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Southwest Securities International Securities Limited

西證國際證券股份有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 812)

MAJOR TRANSACTIONS IN RELATION TO DISPOSAL OF YUNINV NOTES AND DISPOSAL OF GFFHBV BONDS

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular. A letter from the Board is set out on pages 4 to 14 of this circular.

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

* *For identification purpose only*

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DEFINITIONS

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

“3.7 Announcements”	the Company’s announcements pursuant to rule 3.7 of the Hong Kong Code on Takeovers and Mergers, rule 13.09 of the Listing Rules and Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) dated 30 December 2022, 30 June 2023 and 22 September 2023
“Bi Hai”	Bi Hai Co., Ltd. (碧海有限公司), a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of Yunnan Provincial
“Board”	the board of Directors
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Company”	Southwest Securities International Securities Limited (西證國際證券股份有限公司*), a company incorporated with limited liability in Bermuda, the issued shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning as ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“Disposals”	YUNINV Notes Disposal and GFFHBV Bonds Disposal
“GF Financial”	GF Financial Holdings BVI Ltd., a company incorporated in the British Virgin Islands with limited liability and a directly wholly-owned subsidiary of GF Holdings (Hong Kong) Corporation Limited
“GFFHBV Bonds”	an aggregate principal amount of US\$2,650,000 acquired by the Group on 1 June 2022 in the open market at an aggregate consideration of approximately US\$2,522,220 (equivalent to approximately HK\$19,673,316)

DEFINITIONS

“GFFHBV Bonds Disposal”	the disposal of, in aggregate, the GFFHBV Bonds in the principal amount of US\$2,650,000 (equivalent to approximately HK\$20,670,000) by the Company on 20 October 2023 at a total consideration (together with the accrued interests) of approximately US\$2,531,595 (equivalent to approximately HK\$19,746,441)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	the independent third party who is, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, independent of the Company and its connected person(s)
“Latest Practicable Date”	7 November 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in the circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Shareholders(s)”	holder(s) of the share(s) of the Company
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shenzhen Exchange”	The Shenzhen Stock Exchange
“Singapore Exchange”	The Singapore Exchange
“SSII”	Southwest Securities International Investment Limited, a company incorporated in Hong Kong with limited liability, and a direct wholly-owned subsidiary of Southwest Securities Co., Ltd. and the controlling shareholder of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$” or “U.S. dollars”	United State Dollars, the lawful currency of the United States of America

DEFINITIONS

“YUNINV Notes”	an aggregate principal amount of US\$3,000,000 acquired by the Group on 28 February 2022 in the open market at an aggregate consideration of approximately US\$3,003,000 (equivalent to approximately HK\$23,423,400)
“YUNINV Notes Disposal”	the disposal of, in aggregate, the YUNINV Notes in the principal amount of US\$3,000,000 (equivalent to approximately HK\$23,400,000) by the Company on 29 September 2023, 3 October 2023 and 4 October 2023 at a total consideration (together with the accrued interests) of approximately US\$2,809,969 (equivalent to approximately HK\$21,917,758)
“Yunnan Provincial”	Yunnan Provincial Investment Holdings Group Co., Ltd* (雲南省投資控股集團有限公司), a company incorporated in the PRC with limited liability, directly and majority owned by State-owned Assets Supervision and Administrative Commission of the People’s Government of Yunnan Province
“%”	per cent or percentage

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LETTER FROM THE BOARD

Southwest Securities International Securities Limited

西證國際證券股份有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 812)

Executive Directors:

Mr. ZHANG Hongwei (*Chairman*)

Mr. HUANG Changsheng

Independent Non-executive Directors:

Mr. MENG Gaoyuan

Mr. LIANG Jilin

Mr. CAO Ping

Registered Office:

Clarendon House

2 Church Street

Hamilton, HM11

Bermuda

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

14/F, One Hysan Avenue

Causeway Bay

Hong Kong

13 November 2023

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTIONS
IN RELATION TO DISPOSAL OF YUNINV NOTES
AND DISPOSAL OF GFFHBV BONDS**

1. INTRODUCTION

Reference is made to the announcements of the Company dated 4 October 2023, 5 October 2023 and 24 October 2023 in relation to the Disposals.

