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

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

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

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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 TRANSACTION**

**DISPOSAL OF CONVERTIBLE BONDS**

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23 January 2017

\* *For identification purpose only*

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## DEFINITIONS

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*In this circular, unless the contents otherwise requires, the following expressions have the meanings as set out below:*

|                       |  |
|-----------------------|--|
| “Board”               | the board of directors of the Company  |
| “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 Hong Kong Stock Exchange |
| “Completion Date”     | the date of completion of the Sale and Purchase Agreement  |
| “connected person(s)” | the meaning ascribed to it under the Listing Rules   |
| “Consideration”       | the consideration payable by the Purchaser for the Convertible Bonds under the Sale and Purchase Agreement   |
| “Conversion Shares”   | new shares of XinRen Aluminum to be allotted and issued by XinRen Aluminum upon conversion of the Convertible Bonds in accordance with the terms of the Convertible Bonds  |
| “Convertible Bonds”   | the 8% secured convertible bonds due 2020 issued by XinRen Aluminum in the principal amount of US\$30,000,000 which are owned by the Company as at the Latest Practicable Date   |
| “Directors”           | the directors of the Company   |
| “Disposal”            | the disposal of the Convertible Bonds by the Company to the Purchaser pursuant to the Sale and Purchase Agreement  |
| “Group”               | the Company and its subsidiaries   |
| “HK\$”                | Hong Kong dollar, the lawful currency of Hong Kong   |
| “Hong Kong”           | the Hong Kong Special Administrative Region of the PRC   |

\* For identification purpose only

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## DEFINITIONS

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|                               |  |
|-------------------------------|--|
| “Independent Third Party”     | the independent third party(ies) who is, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, independent of and not connected with the Company and its connected person(s) |
| “Latest Practicable Date”     | 19 January 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular  |
| “Listing Rules”               | the Rules Governing the Listing of Securities on the Stock Exchange  |
| “Long Stop Date”              | 10 February 2017 or such other date as the Company and the Purchaser may agree in writing  |
| “percentage ratios”           | as defined under the Listing Rules   |
| “PRC”                         | the People’s Republic of China, and for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan  |
| “Purchaser”                   | Singularity Advisory (Cayman) Ltd, a company incorporated in the Cayman Islands  |
| “Sale and Purchase Agreement” | the sale and purchase agreement dated 30 December 2016 entered into between the Company and the Purchaser in relation to the Disposal  |
| “SFO”                         | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)  |
| “SG\$”                        | Singapore dollar, the lawful currency of Singapore   |
| “Share(s)”                    | ordinary share(s) of par value HK\$0.10 each in the share capital of the Company   |
| “Shareholder(s)”              | holder(s) of the Share(s)  |

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## DEFINITIONS

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|                   |  |
|-------------------|--|
| “Stock Exchange”  | The Stock Exchange of Hong Kong Limited  |
| “SSII”            | Southwest Securities International Investment Limited, a company incorporated in Hong Kong with limited liability, the controlling Shareholder and wholly-owned by SWSC as at the Latest Practicable Date  |
| “SWSC”            | 西南證券股份有限公司 (Southwest Securities Co. Ltd.*), a company established in PRC with limited liability, the shares of which are listed on the Shanghai Stock Exchange. It wholly-owns SSII as at the Latest Practicable Date and is the controlling Shareholder of the Company |
| “US\$”            | United States dollar, the lawful currency of United States of America  |
| “XinRen Aluminum” | XinRen Aluminum Holdings Limited, a limited liability company incorporated in Singapore  |
| “%”               | per cent.  |

*Unless otherwise specified in this circular, amounts denominated in US\$ have been converted into Hong Kong dollars at US\$1.00 to HK\$7.80 for illustration purpose only. No representation has been made by the Company that any amount have been, could have been or could be converted at the above rate or at any other rates or at all.*

\* For identification purpose only

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. WU Jian\* (*Chairman*)  
Mr. PU Rui\* (*Chief Executive Officer*)  
Mr. ZHANG Chunyong\*  
Mr. XU Mingdi\*  
Ms. LIANG Yiqing\*

*Independent Non-executive Directors:*

Professor WU Jun\*  
Mr. MENG Gaoyuan\*  
Mr. GUAN Wenwei

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head office and principal place  
of business:*

Rooms 1601, 1606-1608  
16/F., Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong

23 January 2017

*To the Shareholders*

Dear Sir or Madam,

### MAJOR TRANSACTION DISPOSAL OF CONVERTIBLE BONDS

#### INTRODUCTION

Reference is made to the announcement of the Company dated 30 December 2016.

