the current volatile market condition, so as to timely cope with their financing needs in business operations from time to time.

The increase in the maximum daily outstanding balance of the financial assistance provided by the Group is expected to derive additional interest income from the provision of financial assistance to the Oceanwide Holdings Group and the Tohigh Group. The interest income from the provision of financial assistance forms part of the annual caps for the income from service transactions, which also comprises income from provision of other services, including, corporate finance, marketing, corporate support, asset management, securities trading, margin financing and futures dealing. Hence, in line with the increase in the maximum daily outstanding balance of the financial assistance provided by the Group, the existing annual caps for the income from service transactions for the years ending 31 December 2021 and 31 December 2022 are required to make corresponding increases. The Revised Annual Caps were calculated on the basis that income generated from the provision of other services were assumed to be constant as compared to the existing annual caps, and the increase was derived based on (i) the increase in

LETTER FROM THE BOARD

the balance of the financial assistance provided by the Group; (ii) the prevailing interest rate charged by the Group on loan facilities provided to the Oceanwide Holdings Group and the Tohigh Group; and (iii) a buffer to cater for possible fluctuations in interest rate charged by the Group.

Pricing basis

As set out in the circular of the Company dated 24 September 2019, the terms of the financial assistance transactions will be based on normal commercial terms, with interest rates calculated with reference to market rates for the relevant tenure, the size of financings/loans, the terms of the loans (including the quality of collaterals for secured loans and type of guarantees (if any)), credit risk assessment and the then prevailing market condition at that time.

Benefits of the Revised Annual Caps

Provision of financial assistance is one of the principal businesses of the Group. The Revised Annual Caps will allow the Group to capture the financing needs of the Oceanwide Holdings Group and the Tohigh Group for the years ending 31 December 2021 and 31 December 2022. The provision of financial assistance will be on normal commercial terms and will generate additional income for the Group. As such, the Directors (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser) are of the view that the Revised Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP

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.

INFORMATION ON OCEANWIDE HOLDINGS AND TOHIGH

Oceanwide Holdings is a joint stock company established in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000046). It is principally engaged in investment and investment management, finance, strategic investment, asset management, real estate business operation and property management, property development and investment, self-owned property leasing, corporate management consultation and sale of building materials, decoration materials and mechanical equipment in the PRC, Hong Kong and the United States of America. Oceanwide Holdings controls the entire issued share capital of Oceanwide Holdings IF, the controlling Shareholder, and is therefore a connected person of the Company under the Listing Rules.

LETTER FROM THE BOARD

Tohigh is a company incorporated in the PRC with limited liability. Its principal business is investment holding. Tohigh is an indirect holding company of the Company and is therefore a connected person of the Company under the Listing Rules.

FINANCIAL EFFECTS IN RESPECT OF THE FINANCIAL ASSISTANCE TRANSACTIONS

The financial assistance provided to Oceanwide Holdings Group and the Tohigh Group will result in outflow of cash and increase in investments or receivables. The income from the financial assistance and other service transactions provided to the Oceanwide Holdings Group and the Tohigh Group will be recorded as income of the Group. There is no impact to the total assets, total liabilities and the net asset value of the Group.

LISTING RULES IMPLICATIONS

Oceanwide Holdings IF, the controlling Shareholder, is indirectly wholly owned by Oceanwide Holdings. Oceanwide Holdings is indirectly non-wholly owned by Tohigh. Accordingly, each of Oceanwide Holdings and Tohigh is a connected person (as defined under the Listing Rules) of the Company.

Pursuant to Rule 14A.54(1) of the Listing Rules, before an annual cap is exceeded or an issuer proposes to renew the agreement in respect of continuing connected transactions, the Company is required to re-comply with the relevant announcement and shareholders' approval requirements under Chapter 14A of the Listing Rules.

The income from the financial assistance and other service transactions provided by the Group to the Oceanwide Holdings Group and the Tohigh Group under the Framework Services Agreements constitute continuing connected transactions under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Revised Annual Caps on an aggregate basis exceeds 5% and the aggregated value of the Revised Annual Caps is more than HK\$10,000,000, the Revised Annual Caps are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Further, as the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Revised Annual Caps is more than 25%, the relevant financial assistance and service transactions also constitute major transactions under Chapter 14 of the Listing Rules and are therefore subject to the announcement, circular and shareholders' approval requirements thereunder.

THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee has been established to make recommendation to the Independent Shareholders regarding the Revised Annual Caps. Mr. Roy LO Wa Kei, Mr. KONG Aiguo, Mr. LIU Jipeng, Mr. HE Xuehui and Mr. HUANG Yajun, being the independent non-executive Directors, have been appointed by the Board to serve as members of the

LETTER FROM THE BOARD

Independent Board Committee. None of the members of the Independent Board Committee has any material interest in the Revised Annual Caps. A letter from the Independent Board Committee is set out on page 11 of this circular.

Lego Corporate Finance has been appointed to advise the Independent Board Committee and the Independent Shareholders regarding the Revised Annual Caps. A letter from the Independent Financial Adviser is set out on pages 12 to 22 of this circular.

THE SGM AND PROXY ARRANGEMENT

A notice convening the SGM to be held at 22/F, Euro Trade Centre, 13–14 Connaught Road Central, Central, Hong Kong on Friday, 26 February 2021 at 11:00 a.m. is set out on pages 36 to 38 of this circular. A form of proxy for use at the SGM and at any adjournment thereof is enclosed with this circular. Whether or not you are able to attend the SGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment should you so wish.

VOTING AT THE SGM

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Therefore, all resolution proposed at the SGM shall be voted by poll. The results of the poll will be announced in accordance with Rule 13.39(5) of the Listing Rules after the conclusion of the SGM. In accordance with the Listing Rules, any connected person of the Company and any Shareholder with a material interest in the Revised Annual Caps and its close associate(s) must abstain from voting on the resolution(s) in respect of the major and continuing connected transactions at the SGM. Oceanwide Holdings IF, the controlling Shareholder, controlled or was entitled to exercise control over the voting right in respect of 4,493,764,732 Shares, representing approximately 72.51% shareholding in the Company as at the Latest Practicable Date, will abstain from voting on the ordinary resolution to approve the Revised Annual Caps at the SGM. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, as at the Latest Practicable Date, except for Oceanwide Holdings IF, none of the other Shareholders will be required to abstain from voting at the SGM to approve the Revised Annual Caps. None of the Directors has any material interest in the Revised Annual Caps and the transactions contemplated thereunder, but as each of Mr. HAN Xiaosheng, Mr. FANG Zhou, Mr. ZHANG Xifang, Mr. LIU Hongwei, Mr. LIU Bing, Mr. ZHAO Yingwei and Mr. ZHAO Xiaoxia, is also a director or officer (as the case may be) of certain members of the Oceanwide Group and the Tohigh Group, they voluntarily abstained from voting on the board resolution approving the Revised Annual Caps.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors (including the independent non-executive Directors after considering the advice of the Independent Financial Adviser) are of the opinion that the Revised Annual Caps are conducted in the ordinary and usual course of business of the Group, the terms of the Revised Annual Caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM in respect of the Revised Annual Caps.

You are advised to read the letter from the Independent Board Committee set out on page 11 of this circular and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 12 to 22 of this circular before deciding whether or not to vote in favour of the resolution to be proposed at the SGM to approve the Revised Annual Caps.

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



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)

28 January 2021

To the Independent Shareholders

Dear Sir or Madam,

**REVISION OF THE EXISTING ANNUAL CAPS FOR
MAJOR AND CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
THE FRAMEWORK SERVICES AGREEMENTS**

We refer to the circular of the Company to the Shareholders dated 28 January 2021 (the “Circular”), of which this letter forms part. Capitalised terms used herein shall have the same meanings as defined in the Circular, unless the context requires otherwise.

The Independent Board Committee, comprising all of the independent non-executive Directors, has been formed by the Board for the purpose of advising the Independent Shareholders in respect of the Revised Annual Caps, details of which are set out in the letter from the Board in the Circular. Lego Corporate Finance has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Details of the advice from Lego Corporate Finance, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 12 to 22 of the Circular.

Having considered the terms of the Revised Annual Caps, the principal factors and reasons considered by the Independent Financial Adviser and the advice of the Independent Financial Adviser, we consider that (i) the terms of the Revised Annual Caps and the Framework Services Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Revised Annual Caps and the transactions contemplated under the Framework Services Agreements are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM in respect of the Revised Annual Caps.

Yours faithfully,

Independent Board Committee

Mr. Roy LO Wa Kei Mr. KONG Aiguo Mr. LIU Jipeng
Mr. HE Xuehui Mr. HUANG Yajun
Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from Lego Corporate Finance, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Revised Annual Caps, which has been prepared for the purpose of inclusion in this circular.