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

2. DISPOSAL OF THE YUNINV NOTES

On 29 September 2023, 3 October 2023 and 4 October 2023, the Company disposed of the YUNINV Notes in the principal amount of US\$300,000 (equivalent to approximately HK\$2,340,000), US\$1,300,000 (equivalent to approximately HK\$10,140,000) and US\$1,400,000 (equivalent to approximately HK\$10,920,000) at a consideration (together with the accrued interests) of approximately US\$283,709 (equivalent to approximately HK\$2,212,930), US\$1,216,226 (equivalent to approximately HK\$9,486,563) and

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US\$1,310,034 (equivalent to approximately HK\$10,218,265), respectively. The total principal amount of the YUNINV Notes disposed of by the Company in aggregate is US\$3,000,000 (equivalent to approximately HK\$23,400,000) at a total consideration (together with the accrued interests) of approximately US\$2,809,969 (equivalent to approximately HK\$21,917,758) in the open market.

Information of the YUNINV Notes are summarised as follows:

Issuer	:	Bi Hai
Guarantor	:	Yunnan Provincial
Note type	:	Professional
Coupon rate	:	6.5%
Maturity date	:	2 March 2025
Listing	:	The YUNINV Notes are listed on Stock Exchange
ISIN	:	XS2437684207
Currency	:	Quoted and traded in US\$
Amount issued	:	US\$200,000,000

The net profit/(loss) (both before and after taxation) attributable to the YUNINV Notes disposed of for the financial year ended 31 December 2022 (represented the results since the acquisition of the YUNINV Notes during 28 February 2022 to 31 December 2022) and the nine months ended 30 September 2023 are as follows:

	For the year ended 31 December 2022 US\$	For the nine months ended 30 September 2023 US\$ (unaudited)
Net profit/(loss) (before taxation)	98,957	(9,198)
Net profit/(loss) (after taxation)	98,957	(9,198)

LETTER FROM THE BOARD

Basis of the consideration and settlement

As at 30 June 2023, the YUNINV Notes at fair value through profit and loss was approximately US\$2,907,647. The total consideration (inclusive of the accrued interests) for the YUNINV Notes Disposal was approximately US\$2,809,969 (equivalent to approximately HK\$21,917,758), which represented the then market price of the YUNINV Notes being disposed of. The entire consideration for the YUNINV Notes Disposal has been settled by cash.

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

Information of Bi Hai and Yunnan Provincial

To the best of the Directors' knowledge, Bi Hai is a company incorporated in the British Virgin Islands with limited company and an indirect wholly-owned subsidiary of Yunnan Provincial. Bi Hai and its group companies is one of the largest integrated investment holding companies in Yunnan Province in the PRC, with Yunnan Provincial being directly and majority-owned by State-owned Assets Supervision and Administrative Commission of the People's Government of Yunnan Province. It primarily engages in resources development, manufacturing, financial services, tourism, real estate, trading and labour services, investment income and others. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Bi Hai, Yunnan Provincial and their ultimate beneficial owner(s) are Independent Third Parties and are not shareholders of the Group.

Reasons for and benefits of the YUNINV Notes Disposal

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

The YUNINV Notes Disposal was in line with the Group's principal activities on securities dealing and financial investments, and allowed the Group to (i) realise the Company's investment in the listed securities and bonds; (ii) enhance liquidity of the Company and (iii) obtain additional cash flow. As the YUNINV Notes Disposal was

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made in the open market at prevailing market price, the Directors were of the view that the terms of the YUNINV Notes Disposal was fair and reasonable and in the interests of the Company and its Shareholders as a whole.

In line with the Company's investment strategy abovementioned, the Company will continue to closely monitor the remaining listed securities held by the Group, and intends to, at suitable times, realise and dispose of the same with the aim to maximise potential gains (or, as the case may be, minimise potential loss) from holding such listed investments. When making the relevant divestment decision, the Board would take into account factors such as the then current market conditions, the overall investments prospects, and whether it is fair and reasonable and in the interest of the Company and the Shareholders as a whole to do so.

Financial impact and use of proceeds

An aggregate principal amount of US\$3,000,000 of YUNINV Notes was acquired by the Group on 28 February 2022 in the open market at an aggregate consideration of approximately US\$3,003,000 (equivalent to approximately HK\$23,423,400). The Company has recorded a loss of approximately US\$193,031 (equivalent to approximately HK\$1,505,642), being the difference between the consideration received from the YUNINV Notes Disposal and the acquisition cost of the YUNINV Notes disposed of (exclusive of transaction costs).

In view of the loss incurred from the YUNINV Notes Disposal, the Board still considered that the consideration for the YUNINV Notes Disposal was fair and reasonable and in the interest of the Company and the Shareholders as a whole because of the risks of uncertainty in relation to the prospect and value of realisation of the YUNINV Notes in light of the recent highly volatile market conditions. In particular, as indicated above, the Company has recorded an unaudited net loss attributable to the YUNINV Notes for the nine months ended 30 September 2023 and the Directors considered the YUNINV Notes Disposal a suitable risk control measure to cut losses at appropriate intervals.