On 30 December 2016 (after trading hours), the Company and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Company conditionally agreed to dispose, and the Purchaser conditionally agreed to acquire the Convertible Bonds in the principal amount of US\$30,000,000 (equivalent to approximately HK\$234,000,000) to the Purchaser for the Consideration.

The purpose of this circular is to provide you with, (i) details of the Disposal; and (ii) the financial information of the Group.

\* For identification purpose only

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## LETTER FROM THE BOARD

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### THE SALE AND PURCHASE AGREEMENT

Principal terms of the Sale and Purchase Agreement are set out below:

**Date:** 30 December 2016

**Parties:** the Company (as vendor); and  
the Purchaser (as purchaser).

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

#### **Assets to be disposed of:**

The Convertible Bonds in the principal amount of US\$30,000,000 (equivalent to approximately HK\$234,000,000) which are owned by the Company as at the Latest Practicable Date.

Upon full exercise of the conversion right attaching to the Convertible Bonds, the maximum number of Conversion Shares to be allotted and issued by XinRen Aluminum pursuant to the full conversion of the US\$30,000,000 Convertible Bonds is 39,385,914 shares (based on the issue size of the US\$30,000,000 Convertible Bonds, the initial conversion price and assuming no adjustments to the initial conversion price, and using a fixed US\$ to SG\$ conversion rate of US\$1 = SG\$1.326), which represents approximately 3.02% of the total issued share capital of XinRen Aluminum and represents approximately 2.93% of the total issued share capital of XinRen Aluminum as enlarged by the allotment and issue of the Conversion Shares.

#### **Consideration:**

The total Consideration for the Convertible Bonds shall be settled in cash by the Purchaser in the following manner:

- (i) the 1st installment of the Consideration of USD30,000,000 (equivalent to approximately HK\$234,000,000), being the principal amount of the Convertible Bonds, shall be deposited to bank account designated by the Company on the Completion Date; and

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## LETTER FROM THE BOARD

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- (ii) the 2nd installment of the Consideration, being (a) the interest receivable under the Convertible Bonds for the period covering from 29 August 2016 to the Completion Date; and (b) the premium which is the amount payable by the Purchaser to the Company in order to achieve 8.5% internal rate of return for the Company for the period from the subscription date of the Convertible Bonds by the Company to the Completion Date.

The 2nd installment of the Consideration shall be deposited to bank account designated by the Company on or before 28 February 2017 or such other date as the Company and the Purchaser may mutually agree in writing. Subject to any extension of the Long Stop Date, it is expected that the 2nd installment of the Consideration will not exceed US\$1,172,000 (equivalent to approximately HK\$9,141,600), and the total Consideration will not exceed US\$31,172,000 (equivalent to approximately HK\$243,141,600).

The Consideration was determined after arm's length negotiations between the Company and the Purchaser and by making reference to (i) the principal amount of the Convertible Bonds; (ii) the interest receivable by the Company from 29 August 2016 to the Completion Date; and (iii) 8.5% internal rate of return for the Company for the period covering from the subscription date of the Convertible Bonds by the Company to the Completion Date. The internal rate of 8.5% is agreed between the Company and the Purchaser after having considered the 8% interest rate of the Convertible Bonds, and the decrease in liquidity of the Convertible Bonds due to the delisting of XinRen Aluminum's share from the Singapore Exchange Securities Trading Limited on 26 May 2016. For the avoidance of doubt, the interest under the Convertible Bonds from the subscription date up to 28 August 2016 has already been received by the Company, therefore, this interest is not taken into account for the determination of the Consideration.