28 January 2021

*To the Independent Board Committee and the Independent Shareholders of
China Tonghai International Financial Limited*

Dear Sir/Madam,

**REVISION OF THE EXISTING ANNUAL CAPS FOR
MAJOR AND CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO
THE FRAMEWORK SERVICES AGREEMENTS**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Revised Annual Caps and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 28 January 2021 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Reference is made to the circular of the Company dated 24 September 2019 in relation to, among other things, the Framework Services Agreements entered into between the Company and each of Oceanwide Holdings and Tohigh and the respective annual caps of the continuing connected transactions mentioned therein.

Pursuant to the Framework Services Agreements, among other things, the Group provides financial assistance and service transactions to each of the Oceanwide Holdings Group and the Tohigh Group. Based on the amounts of the historical maximum daily outstanding balance of the financial assistance and the projected demand of financial assistance from the Oceanwide Holdings Group and the Tohigh Group, the Company expects that the relevant existing annual caps (i) the provision of financial assistance by the Group; and (ii) the income from service transactions to each the Oceanwide Holdings Group and the Tohigh Group for the years ending 31 December 2021 and 2022 will not be sufficient to meet the requirements of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Hence, the Company proposes to revise up the annual caps for the years ending 31 December 2021 and 2022.

According to the Letter from the Board, the Revised Annual Caps and the relevant financial assistance and service transactions contemplated under the Framework Services Agreements constitute major and continuing connected transactions of the Company and are therefore subject to the reporting, annual review and Independent Shareholders' approval requirements under the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Roy LO Wa Kei, Mr. KONG Aiguo, Mr. LIU Jipeng, Mr. HE Xuehui and Mr. HUANG Yajun, has been established to advise the Independent Shareholders as to whether the terms of the Revised Annual Caps, the Framework Services Agreements and the transactions contemplated thereunder are fair and reasonable so far as the Company and the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote in respect of the relevant resolution to be proposed at the SGM to approve the Revised Annual Caps. In our capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to provide an independent opinion to them in this regard.

As at the Latest Practicable Date, Lego Corporate Finance did not have any relationships or interests with the Company that could reasonably be regarded as relevant to the independence of Lego Corporate Finance. In the last two years, Lego Corporate Finance Limited had acted as independent financial adviser to the Company in relation to the continuing connected transactions contemplated under the Framework Services Agreement, details of which were disclosed in the circular of the Company dated 24 September 2019. Apart from normal professional fees paid or payable to us in connection with the aforementioned appointment and this appointment as the independent financial adviser, which is not conditional upon passing of the resolution to be proposed at the SGM, no arrangements exist whereby we have received or will receive any fees or benefits from the Company or any other party to the transactions, therefore we consider such relationship would not affect our independence. Accordingly, we are considered eligible to give independent advice in respect of the terms of the Revised Annual Caps.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us by the Directors and/or the management of the Group, for which they are solely and wholly responsible for, or contained or referred to in the Circular were true, accurate and complete in all respects as at the date

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thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date of the SGM and all such statements of belief, opinions and intentions of the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Group and/or the advisers of the Group. We have also sought and received confirmation from the management of the Group that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the SGM.

We consider that we have reviewed the sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company, or any of their respective subsidiaries and associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Revised Annual Caps, we have taken into account the following principal factors and reasons:

1. Background of and reasons for the Revised Annual Caps

Information on the Group

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.

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Set out below are certain audited financial information of the Group for the years ended 31 December 2018 and 2019 as extracted from the annual report of the Company for the year ended 31 December 2019 and the unaudited financial information of the Group for the six months ended 30 June 2019 and 2020, as extracted from the interim report of the Company for the six months ended 30 June 2020 (the “**IR 2020**”):

	For the six months ended 30 June		For the year ended 31 December	
	2020	2019	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(audited)	(audited)
Fee and commission income	119,835	127,417	244,191	277,429
Interest income	330,107	277,545	610,921	446,973
– Interest income from loans to margin clients	87,404	100,539	192,881	178,061
– Interest income from loans other than to margin clients	242,703	177,006	418,040	268,912
Net investment (loss)/income	(177,669)	54,560	(75,680)	(52,092)
Total revenue	272,273	459,522	779,432	672,310
(Loss)/Profit for the year/period	(161,619)	50,241	5,347	100,175