Having taken into account the consideration of US\$2,809,969 (equivalent to approximately HK\$21,917,758) from the YUNINV Notes Disposal, as compared to the financial information on 30 June 2023, being the date to which the latest published accounts of the Company were made up, there is a decrease in the current assets (financial assets at fair value through profit or loss) of the Group, being the fair value of YUNINV Notes by approximately US\$2,907,647 and there is an increase in current assets (cash and bank balances) of the Group, being the total consideration (together with the accrued interests) by approximately US\$2,809,969. There is no effect on the total liabilities of the Group.

LETTER FROM THE BOARD

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

The Group intends to apply the net proceeds from the YUNINV Notes Disposal in the amount of US\$2,809,969 (equivalent to approximately HK\$21,917,758) as future investment and general working capital of the Group, details of which are stated as follows:

- (a) approximately US\$28,100 to US\$140,498 (equivalent to approximately HK\$219,180 to HK\$1,095,884), being approximately 1% to 5% of the net proceeds from the YUNINV Notes Disposal, as general working capital of the Group to pay for operating expenses such as payroll and office rental; and
- (b) approximately US\$2,669,471 to US\$2,781,869 (equivalent to approximately HK\$20,821,874 to HK\$21,698,578), being approximately 95% to 99% of the net proceeds from the YUNINV Notes Disposal, as investment by placing with an authorised financial institution in Hong Kong as time deposits to earn interest income before the said proceeds is fully utilised.

3. DISPOSAL OF THE GFFHBV BONDS

On 20 October 2023, the Company disposed of the GFFHBV Bonds in the principal amount of US\$2,650,000 (equivalent to approximately HK\$20,670,000) at a total consideration (together with the accrued interests) of approximately US\$2,531,595 (equivalent to approximately HK\$19,746,441) in the open market.

Information of the GFFHBV Bonds are summarised as follows:

Issuer	:	GF Financial
Coupon type	:	Fixed rate
Interest	:	1.125% per annum
Maturity date	:	15 September 2024
Listing	:	The GFFHBV Bonds are listed on Singapore Exchange
ISIN	:	XS2379598175
Currency	:	Quoted and traded in US\$
Amount issued	:	US\$300,000,000

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The net profit/(loss) (both before and after taxation) attributable to the GFFHBV Bonds disposed of for the financial year ended 31 December 2022 (represented the results since the acquisition of the GFFHBV Bonds during 1 June 2022 to 31 December 2022) and the nine months ended 30 September 2023 are as follows:

	For the year ended 31 December 2022 US\$	For the nine months ended 30 September 2023 US\$ <i>(unaudited)</i>
Net profit/(loss) (before taxation)	(51,072)	91,153
Net profit/(loss) (after taxation)	(51,072)	91,153

Basis of the consideration and settlement

As at 30 June 2023, the GFFHBV Bonds at fair value through profit and loss was approximately US\$2,508,520. The total consideration (inclusive of the accrued interests) for the GFFHBV Bonds Disposal was approximately US\$2,531,595 (equivalent to approximately HK\$19,746,441), which represented the then market price of the GFFHBV Bonds Disposal. The entire consideration for the GFFHBV Bonds Disposal has been settled by cash.

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

Information of GF Financial

GF Financial is a company incorporated in the British Virgin Islands with limited liability, a direct wholly-owned subsidiary of GF Holdings (Hong Kong) Corporation Limited (“**GF Holdings**”), which is in turn directly wholly-owned by GF Securities Co., Ltd. (“**GF Securities**”), a company listed on both Shenzhen Exchange (stock code: 000776.SZ) and Stock Exchange (stock code: 1776). GF Holdings is GF Securities’ primary platform for managing GF Securities’ business in Hong Kong and overseas markets. With Hong Kong as the springboard to international markets, GF Securities and its group companies, strive to explore and capture opportunities in the PRC and build a global platform to bridge the Chinese and overseas capital markets, and to provide professional and effective capital market services for clients locally and globally. To the

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best of the Directors' knowledge, information and belief, having made all reasonable enquiries, GF Financial and its ultimate beneficial owner(s) are Independent Third Parties and are not shareholders of the Group.

Reasons for and benefits of the GFFHBV Bonds Disposal

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

The GFFHBV Bonds Disposal was in line with the Group's principal activities on securities dealing and financial investments, and allowed the Group to (i) realise the Company's investment in the listed securities and bonds; (ii) enhance liquidity of the Company and (iii) obtain additional cash flow. As the GFFHBV Bonds Disposal was made in the open market at prevailing market price, the Directors were of the view that the terms of the GFFHBV Bonds Disposal was fair and reasonable and in the interests of the Company and its Shareholders as a whole.