### **Conditions Precedent:**

Completion of the Sale and Purchase Agreement is conditional upon, among other things, the fulfillment or waiver (save for conditions (i), (ii) and (vi) which cannot be waived) of the following conditions:

- (i) the Company having complied with all the requirements of the Listing Rules in relation to the transaction contemplated under the Sale and Purchase Agreement;
- (ii) the Company having obtained all necessary consent, authorizations, approvals and permits in relation to the transaction contemplated under the Sale and Purchase Agreement, including but not limited to the approval from the Shareholders pursuant to the relevant requirements under the Listing Rules;

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## LETTER FROM THE BOARD

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- (iii) no default having taken place or event of default having occurred and continuing, before the Completion Date, as the case may be, in relation to the Convertible Bonds in accordance with any of the finance documents in relation to the Convertible Bonds;
- (iv) each of the warranties made by the Company under the Sale and Purchase Agreement being correct;
- (v) the registrar and the common security agent of the Convertible Bonds having accepted or otherwise completed the “know your client” process with respect to the Purchaser; and
- (vi) the registrar and the common security agent of the Convertible Bonds having acknowledged that the relevant transfer documents and information in relation to the transaction under the Sale and Purchase Agreement are in place and they will implement the transfer (including but not limited to issuance of a new bond certificate in the name of the Purchaser and enter the name of the Purchaser into the convertible bond register) upon receipt of the executed transfer documents.

The Company and the Purchaser shall use all reasonable endeavours to fulfill or procure the fulfillment of the relevant conditions set out above on or before the Long Stop Date. If the conditions are not fulfilled or waived by the Purchaser (if applicable) on or before the Long Stop Date, the Sale and Purchase Agreement shall terminate and the parties thereto shall be released and discharged from all obligations thereunder (save for any liabilities in respect of any antecedent breaches occurring prior to such termination).

### **Warranties of the Purchaser:**

The Purchaser agrees and undertakes that it shall maintain a positive net asset value, and shall not sell or transfer any of the Convertible Bonds and remain as the legal and beneficial owner of the Convertible Bonds until the 2nd installment of the Consideration is paid to the Company.

### **Completion:**

Completion of the Sale and Purchase Agreement shall take place within three business days after the conditions precedent to the Sale and Purchase Agreement has been fulfilled or waived (if applicable) or such other date as the Company and the Purchaser may mutually agree in writing.

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## LETTER FROM THE BOARD

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### INFORMATION OF THE CONVERTIBLE BONDS AND XINREN ALUMINUM

The principal terms and conditions of the Convertible Bonds are set out as follows:

|                    |   |  |
|--------------------|---|--|
| Issuer             | : | XinRen Aluminum  |
| Current bondholder | : | The Company  |
| Principal Amount   | : | US\$30,000,000   |
| Interest           | : | 8% per annum   |
| Maturity Date      | : | The fifth anniversary from 27 August 2015, the initial issue date of the Convertible Bonds, i.e. 27 August 2020  |
| Conversion Period  | : | Each bondholder has the right to convert all or from time to time any portion (in a minimum principal amount of US\$200,000 and integral multiples of US\$1,000 in excess thereof) of its Convertible Bonds into the shares of XinRen Aluminium credited as fully paid at any time after the issue date of the Convertible Bonds to and including the maturity date  |
| Conversion Price   | : | SG\$1.01 per Conversion Share, subject to adjustment in the applicable circumstances as described in the subscription agreement (the “ <b>Subscription Agreement</b> ”) of the Convertible Bonds dated 2 October 2015  |
| Conversion Shares  | : | The maximum number of Conversion Shares to be allotted and issued by XinRen Aluminum pursuant to the full conversion of the US\$30,000,000 Convertible Bonds is 39,385,914 shares (based on the issue size of the US\$30,000,000 Convertible Bonds, the initial conversion price and assuming no adjustments to the initial conversion price, and using a fixed US\$ to SG\$ conversion rate of US\$1 = SG\$1.326), which represents approximately 3.02% of the total issued share capital of XinRen Aluminum and represents 2.93% of the total issued share capital of XinRen Aluminum as enlarged by the allotment and issue of the Conversion Shares. |