As discussed in the IR 2020, the management of the Group considered that the macro economy in the first half of 2020 was greatly affected by the outbreak of the novel coronavirus and brought uncertainties to the operating environment of the Group. The operating and financial results generally declined as compared with those for the six months ended 30 June 2019. In particular, revenue from corporate finance business declined from approximately HK\$22.5 million for the six months ended 30 June 2019 to approximately HK\$8.3 million for the six months ended 30 June 2020, and the Group also recognised net investment loss on financial assets of approximately HK\$177.7 million as compared to a net investment income of approximately HK\$54.6 million for the six months ended 30 June 2019. The assets under management of the Group decreased from approximately US\$282 million as at 31 December 2019 to approximately US\$259 million as at 30 June 2020, which was mainly due to the decrease in value of investment portfolio. The Group also recorded reduce in margin loan size as at 30 June 2020 as the Group took the initiative to reduce the level of margin loans given the volatile market condition in the first half of 2020.

On the other hand, interest income from loans other than to margin clients recorded significant increase from approximately HK\$177.0 million for the six months ended 30 June 2019 to approximately HK\$242.7 million for the six months ended 30 June 2020, which was due to increase in both of interest rate charged and loan balance

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to clients. Among the interest income, approximately HK\$139.5 million were attributable to interest income from provision of financial assistance to connected persons, namely China Oceanwide Group, Oceanwide Holdings Group and Tohigh Group, under the Framework Services Agreement, and accounted for approximately 57.5% of the Group's interest income other than loans to margin clients.

Information on Oceanwide Holdings

Oceanwide Holdings is a joint stock company established in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000046). It is principally engaged in investment and investment management, finance, strategic investment, asset management, real estate business operation and property management, property development and investment, self-owned property leasing, corporate management consultation and sale of building materials, decoration materials and mechanical equipment in the PRC, Hong Kong and the United States of America. Oceanwide Holdings controls the entire issued share capital of Oceanwide Holdings IF, the controlling Shareholder, and is therefore a connected person of the Company under the Listing Rules.

Information on Tohigh

Tohigh is a company incorporated in the PRC with limited liability. Its principal business is investment holding. Tohigh is an indirect holding company of the Company and is therefore a connected person of the Company under the Listing Rules.

Reasons for and benefits of the Revised Annual Caps

As disclosed in the Letter from the Board, provision of financial assistance is one of the principal businesses of the Group. The Revised Annual Caps will allow the Group to capture the financing needs of the Oceanwide Holdings Group and the Tohigh Group for the years ending 31 December 2021 and 2022. The provision of financial assistance will be on normal commercial terms and will generate additional income for the Group. As such, the Directors are of the view that the Revised Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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Based on the financial information of the Group as discussed above, interest income from loans other than to margin clients represented a major source of revenue of the Group and represented approximately 89.1% of total revenue for the six months ended 30 June 2020. As advised by the Directors, amidst the current uncertain macro-economic environment, given the strong financial position of each of Oceanwide Holdings and Tohigh, the interest income generated from the provision of financial assistance to Oceanwide Holdings Group and Tohigh Group under the Framework Services Agreement represented a stable source of income to the Group with relatively low credit risk. In this regard, we have reviewed the third quarterly report of Oceanwide Holdings for the nine months ended 30 September 2020, being the latest published account of Oceanwide Holdings, and noted that Oceanwide Holdings had consolidated net assets and cash balance of approximately RMB38.3 billion and RMB18.9 billion respectively as at 30 September 2020, which demonstrated the strong financial position of Oceanwide Holdings and Tohigh, being the holding company of Oceanwide Holdings. As further advised by the Directors, there were no significant delay in repayment of instalments under the loan facility agreements from each of Oceanwide Holdings and Tohigh since the entering into of the first framework services agreements in 2017. Based on the above, we concur with the Directors that the financial assistance to be provided to Oceanwide Holdings and Tohigh under the Revised Annual Caps are of relatively low credit risk.

In addition, we were advised that in encountering the prevailing complex, ever-changing and highly volatile market environment, the Group will take a more prudential stance towards its business. In particular, the Group intends to seek deepen business cooperation between the Group and its controlling shareholders, namely the Oceanwide Holdings Group and the Tohigh Group, to explore business opportunities, and operate more connected businesses in the future so as to bring higher return to the Group and the Shareholders as a whole by better utilising various established networks and competitive edges of its controlling Shareholders.

