

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

(Incorporated in Bermuda with limited liability)

(Stock Code: 952)

**MAJOR TRANSACTION
IN RELATION TO THE ENTERING INTO OF
A HEDGING CONTRACT**

THE HEDGING CONTRACT

On 16 March 2020, China Tonghai Securities Limited, an indirect wholly-owned subsidiary of the Company, as an underwriter to the rights issue by GTJA, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1788), subscribed to 154,275,711 GTJA Shares at the price of HK\$1.45 per GTJA Share. As part of the internal arrangement of the Group, such GTJA Shares are currently held by the Group Company.

The Board is pleased to announce that on 17 June 2020 (after trading hours), the Group Company entered into the Hedging Contract with the Counterparty in respect of the hedging of the Reference Shares. Pursuant to the Hedging Contract, the Group Company agreed to pay the Consideration to the Counterparty on the Completion Date, in exchange for a right to require the Counterparty to pay the Settlement Amount after the Maturity Date.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Hedging Contract exceeds 25% but all are less than 100%, the entering into of the Hedging Contract constitutes a major transaction for the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Counterparty and its ultimate beneficial owner are Independent Third Parties.

As no Shareholder is required to abstain from voting if the Company were to convene a general meeting for approving the Hedging Contract, and as the Company has obtained written approval of the transaction from the Controlling Shareholder, who is interested in 4,493,764,732 shares of the Company, representing approximately 72.51% of the issued share capital of the Company as at the date of this announcement, pursuant to Rule 14.44 of the Listing Rules, the shareholders' approval requirement is deemed to have been fulfilled and the Company is not required to convene a general meeting for approving the transaction.

As additional time is required for the Company to prepare and finalize certain information to be included in the circular, it is expected that the circular setting out, among others, details of the Hedging Contract and other information will be despatched to the shareholders of the Company on or before 24 July 2020.

INTRODUCTION

On 16 March 2020, China Tonghai Securities Limited, an indirect wholly-owned subsidiary of the Company, as an underwriter to the rights issue by GTJA, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1788), subscribed to 154,275,711 GTJA Shares at the price of HK\$1.45 per GTJA Share. As part of the internal arrangement of the Group, such GTJA Shares are currently held by the Group Company.

The Board is pleased to announce that on 17 June 2020 (after trading hours), the Group Company entered into the Hedging Contract with the Counterparty in respect of the hedging of the Reference Shares. Pursuant to the Hedging Contract, the Group Company agreed to pay the Consideration to the Counterparty on the Completion Date, in exchange for a right to require the Counterparty to pay the Settlement Amount after the Maturity Date.

THE HEDGING CONTRACT

The principal terms of the Hedging Contract are set out below:

Date

17 June 2020

Parties

- (1) the Group Company; and
- (2) the Counterparty.

Subject Matter

The subject matter of the Hedging Contract is the Reference Shares being the maximum of 154,275,711 GTJA Shares.

Consideration

The Group Company shall pay a non-refundable cash amount of HK\$15,000,000 to the Counterparty on the Completion Date. Such amount will be satisfied by the internal resources of the Group.

Hedging Provision

On the Maturity Date, if the Closing Price is:

- (i) equal to or higher than the Reference Price, there shall be no payment obligation on either Party and the Parties shall be released from their respective obligations under the Hedging Contract; or
- (ii) less than the Reference price, the Counterparty shall pay the Settlement Amount to the Group Company.

Settlement Amount

The Settlement Amount shall be calculated by the Group Company in the following manner:

The number of GTJA Shares held by the Group Company as at the Maturity Date (which shall not be more than the number of Reference Shares and does not include any GTJA Shares acquired by the Group Company after the Completion Date) multiplied by the difference between the Reference Price and the Closing Price, less the total dividends received in respect of the Reference Shares (if any).

The Settlement Amount shall be payable by the Counterparty to the Group Company, in cash, within five (5) Business Days after the Maturity Date.

Completion

Completion shall be conditional upon and subject to:

- (i) the Group Company having conducted and is satisfied with the due diligence on the Counterparty;
- (ii) the warranties under the Hedging Contract remaining true and accurate in all respects; and

- (iii) the Company obtaining the written shareholders' approval from the controlling shareholder(s) of the Company who hold more than 50% of the voting rights of the Company at a general meeting to approve the transaction pursuant to Rule 14.44 of the Listing Rules.

Other material terms

The Group Company may dispose of all or part of the Reference Shares at any time during the term of the Hedging Contract at its sole and absolute discretion.

Neither the Counterparty nor its associates (as defined in the Listing Rules) may acquire any Reference Shares from the Group Company (whether in the open market or off market) during the term of the Hedging Contract. For the avoidance of doubt, no GTJA Shares will be transacted between the Group and the Counterparty or its associates under the Hedging Contract and the Settlement Amount shall be payable in cash.

INFORMATION OF THE GROUP AND THE GROUP COMPANY

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

The Group Company is a wholly-owned subsidiary of the Company, which was incorporated in Hong Kong with limited liability. It is principally engaged in investment holding and import/export trading liaison in Hong Kong.