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## LETTER FROM THE BOARD

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- Ranking of the Convertible Bonds : The Convertible Bonds constitute direct, secured, unconditional and (subject to the terms of the Intercreditor Deed (as defined in the Subscription Agreement)) unsubordinated obligations of XinRen Aluminum and shall at all times rank *pari passu* and without any preference among themselves.
- Collaterals to the Convertible Bonds : The obligations of XinRen Aluminum with respect to the Convertible Bonds will be secured by a security package (collectively the “**Collaterals**”) including a charge over certain assets and undertaking of the guarantors of the Subscription Agreement, share mortgages over each of the said guarantors and equity pledges over four subsidiaries in the PRC, certain bank accounts and security accounts and equipment mortgages, each of which will be shared with other creditors, as well as securities that would only secure the Convertible Bonds, including a charge over all assets and an undertaking of XinRen Aluminum (other than those assets which are the subject of other security documents) and a charge over the coupon reserve account.
- Transferability : Title to the Convertible Bonds passes only by transfer and registration in the register of the bondholders.
- Early Redemption : **Mandatory Early Redemption Events**
- Upon the occurrence of change of control, delisting or suspension of trading, relevant disposal, flotation, relevant incurrence, relevant issue, excess proceeds, dividend prepayment event or loan prepayment event as set out in the terms and conditions of the Convertible Bond, each bondholder shall have the right (a “**Mandatory Early Redemption Right**”), at such bondholder’s election, to require XinRen Aluminum to redeem all of its Convertible Bonds or (in the case of a relevant disposal, relevant incurrence, relevant issue, excess proceeds prepayment event, dividend prepayment event or loan prepayment event) the *pro rata* share of its Convertible Bonds based on the net proceeds or amount due (as the case may be) from the relevant mandatory early redemption event, on the relevant mandatory early redemption event date, at the 119 per cent. of the principal amount outstanding as determined from the initial issue date of the Convertible Bonds together with the corresponding interest accrued to (but excluding) the date of redemption and break cost (if any).

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## LETTER FROM THE BOARD

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- Undertakings of  
XinRen Aluminum
- :
- So long as any Convertible Bond remains outstanding, unless otherwise approved pursuant to an extraordinary resolution of the bondholders, XinRen Aluminum and the Guarantors, each of their respective subsidiaries shall:
- (a) pay the expenses of the issue of Shares of XinRen Aluminium arising on conversion of any Convertible Bond;
  - (b) not make any reduction of its share capital or any uncalled liability in respect thereof or of any revenue reserve or any other reserve (except, in each case, as permitted by law and in the case of reduction of its share capital, any permitted share buy-back); and
  - (c) reserve, free from any other pre-emptive or other similar rights out of its authorised but unissued ordinary share capital the full number of Shares of XinRen Aluminium liable to be issued on conversion of any Convertible Bond from time to time remaining outstanding and shall ensure that all Shares of XinRen Aluminium delivered on conversion of any Convertible Bond will be duly and validly issued as fully-paid.

XinRen Aluminum is a vertically integrated maker of primary aluminum products in the PRC. Established in the 1970s, XinRen Aluminum is involved in key stages of aluminum smelting, fabrication and trading, where it derives revenue from the sale of ingots and plates, as well as sheets, coils and foils which are used in a diverse range of sectors such as consumer, transport and construction. As set out in the announcement of the Company dated 25 February 2016, Merit Stand Inc. made an offer for all the issued shares of XinRen Aluminium. Such offer was completed and the shares of XinRen Aluminum have been delisted from the Singapore Exchange Securities Trading Limited on 26 May 2016.

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## LETTER FROM THE BOARD

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The following audited financial information is extracted from the financial reports of XinRen Aluminum:

|   | <b>For the<br/>year ended<br/>31 December<br/>2014<br/>(Restated)<br/>RMB'000</b> | <b>For the<br/>year ended<br/>31 December<br/>2015<br/>(Audited)<br/>RMB'000</b> |
|---|---|--|
| Revenue   | 14,481,787  | 25,756,498   |
| Profit from continuing operations before income tax | 1,008,929   | 881,570  |
| Profit from continuing operations after income tax  | 748,156   | 649,519  |
| Loss from discontinued operation after income tax   | (140,961)   | (226,743)  |
| Profit after income tax                             | 607,195   | 422,776  |
|   | <b>As at<br/>31 December<br/>2014<br/>(Audited)<br/>RMB'000</b>                   | <b>As at<br/>31 December<br/>2015<br/>(Audited)<br/>RMB'000</b>                  |
| Net assets  | 5,588,847   | 5,620,063  |

### INFORMATION OF THE GROUP

The Group is principally engaged in futures broking, securities broking and margin financing, corporate finance, wealth management and insurance broking, money lending and proprietary trading.