Having considered (i) the interest income from the provision of financial assistance provided and expected to continue to provide a stable source of income to the Group amidst the prevailing uncertain economic environment; (ii) the Revised Annual Caps is in line the Group's development strategy to deepen the business cooperation between the Group, the Oceanwide Holdings Group and the Tohigh Group; and (iii) the benefits of the Revised Annual Caps as mentioned above, we concur with the Company that the Revised Annual Caps are in the interests of the Company and the Shareholders as a whole.

2. Particulars of the Framework Services Agreements

We noted that the terms of the Framework Services Agreements remained unchanged. For more details of the principal terms of the Framework Services Agreements, please refer to the circular of the Company dated 24 September 2019. Set out below are the particulars relating to the financial assistance and service transactions provided by the Group to each of the Oceanwide Holdings Group and the Tohigh Group as contemplated under the Framework Services Agreements.

The Oceanwide Holdings Framework Services Agreement

Pursuant to the Oceanwide Holdings Framework Services Agreement entered into between Oceanwide Holdings and the Company on 30 August 2019, the Company shall provide, among others, guarantees, secured or unsecured financings and/or loans, including margin financing, acting as arranger, agent or lead lender of syndicated loans to the Oceanwide Holdings Group, in return for relevant commission and brokerage fees, arranger fees, interest income and/or other fees. The Oceanwide Holdings Framework Services Agreement is effective from 1 January 2020 to 31 December 2022.

The Tohigh Framework Services Agreement

Pursuant to the Tohigh Framework Services Agreement entered into between Tohigh and the Company on 30 August 2019, the Company shall provide, among others, guarantees, secured or unsecured financings and/or loans, including margin financing, acting as arranger, agent or lead lender of syndicated loans to the Tohigh Group, in return for relevant commission and brokerage fees, arranger fees, interest income and/or other fees. The Tohigh Framework Services Agreement is effective from 1 January 2020 to 31 December 2022.

Pricing basis

As set out in the circular of the Company dated 24 September 2019, the terms of the financial assistance transactions will be based on normal commercial terms, with interest rates calculated with reference to market rates for the relevant tenure, the size of financings/loans, the terms of the loans (including the quality of collaterals for secured loans and type of guarantees (if any)), credit risk assessment and the then prevailing market condition at that time.

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Upon our enquiry, the Company confirmed that the Group will apply the same parameters in determining the interest rates charged to connected persons and independent third parties. For example, for transactions with similar tenure, the size of financings/loans, the terms of the loans (including the quality of collaterals for secured loans and type of guarantees (if any)) and requires similar level of human and time resources, the Group will charge similar interest rates to connected persons and independent third parties. In this respect, we have obtained the full list of loan facility agreements entered into between the Group and (i) independent third parties; (ii) the Oceanwide Holdings Group; and (iii) the Tohigh Group during the years ended 31 December 2019 and 2020, and randomly selected three samples of loan facility agreements entered into with each party (the “**Sample Contracts**”) for review. Having compared the interest rates charged to the Oceanwide Holdings Group and the Tohigh Group with the interest rates charged to independent third parties in the Sample Contracts and based on the aforementioned discussion with the Company, we noted that the interest rates were charged at rates no less favourable to the Group or no more favourable to the Oceanwide Holdings Group and the Tohigh Group than rates at which the Group charge to independent third parties for comparable loan facilities transactions and same pricing basis is consistently adopted. Furthermore, we have reviewed other terms in the Sample Contracts and noted that the terms provided to independent third parties are generally consistent with those stipulated in the loan facility agreements with the Oceanwide Holdings Group and the Tohigh Group.

Having considered the above comparison analysis and the terms and pricing policies of the financial assistance and service transactions will remain the same, of which the relevant resolution was duly approved by the then independent Shareholders by way of poll in the special general meeting of the Company held on 11 October 2019 in relation to, among others, the approval of the Framework Services Agreements from the then independent Shareholders, we consider the terms of the Oceanwide Holdings Framework Services Agreement and the Tohigh Framework Services Agreement, including the pricing policies governing the Revised Annual Caps, to be fair and reasonable.