In line with the Company's investment strategy abovementioned, the Company will continue to closely monitor the remaining listed securities held by the Group, and intends to, at suitable times, realise and dispose of the same with the aim to maximise potential gains (or, as the case may be, minimise potential loss) from holding such listed investments. When making the relevant divestment decision, the Board would take into account factors such as the then current market conditions, the overall investments prospects, and whether it is fair and reasonable and in the interest of the Company and the Shareholders as a whole to do so.

Financial impact and use of proceeds

An aggregate principal amount of US\$2,650,000 of GFFHBV Bonds was acquired by the Group on 1 June 2022 in the open market at an aggregate consideration of approximately US\$2,522,220 (equivalent to approximately HK\$19,673,316). The Company has recorded a profit of approximately US\$9,375 (equivalent to approximately HK\$73,125), being the difference between the consideration received from the GFFHBV Bonds Disposal and the acquisition cost of the GFFHBV Bonds disposed of (exclusive of transaction costs).

Although the Company has recorded an unaudited net profit attributable to the GFFHBV Bonds for the nine months ended 30 September 2023, the Board still considers that the consideration for the GFFHBV Bonds Disposal is fair and reasonable and in the interest of the Company and the Shareholders as a whole as the Company is able to realise a gain from such disposal at a reasonable price notwithstanding the recent highly

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volatile market conditions. In particular, as indicated above, the Company has recorded a net loss attributable to the GFFHBV Bonds for the year ended 31 December 2022 and the Directors considered that the GFFHBV Bonds Disposal shall be proceeded when an overall gain can be realised from the said disposal.

Having taken into account the consideration of US\$2,531,595 (equivalent to approximately HK\$19,746,441) from the GFFHBV Bonds Disposal, as compared to the financial information on 30 June 2023, being the date to which the latest published accounts of the Company were made up, there is a decrease in the current assets (financial assets at fair value through profit or loss) of the Group, being the fair value of GFFHBV Bonds by approximately US\$2,508,520 and there is an increase in current assets (cash and bank balances) of the Group, being the total consideration (together with accrued interests) by approximately US\$2,531,595. There is no effect on the total liabilities of the Group.

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

The Group intends to apply the net proceeds from the GFFHBV Bonds Disposal in the amount of US\$2,531,595 (equivalent to approximately HK\$19,746,441) as future investment and general working capital of the Group, details of which are stated as follows:

- (a) approximately US\$25,316 to US\$126,580 (equivalent to approximately HK\$197,465 to HK\$987,324), being approximately 1% to 5% of the net proceeds from the GFFHBV Bonds Disposal, as general working capital of the Group to pay for operating expenses such as payroll and office rental; and
- (b) approximately US\$2,405,015 to US\$2,506,279 (equivalent to approximately HK\$18,759,117 to HK\$19,548,976), being approximately 95% to 99% of the net proceeds from the GFFHBV Bonds Disposal, as investment by placing with an authorised financial institution in Hong Kong as time deposits to earn interest income before the said proceeds is fully utilised.

4. INFORMATION OF THE COMPANY AND THE GROUP

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

LETTER FROM THE BOARD

5. IMPLICATIONS UNDER THE LISTING RULES

YUNINV Notes

On 29 September 2023, the Company disposed of the YUNINV Notes in the principal amount of US\$300,000 (equivalent to approximately HK\$2,340,000) at a consideration (together with the accrued interests) of approximately US\$283,709 (equivalent to approximately HK\$2,212,930) in the open market.

On 3 October 2023, the Company disposed of the YUNINV Notes in the principal amount of US\$1,300,000 (equivalent to approximately HK\$10,140,000) at a consideration (together with the accrued interests) of approximately US\$1,216,226 (equivalent to approximately HK\$9,486,563) in the open market.

Since the disposals on 29 September 2023 and 3 October 2023 were conducted through a series of transactions which took place within a 12-month period, the YUNINV Notes disposed of were therefore aggregated pursuant to Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios for the disposals of the YUNINV Notes on 29 September 2023 and 3 October 2023 exceed 5% but all of them are less than 25%, the disposals on 29 September 2023 and 3 October 2023, in aggregate, constitutes a discloseable transaction of the Company and is therefore subject to the reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules.

On 4 October 2023, the Company further disposed of YUNINV Notes in the principal amount of US\$1,400,000 (equivalent to approximately HK\$10,920,000) at a total consideration (together with the accrued interests) of approximately US\$1,310,034 (equivalent to approximately HK\$10,218,265) in the open market.