### INFORMATION OF THE PURCHASER

The Purchaser is a company incorporated in the Cayman Islands with limited liability and is principally engaged in strategic credit investment.

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF THE DISPOSAL

Having considered the lack of liquidity of the Conversion Shares following the delisting of the shares of XinRen Aluminum from the Singapore Exchange Securities Trading Limited on 26 May 2016 as a result of completion of a voluntary conditional cash offer, the Directors are of the view that the Disposal will enable the Group to realize the investment in the Convertible Bonds and apply the net proceeds from the Disposal on development of the Group's investment banking business.

Based on the aforesaid, the Directors believe that the Disposal is on normal commercial terms and the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

### FINANCIAL EFFECT OF THE DISPOSAL

According to applicable Hong Kong Financial Reporting Standards, the Convertible Bonds, including the debt and conversion option derivative components, are recognised as a financial asset designated as held-to-maturity investments on the Company's consolidated statement of financial position before the Completion. As at the Latest Practicable Date, the Company has not converted any of the Convertible Bonds into the Conversion Shares.

Assuming the completion of the Sale and Purchase Agreement would take place on the Long Stop Date, it is expected that the Company will recognize a loss of approximately US\$172,000 (equivalent to approximately HK\$1,341,600) from the Disposal. The consolidated total assets of the Group will decrease by the same amount. Such estimated loss is calculated at the Consideration less the carrying value of the Convertible Bonds and the interest receivable under the Convertible Bonds covering the period from 29 August 2016 to the Completion Date. It is expected that the Disposal will have no significant financial effect on the Group's total liabilities.

It should be noted that the abovementioned analyses are for illustrative purpose only and does not purport to represent how the financial position of the Group will be after the Completion. The actual gain or loss as a result of the Disposal to be recorded by the Company is subject to when the Completion is taken place and audit to be carried out by the Company's auditors.

### USE OF PROCEEDS

It is expected that the net proceeds from the Disposal of not exceeding US\$31,172,000 (equivalent to approximately HK\$243,141,600) will be used for development of the Group's investment banking business.

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## LETTER FROM THE BOARD

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### LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Disposal are more than 25% but less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

So far as the Directors are aware, having made all reasonable enquiries, as at the Latest Practicable Date, no Shareholder has a material interest in, and would be required to abstain from voting on the resolution to approve the Sale and Purchase Agreement if the Company were to convene a general meeting to approve the Sale and Purchase Agreement and the transactions contemplated therein.

Pursuant to Rule 14.44 of the Listing Rules, written Shareholders' approval of the Sale and Purchase Agreement and the transactions contemplated therein have been obtained on 12 January 2017 from SSII, being the controlling Shareholder which is entitled to vote on the resolution(s) in relation to the Disposal and holding 1,811,796,822 Shares (representing approximately 74.22% of the issued share capital of the Company as at the Latest Practicable Date).

### RECOMMENDATION

The Directors consider the Sale and Purchase Agreement and the transactions contemplated therein to be fair and reasonable and in the interests of the Company and the Shareholders as a whole and recommend the Shareholders to vote in favour of the resolution(s) if the Company were to convene a general meeting to approve the Sale and Purchase Agreement and the transactions contemplated therein.

### ADDITIONAL INFORMATION

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

Yours faithfully,  
For and on behalf of

**Southwest Securities International Securities Limited**

**Wu Jian\***

*Chairman*

\* For identification purpose only

**1. FINANCIAL SUMMARY OF THE GROUP**

The Company is required to set out in this circular the financial information for the last three financial years with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited statement of financial position together with the notes on the annual accounts for the last financial year for the Group.