3. Revision of the existing annual caps

As disclosed in the Letter from the Board, pursuant to the Framework Services Agreements, among other things, the Group provides financial assistance and service transactions to each of the Oceanwide Holdings Group and the Tohigh Group. The Group provides secured or unsecured financings and/or loans to each of the Oceanwide Holdings Group and the Tohigh Group; the Group acts as an arranger, agent or lead lender of syndicated loans for each of the Oceanwide Holdings Group and the Tohigh Group, all of which shall be subject to payments of the principal amounts, the relevant fees, expenses and/or interests arising from the provision of, or engagement in, the services or transactions.

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Based on the amounts of the historical maximum daily outstanding balance of the financial assistance and the projected demand of the Oceanwide Holdings Group and the Tohigh Group, the Company expects that the relevant existing annual caps for the financial assistance and service transactions provided by the Group to each of the Oceanwide Holdings Group and the Tohigh Group for the years ending 31 December 2021 and 2022 will not be sufficient to meet the requirements of the Group. Hence, the Company proposes to revise up the annual caps. The table below sets out the historical amounts for the 11 months ended 30 November 2020 based on the management accounts of the Group, the existing annual caps and the Revised Annual Caps:

	For the 11 months ended 30 November 2020 Historical amounts (HK\$ million)	For the year ended 31 December 2020 (HK\$ million)	For the year ending 31 December 2021 2022 (HK\$ million) (HK\$ million)		For the year ending 31 December 2021 2022 (HK\$ million) (HK\$ million)	
			Existing annual caps		Revised Annual Caps	
Maximum daily outstanding balance of the financial assistance provided by the Group to the following parties:						
(a) the Oceanwide Holdings Group	1,290	1,300	1,300	1,300	1,500	1,500
Utilisation rate:	99.2%					
(b) the Tohigh Group	988	1,000	1,000	1,000	1,200	1,200
Utilisation rate:	98.8%					
Income from service transactions provided by the Group to the following parties:						
(a) the Oceanwide Holdings Group	143	234	234	234	264	264
Utilisation rate:	61.1%					
(b) the Tohigh Group	100	181	181	181	211	211
Utilisation rate:	55.2%					

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the existing annual caps for the financial assistance and income from service transactions provided by the Group to each of Oceanwide Holdings Group and Tohigh Group is not expected to be exceeded up to the date of the SGM.

Other than the Revised Annual Caps, all of the annual caps for the other transactions contemplated under the Framework Services Agreements as well as the terms therein shall remain unchanged.

Basis of the Revised Annual Caps

As disclosed in the Letter from the Board, based on the unaudited management accounts of the Group for the 11 months ended 30 November 2020, the amounts of the maximum daily outstanding balance of financial assistance provided by the Group to each of the Oceanwide Holdings Group and the Tohigh Group are approaching the

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limits of the existing annual caps for the year ending 31 December 2021. The Revised Annual Caps were determined having considered (i) the projected demand of such financial assistance for the years ending 31 December 2021 and 2022; and (ii) the prevailing interest rates charged on the financial assistance provided by the Group to the Oceanwide Holdings Group and the Tohigh Group.

As noted from the table above, the historical amounts for the maximum daily outstanding balance of the financial assistance provided by the Group to each of the Oceanwide Holdings Group and the Tohigh Group reached approximately 99.2% and 98.8% respectively during the 11 months ended 30 November 2020, and hence the existing annual caps would not be sufficient if the Oceanwide Holdings Group and the Tohigh Group require additional facilities from the Group. To assess the fairness and reasonableness of the Revised Annual Caps, we have discussed with the Company regarding the aforesaid basis and understand it is the intention of both Oceanwide Holdings Group and Tohigh Group to increase HK\$200 million in the maximum daily outstanding balance of the financial assistance provided by the Group. We were further advised that each of Oceanwide Holdings and Tohigh had represented to the Group that they intended to obtain additional facilities from the Group in order to maintain higher flexibility in liquidity under the current volatile market condition, so as to timely cope with their financing needs in business operations from time to time.

Incidental to the increase in the maximum daily outstanding balance of the financial assistance provided by the Group, the Group is expected to derive additional interest income from the provision of financial assistance to the Oceanwide Holdings Group and the Tohigh Group. The interest income from the provision of financial assistance forms part of the annual caps for the income from service transactions, which also comprises income from provision of other services, including, corporate finance, marketing, corporate support, asset management, securities trading, margin financing and futures dealing. Hence, while the existing annual caps for the income from service transactions were not fully utilised as a whole for the 11 months ended 30 November 2020, we were advised that such unutilised capacity were catered for the income from the provision of other services. In line with the increase in the maximum daily outstanding balance of the financial assistance provided by the Group, the existing annual caps for the income from service transactions for the years ending 31 December 2021 and 2022 were required to make corresponding increases. In this relation, we have obtained the calculation of the Revised Annual Caps for the income from service transactions, and noted that the Revised Annual Caps were calculated on the basis that income generated from the provision of other services were assumed to be constant as compared to the existing annual caps, and the increase was derived based on (i) the increase in the balance of the financial assistance provided by the Group; (ii) the prevailing interest rate charged by the Group on loan facilities provided to the Oceanwide Holdings Group and the Tohigh Group; and (iii) a buffer to cater for possible fluctuations in interest rate charged by the Group.