Since the YUNINV Notes Disposal was conducted through a series of transactions which took place within a 12-month period, the YUNINV Notes disposed of were therefore aggregated pursuant to Rule 14.22 of the Listing Rules. As one of the applicable percentage ratios as calculated under Rule 14.07 of the Listing Rules in respect of the YUNINV Notes Disposal exceeds 25% but all of them are less than 75%, the YUNINV Notes Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements thereunder.

GFFHBV Bonds

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

LETTER FROM THE BOARD

6. WRITTEN SHAREHOLDER'S APPROVAL

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

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

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

7. RECOMMENDATION

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

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

8. ADDITIONAL INFORMATION

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

LETTER FROM THE BOARD

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

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

1. FINANCIAL INFORMATION OF THE GROUP

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

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

2. INDEBTEDNESS STATEMENT

As at the close of business on 30 September 2023, being the latest practicable date for ascertaining certain information relating to the indebtedness statement prior to the printing of this circular, the indebtedness of the Group was as follows:

Bonds and other payables

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

As at 30 September 2023, the Group had unsecured and guaranteed bonds with (i) outstanding principal amount of US\$92,500,000 (equivalent to approximately HK\$723,648,000) which is repayable on 9 February 2024 and (ii) outstanding bonds interest payables of US\$534,444 (equivalent to approximately HK\$4,184,000) which is payable semi-annually in arrears.

Lease liabilities

As at 30 September 2023, the Group had no lease liabilities.

Capital Commitment

As at 30 September 2023, the Group had no capital expenditure commitments.

Contingent Liabilities

As at 30 September 2023, the Group had no material contingent liabilities.

Save as aforesaid, as at the close of business on 30 September 2023, the Group did not have any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptance (other than under normal trade bills) or acceptance credits, debt securities (whether issued and outstanding or authorised or otherwise created but unissued), guarantees or other material contingent liabilities.

Save as disclosed above, the Directors have confirmed that there had been no material changes in the indebtedness and contingent liabilities of the Group since 30 September 2023, up to and including the Latest Practicable Date.

3. WORKING CAPITAL

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

- (i) as set out in the Company's announcement on 30 December 2022, SSII had entered into a memorandum of understanding (the "MOU") with a potential purchaser on 30 December 2022 in relation to the potential sale and purchase of the shares of the Company (the "**Potential Transaction**"). On 30 June 2023, SSII, the Potential Purchaser and a potential individual purchaser (the "**Potential Individual Purchaser**") had further entered into a supplemental memorandum of understanding (the "**1st Supplemental MOU**") that all the rights and obligations of the Potential Purchaser under the MOU shall be transferred to the Potential Individual Purchaser and the exclusivity period shall be extended from 30 June 2023 to 30 September 2023, while other terms of the MOU and their respective effect shall remain unchanged under the 1st Supplemental MOU. On 22 September 2023, SSII had entered into a second supplemental memorandum of understanding (the "**2nd Supplemental MOU**") with the Potential Individual Purchaser and the Potential Purchaser where the exclusivity periods shall be further extended from 30 September 2023 to 30 December 2023. The Directors considered that neither the MOU itself, the 1st and 2nd Supplemental MOU itself nor the Group's capital

deficiency position as at 30 September 2023 would trigger any early redemption of the bonds payable before the maturity date, unless and until there is any subsequent completion of the Potential Transaction;

- (ii) SWSC, the ultimate holding company of the Company, being the guarantor of the bonds payable and pursuant to the deed of guarantee, is obligated to guarantee payment of all sums payable from time to time by the Company in connection with the bonds payable, as and when required. The Directors considered SWSC have such financial ability to do so; and
- (iii) the Group is able to maintain sufficient working capital to realise its assets and discharge its liabilities in the normal course of businesses.

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

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

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

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors have not been aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

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

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

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors, the chief executive of the Company or their respective associates had any interests and short positions in the shares, underlying shares and/or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

3. DIRECTORS’ INTERESTS

- (a) None of the Directors has any direct or indirect interest in any assets which have been, since 30 June 2023, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group.
- (b) None of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular and which was significant in relation to the business of the Group.
- (c) None of the Directors or chief executives of the Company and their respective associates has any competing interests which would be required to be disclosed (as if each of them was a controlling Shareholder of the Company under Rule 8.10 of the Listing Rules).

4. COMPETING INTERESTS

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

5. SERVICE CONTRACTS

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

6. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

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

Interests in long positions in the Shares of the Company

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

Notes:

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

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

7. MATERIAL LITIGATION

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

8. MATERIAL CONTRACTS

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

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

9. GENERAL

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