The audited consolidated financial statements of the Group for the year ended 30 June 2013 are set out in pages 33 to 94 of the annual report 2013 of the Company which was posted on 11 October 2013 on the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.swsc.hk](http://www.swsc.hk)).

The audited consolidated financial statements of the Group for the year ended 30 June 2014 are set out in pages 35 to 102 of the annual report 2014 of the Company which was posted on 15 October 2014 on the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.swsc.hk](http://www.swsc.hk)).

The audited consolidated financial statements of the Group for the year ended 30 June 2015 are set out in pages 42 to 110 of the annual report 2015 of the Company which was posted on 15 October 2015 on the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.swsc.hk](http://www.swsc.hk)).

Due to change of financial year end date 30 June to 31 December as stated in the announcement of the Company dated 3 December 2015, the Group also prepared audited consolidated financial statements for the six months ended 31 December 2015, the contents of which are set out in pages 39 to 106 of the annual report 2015 (for the six months ended 31 December 2015) of the Company which was posted on 18 April 2016 on the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company's website ([www.swsc.hk](http://www.swsc.hk)).

**2. WORKING CAPITAL**

The Directors are of the opinion that, after taking into account its present available financial resources, the Group has sufficient working capital for the next 12 months from the date of this circular in the absence of unforeseen circumstances.

**3. INDEBTEDNESS**

As at the close of business on 30 November 2016, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this circular, the indebtedness of the Group was as follows:

**Borrowings**

As at the close of business on 30 November 2016, being the latest practicable date for the purpose of this indebtedness statement, the Group had the following indebtedness:

- (1) The Company issued bonds with aggregate principal amount of RMB1,500,000,000 (the “**Bonds**”). The Bonds bear interest from 28 May 2015 (inclusive) at the rate of 6.45% per annum, unsecured, unguaranteed and due on 28 May 2018. Interest on the Bonds is payable semi-annually in arrears. As of 30 November 2016, the carrying amount of the Bonds is approximately RMB1,489,765,000 (equivalent to HK\$1,677,129,000).
- (2) Loan from a financial institution with principal amount of HK\$20,000,000, which is interest bearing at 2.83989% per annum, unsecured, unguaranteed and repayable on demand.

**Contingent liabilities**

There have been no contingent liabilities of the Group as of 30 November 2016.

**Capital commitments**

As at 30 November 2016, the Group did not have any material capital commitments.

**Commitment under cross-currency swap agreements**

In June 2015, the Group entered into a three-year cross-currency swap agreement with a bank in the United Kingdom with initial exchange amounts of RMB1,484,279,000 and HK\$1,853,032,000.

Pursuant to the cross-currency swap agreement, the Group is obliged to make semi-annual interest payments to the bank. The amount to be paid is calculated on the final exchange amount of HK\$1,872,659,000 with reference to the agreed annual rate of 4.7%. The Group in return is entitled to receive semi-annual interest on the final exchange amount of RMB1,500,000,000 at 6.45% per annum. Upon maturity of the cross-currency swap, the Group agrees to convert the final exchange amount of HK\$1,872,659,000 to RMB1,500,000,000. The cross-currency swap is settled on gross basis.

Save as aforesaid, apart from intra-group and normal trade and other payables, the Group did not have any outstanding bank overdrafts, loans, borrowings or other similar indebtedness, liabilities under acceptances and acceptance credits, mortgages, charges, finance lease, hire purchases commitments, which were either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities at the close of business on 30 November 2016.

To the best knowledge of the Directors, there has not been any material change in the indebtedness and contingent liabilities of our Group since 30 November 2016 and up to the Latest Practicable Date.

#### **4. MATERIAL CHANGE**

As at the Latest Practicable Date, the Directors are not aware of any material adverse change to the financial or trading position of the Group since 31 December 2015, 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**

China's economy has remained stable in the last year. Supported by the real estate and finance industry sectors, China's gross domestic product (GDP) grew by 6.7% year-on-year for the first three quarters of 2016. Although China is still annoyed by the uncertainties from the weakening Renminbi and the recent United States president election result, the Group has not lost its optimism towards China's economy. China's structural reforms of the supply side and other economic policies such as the "One Belt, One Road" initiative, are going on the right track. China's financial corporations are still making huge investments in Hong Kong. Blessed by the implementation of Shenzhen-Hong Kong Stock Connect, the Group believes that the financial markets in the Mainland and Hong Kong are integrating well and facing new development opportunities ahead. SWSC, the controlling Shareholder of the Company, has a geographical advantage in the region, which is set to quicken the development pace of cross-border financial services and help local companies there to "go out and extend their business" and "come in to conduct business". Being the SWSC's only overseas business platform enjoying the new opportunities for financial developments, the Group is actively exploring new businesses and approaching new customers so as to grow alongside China's economic policies.