As disclosed in the IR 2020, the Group had cash and cash equivalents, loans to margin clients and other loans of approximately HK\$284.3 million, HK\$1,668.2 million and HK\$3,341.7 million respectively as at 30 June 2020, which in aggregate sufficient to cover the maximum daily outstanding balance of financial assistance to

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be provided by the Group under the Revised Annual Caps, and hence the Group would be able to provide the maximum amount of financial assistance under the Revised Annual Caps. On the other hand, based on the third quarterly report of Oceanwide Holdings for the nine months ended 30 September 2020, Oceanwide Holdings had consolidated total liabilities of approximately RMB144.5 billion (including long-term borrowings, short-term borrowings and financing of approximately RMB29.1 billion and RMB15.9 billion respectively) as at 30 September 2020. As to Tohigh, based on the consolidated financial statements of China Oceanwide International Investment Company Limited (“COIICL”), a major operating subsidiary group of Tohigh for the purpose under the Tohigh Framework Services Agreement, for the six months ended 30 June 2020, COIICL had total liabilities of approximately HK\$13.0 billion (including borrowing of approximately HK\$3.1 billion) as at 30 June 2020. The liability position and outstanding amount of borrowings of each of Oceanwide Holding and COIICL were significantly higher than the financial assistance to be received by them under the Revised Annual Caps, which indicated that each of Oceanwide Holding and COIICL has funding needs in exceed of the Revised Annual Caps. Accordingly, we consider that the estimated amount of financial assistance to be provided to each of the Oceanwide Holdings Group and the Tohigh Group are feasible.

Having taken into account the above, we are of the view that the Revised Annual Caps for the years ending 31 December 2021 and 2022 are fair and reasonable.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Revised Annual Caps and the Framework Services Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Revised Annual Caps and the transactions contemplated under the Framework Services Agreements are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Revised Annual Caps and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Lego Corporate Finance Limited
Joshua Liu
Managing Director

Mr. Joshua Liu is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 20 years of experience in the securities and investment banking industries.

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) 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/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	85,014
	<u>1,484,396</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 note payables 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 were 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 percentage 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”)**

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 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 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 the total issued share capital of the Company (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%

Name of holder of Shares/ underlying Shares	Capacity	Number of Shares and underlying Shares held	Approximate percentage of the total issued share capital of the Company (Note 11)
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 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 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 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 dated 30 December 2020 entered into between the lender, the borrower and the personal guarantor in relation to the provision of a loan facility of HK\$15.0 million;
- (iii) the loan facility agreement dated 10 December 2020 entered into between the lender, the borrower and the personal guarantors in relation to the provision of a loan facility of HK\$70.0 million;
- (iv) the supplemental agreement dated 21 August 2020 entered into between the lender and the borrower in relation to the extension of a loan in the amount of HK\$32.5 million to 18 June 2021;

- (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;

(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. CONSENT AND QUALIFICATION OF THE EXPERT

The qualification of the expert who has given opinions in this circular is as follows:

Name	Qualification
Lego Corporate Finance	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, the Independent Financial Adviser:

- (a) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of the Group;
- (b) did not have any direct or indirect interest in any asset which had been acquired, disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by 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; and
- (c) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and reference to its name in the form and context in which it appears.

10. 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 the 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.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection on 18th Floor, China Building, 29 Queen's Road Central, Hong Kong during normal business hours on business days from the date of this circular up to and including 26 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 letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 11 of this circular;
- (iv) the letter from Lego Corporate Finance to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 12 to 22 of this circular;
- (v) the written consent referred to in the paragraph headed "Consent and qualification of the expert" in this appendix; and
- (vi) the material contracts referred to in the paragraph headed "Material contracts" in this appendix.