INFORMATION OF THE COUNTERPARTY

The Counterparty is a company incorporated in British Virgin Islands with limited liability. Its principal business is investment holding. The sole director, sole shareholder and ultimate beneficial owner of the Counterparty is Mr. CHAN Siu Yeung.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Counterparty and its ultimate beneficial owner are Independent Third Parties.

REASONS FOR AND BENEFITS OF ENTERING THE HEDGING CONTRACT

The Group acquired the Reference Shares as a result of the underwriting of the rights issue of GTJA. The Group has been continuously monitoring the share price of GTJA in order to optimise the return on the Reference Shares at the right time. However, since the completion of the rights issue by GTJA, the stock price of GTJA has fallen considerably from the subscription price of the Reference Shares. The closing price of GJTA Shares on 16 June 2020

(being the preceding day before this announcement) was HK\$0.980. As part of its business and investments, the Group is exposed to such equity price risk which it manages by, among other things, hedging against such risk exposure. Accordingly, the Company considers that it is necessary and in the best interests of the Company to manage the risk of the loss in value of the Reference Shares by hedging against the equity price risk.

The Consideration to be paid by the Group Company to the Counterparty pursuant to the Hedging Contract was determined after arms-length negotiations with reference to the prevailing market price, the potential fluctuations in and the historical performance of the trading price of the GTJA Shares.

The entering into of the Hedging Contract will allow the Group to hedge against any decrease in value of the Reference Shares in the future and no GTJA Shares will be transacted with the Counterparty pursuant to the Hedging Contract. The Hedging Contract also contains a term which allows the Group Company to dispose all or part of the Reference Shares at any time during the term of the Hedging Contract, which allows the Group to effectively monitor the value of its investment and to give it the flexibility to realise the Reference Shares if the share price of GTJA rises during the term of the Hedging Contract. Accordingly, the Directors consider the terms of the Hedging Contract (including the Consideration) are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Hedging Contract exceeds 25% but all are less than 100%, the entering into of the Hedging Contract constitutes a major transaction for the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

As no Shareholder is required to abstain from voting if the Company were to convene a general meeting for approving the Hedging Contract, and as the Company has obtained written approval of the transaction from the Controlling Shareholder, who is interested in 4,493,764,732 shares of the Company, representing approximately 72.51% of the issued share capital of the Company as at the date of this announcement, pursuant to Rule 14.44 of the Listing Rules, the shareholders' approval requirement is deemed to have been fulfilled and the Company is not required to convene a general meeting for approving the transaction.

As additional time is required for the Company to prepare and finalize certain information to be included in the circular, it is expected that the circular setting out, among others, details of the Hedging Contract and other information will be despatched to the shareholders of the Company on or before 24 July 2020.

DEFINITIONS

Unless the context otherwise requires, capitalised terms used in this announcement shall have the following meanings:

“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, a Sunday or public holiday) on which licensed banks in Hong Kong are open for business throughout their normal business hours
“Closing Price”	the average closing price of the GTJA Shares as quoted on the Stock Exchange for the five Business Days immediately prior to the Maturity Date
“Commencement Date”	the first Business Day after the Completion Date
“Company”	China Tonghai International Financial Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 952)
“Completion Date”	the date falling within two Business Days after all the conditions precedent under the Hedging Contract have been fulfilled
“Consideration”	a non-refundable cash amount of HK\$15,000,000
“Controlling Shareholder”	Oceanwide Holdings International Financial Development Co., Ltd., a company incorporated in the British Virgin Islands with limited liability
“Counterparty”	XingHai Pacific Investment Limited, a company incorporated in the British Virgin Islands with limited liability
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Group Company”	China Tonghai Capital (Holdings) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company

“GTJA”	Guotai Junan International Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1788)
“GTJA Share(s)”	ordinary share(s) in the issued share capital of GTJA
“Hedging Contract”	the cash-settled hedging contract dated 17 June 2020 entered into between the Group Company and the Counterparty in respect of the Reference Shares
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	persons or companies who/which are not connected with (within the meaning of the Listing Rules) and are independent of the directors, chief executives and substantial Shareholders of the Group or any of their associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the date falling on the first anniversary of Commencement Date. If the Maturity Date is not a Business Day, it shall be the next Business Day after the Maturity Date
“Parties” and each a “Party”	the parties to the Hedging Contract
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong
“Reference Price”	HK\$1.45 per GTJA Share
“Reference Shares”	the maximum of 154,275,711 GTJA Shares
“Settlement Amount”	the amount payable in cash by the Counterparty under the Hedging Contract calculated in accordance with the terms set out in the paragraph headed “ Settlement Amount ” in this announcement
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong Dollar(s), the lawful currency of Hong Kong

“%”

per cent

On behalf of the Board
China Tonghai International Financial Limited
HAN Xiaosheng
Chairman

Hong Kong, 17 June 2020

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

Executive Directors:

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

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. Bernard POULIOT
Mr. LIU Bing
Mr. ZHAO Yingwei
Mr. ZHAO Xiaoxia