With the increasing integration of Hong Kong and China financial markets, the competition among Hong Kong securities firms is intensifying. As such, the Group is fully utilising the strong influence of its parent company in Mainland China to boost up its operations and develop new businesses. With the support from SWSC in China, the Group is able to enhance the existing customer base to explore new business opportunities by providing one-stop securities, investment and financing services for customers overseas. Furthermore, the Group intends to use the investment and banking businesses of SWSC to build a cross-border investment banking business chain, aiming to attract companies in the Mainland southwest region to participate in listing or financing activities in Hong Kong or overseas, and attract global investment institutions to participate in the economic development of the southwest region.

Apart from that, the Group is recruiting top financial talents in Hong Kong to join its team. Further, the improvements on risk and internal control procedures and management never stop. The Group is investing in new networking technology and transactions systems in order to create a user-friendly and advanced online transaction platforms for investors.

In the foreseeable future, the Group will provide leading edge, inexhaustible comprehensive financial products and services to the customers in the Greater China Region and Southeast Asia in order to become the favorable financial services conglomerate in the region.

**1. RESPONSIBILITY STATEMENT**

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

**2. DISCLOSURE OF INTERESTS****(a) Directors' interests in Shares**

As at the Latest Practicable Date, none of the Directors, the chief executive of the Company and their respective associates had any interests or short positions in the Shares, underlying Shares and/or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were 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 or short positions which any such Director or chief executive of the Company was 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 for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

**(b) Substantial Shareholders' interests**

As at the Latest Practicable Date, so far as was known to the Directors, the following persons (other than those disclosure under the paragraph headed "Disclosure of interests and short positions in shares, underlying shares and debentures of Directors and chief executive of the Company") had an interest or short position in the shares and underlying shares 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 or as recorded in the register required to be kept by the Company under section 336 of the SFO:

| Name of Shareholders   | Notes     | Capacity and nature of interest    | Number of ordinary Shares held (long position) | Approximate percentage of interest |
|--|-----------|------------------------------------|--|------------------------------------|
| SSII   | <i>i</i>  | Beneficial owner                   | 1,811,796,822                                  | 74.22                              |
| SWSC   | <i>i</i>  | Interest of controlled corporation | 1,811,796,822                                  | 74.22                              |
| 重慶渝富資產經營管理集團有限公司<br>Chongqing Yu Fu Assets Operation Management Group Company Limited<br>(“Chongqing Yu Fu”) | <i>ii</i> | Interest of controlled corporation | 1,811,796,822                                  | 74.22                              |

*Notes:*

- (i) SSII is wholly-owned by SWSC. SWSC is therefore deemed, or taken to be, interested in all shares which SSII is interested for the purpose of the SFO.
- (ii) Chongqing Yu Fu is interested in approximately 26.99% of the issued shares of SWSC. According to an announcement issued by SWSC dated 25 September 2015, Chongqing Yu Fu, through a fund management company, established a special asset management plan in August 2015. In September 2015, this special asset management plan acquired a total of 6,009,102 shares in SWSC, representing approximately 0.21% of the issued shares of SWSC. Chongqing Yu Fu is deemed, or taken to be, interested in all shares which SWSC is interested (or deemed or taken to be interested) for the purpose of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified of any other persons (other than those disclosure under the paragraph headed “Disclosure of interests and short positions in shares, underlying shares and debentures of Directors and chief executive of the Company”), who had an interest or short positions in the shares or underlying shares of the Company, which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under section 336 of the SFO.