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)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT a special general meeting (the “**SGM**”) of China Tonghai International Financial Limited (the “**Company**”) will be held at 22/F, Euro Trade Centre, 13–14 Connaught Road Central, Central, Hong Kong on Friday, 26 February 2021 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution, with or without amendments, as ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT:**

- (a) the Revised Annual Caps as defined and described in the circular of the Company dated 28 January 2021 (the “**Circular**”) are hereby approved; and
- (b) the directors of the Company (the “**Directors**”) be and are hereby generally and unconditionally authorised to do all such further acts and things and to sign and execute all such other or further documents and to take all such steps as in the Directors sole and absolute discretion deem necessary, appropriate, desirable or expedient to implement and/or give effect to the Revised Annual Caps (as defined in the Circular), as aforesaid.”

Yours faithfully,

By order of the Board of

China Tonghai International Financial Limited

HAN Xiaosheng

Chairman

Hong Kong, 28 January 2021

NOTICE OF SGM

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

Notes:

1. A member of the Company entitled to attend and vote at the meeting is entitled to appoint one or, if he is the holder of two or more shares, more than one proxy to attend and, subject to the provisions of the Bye-laws of the Company, vote in his stead. A proxy need not be a member of the Company but must be present in person to represent the member.
2. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting if you so wish. In the event that you attend the meeting after having returned a form of proxy to the branch share registrar of the Company in Hong Kong, your form or forms of proxy shall be deemed to be revoked.
3. In the case of joint holders, any one of such holders may attend and vote at the meeting either personally or by proxy, but if more than one of such joint holders are present at the meeting personally or by proxy, the vote of the said persons so present whose name stands first on the register of members in respect of the joint holding shall be accepted to the exclusion of the votes of the other joint holders.
4. In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a corporation, either under its common seal, or under the hand of any officer or attorney or other person, duly authorised; and the form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a certified copy of such power of attorney or authority must be deposited at the office of the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited, on Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjourned meeting thereof.
5. If a tropical cyclone warning signal no. 8 or above is in force in Hong Kong at any time between 8:00 a.m. to 11:00 a.m. on Friday, 26 February 2021, the SGM will not be held on that day but will be automatically postponed. The Company will publish an announcement on its website (www.tonghaifinancial.com) and on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) to notify members of the Company of the date, time and location of the rescheduled meeting.
6. In accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, only the relevant Independent Shareholders (as defined in the Circular) will be entitled to vote by way of a poll at the meeting for the resolution set out above.
7. In view of the ongoing novel coronavirus (COVID-19) pandemic and recent requirements for prevention and control of its spread, the Company will implement the following preventive measures at the SGM to protect attending shareholders of the Company ("**Shareholders**"), staff and other stakeholders from the risk of infection:
 - (i) compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee at the entrance of the SGM venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the SGM venue or be required to leave the SGM venue;
 - (ii) the Company will require all attendees to wear surgical face masks before they are permitted to attend, and during their attendance of the SGM at all times, and to maintain a safe distance between seats;
 - (iii) no refreshment will be served and no corporate gift will be distributed at the SGM; and

NOTICE OF SGM

- (iv) each attendee may be asked whether (a) he/she travels outside of Hong Kong within the 14-day period immediately before the SGM; and (b) he/she is subject to any Hong Kong Government prescribed quarantine. Anyone who responds positively to any of these questions may be denied entry into the SGM venue or be required to leave the SGM venue.

Any person who does not comply with above requirements may be denied entry into the SGM venue or be required to leave the SGM venue. To the extent permitted under law, the Company reserves the right to deny entry into the SGM venue or require any person to leave the SGM venue in order to ensure the safety of other attendees at the SGM. In our case, denied entry to the SGM venue also means that person will not be allowed to attend the SGM.

In the interest of all stakeholders' health and safety and in accordance with recent guidelines for prevention and control of the spread of novel coronavirus, the Company reminds all Shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising voting rights. As an alternative, the Shareholders may complete the proxy forms and appoint the chairman of the SGM as their proxy to vote on the resolution at the SGM instead of attending the SGM in person.

As at the date of this notice, the Board of the Company comprises:

Executive Directors:

Mr. HAN Xiaosheng (*Chairman*)
Mr. FANG Zhou (*Deputy Chairman*)
Mr. ZHANG Xifang
Mr. LIU Hongwei
Mr. Kenneth LAM Kin Hing

Independent Non-executive Directors:

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

Non-executive Directors:

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