Mr. Wu Jian is a director and a general manager of SWSC, Mr. Pu Rui is a deputy general manager of SWSC, Mr. Zhang Chunyong is a vice president of SWSC, Mr. Xu Mingdi is a vice president and the board secretary of SWSC, and Professor Wu Jun is an independent director of SWSC. Mr. Wu Jian, Mr. Pu Rui, Mr. Zhang Chunyong and Mr. Xu Mingdi are also a director in SSII.

### **3. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing and proposed service contract with any members of the Group other than contracts expiring or determinable by the relevant member of the Group within one year without payment of compensation (other than statutory compensation).

### **4. MATERIAL CONTRACTS**

The following contracts, not being contracts in the ordinary course of business of the Group, were entered into by the Group within two years immediately preceding the date of this circular which are or may be material:

- (a) the Sale and Purchase Agreement;
- (b) the subscription agreement dated 2 October 2015 entered into among the Company (as subscriber), XinRen Aluminum (as issuer), Wider Vision Limited, China Leading International Group Limited and Art Billion Corporation Limited, pursuant to which XinRen Aluminum conditionally agreed to issue, and the Company conditionally agreed to subscribe the Convertible Bonds in an aggregate principal amount of US\$30,000,000. Please refer to the announcement of the Company dated 2 October 2015 and the circular of the Company dated 30 October 2015;
- (c) the contracts in relation to a series of on-market acquisitions of 145,000 shares of Hong Kong Exchanges and Clearing Limited (stock code: 388) at the price range between HK\$206.40 and HK\$236.20 per such share for an aggregate purchase price of HK\$33,430,000. Please refer to the announcement of the Company dated 23 July 2015;

- (d) the subscription agreement dated 21 May 2015 entered into among the Company (as issuer), SWSC and the Initial Subscribers (as initial subscribers), pursuant to which the Company will conditionally issue and the Initial Subscribers will conditionally subscribe for the bonds, which is CNY1,500,000,000 principal amount of 6.45% bonds due 2018. Please refer to the announcement of the Company dated 22 May 2015; and
- (e) the contracts in relation to a series of on-market disposal of 100,000 shares of Hong Kong Exchanges and Clearing Limited (stock code: 388) at the price range between HK\$292.60 and HK\$309.00 per such share for an aggregate gross sale proceeds of HK\$30,306,000. Please refer to the announcement of the Company dated 27 July 2015.

#### **5. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS**

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2015 (being the date to which the latest published audited accounts of the Group were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) proposed to be acquired or disposed of by; or (iv) proposed to be leased to, any member of the Group.

#### **6. DIRECTORS' INTEREST IN COMPETING BUSINESS**

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 as required to be disclosed pursuant to the Listing Rules.

#### **7. LITIGATION**

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries have been engaged in any litigation or claims of material importance and, so far as the Directors are aware, there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

**8. GENERAL**

- (a) The joint company secretaries of the Company are Mr. Luo Yi and Miss Fung Suk Han.

Mr. Luo Yi is also the vice president of the Group and the authorised representative of the Company. He is currently in charge of investment banking, China business development, equity capital markets and fixed income capital departments of the Group. He was appointed as an executive director, a member of remuneration committee and executive committee of the Company for the period from 27 January 2015 to 27 February 2015. He has obtained a license issued by the Securities and Futures Commission under the Securities and Futures Ordinance to carry out Type 6 Regulated Activity (Advising on Corporate Finance) since 2008, and has become a member of the Chinese People's Political Consultative Conference of Guangzhou City since 2014.

Miss Fung Suk Han has over 19 years' experience in company secretarial field. She is an associate member of The Institute of Chartered Secretaries and Administrators in the United Kingdom and The Hong Kong Institute of Chartered Secretaries. She holds a Master's Degree in Business Administration from The Open University of Hong Kong.

- (b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business of the Company in Hong Kong is at Rooms 1601, 1606-1608, 16th Floor, Central Plaza, 18 Harbour Road, Wan Chai, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) The English text of this circular prevails over the Chinese text.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong at Rooms 1601, 1606-1608, 16th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong for a period of 14 days from the date of this circular:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company containing audited consolidated financial statements of the Company for the two years ended 30 June 2014 and 2015 and for the six months ended 31 December 2015;
- (c) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix; and
- (d) this circular.